

## **MAS NOTICE 642**

25 February 2013

NOTICE TO BANKS  
BANKING ACT, CAP 19

### **MOTOR VEHICLE LOANS**

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1. This Notice is issued pursuant to section 55 of the Banking Act (Cap. 19) (“the Act”) and applies to all banks in Singapore.

#### **Total Credit Facilities and Tenure of Credit Facilities**

2. A bank shall not –
  - (a) grant any credit facility for the purchase of a motor vehicle to a Borrower where the aggregate of –
    - (i) the amount granted under the credit facility; and
    - (ii) the balance outstanding under any other credit facility granted to the Borrower for the purchase of that motor vehicle,  
exceeds the Relevant Amount; or
  - (b) enter into any hire-purchase agreement for the hiring of a motor vehicle to a hirer where the hire-purchase price exceeds the Relevant Amount.
3. A bank shall not –
  - (a) grant any credit facility for the purchase of a motor vehicle to any Borrower where the tenure of the credit facility exceeds 5 years;
  - (b) enter into any hire-purchase agreement for the hiring of a motor vehicle with any hirer where the period of hire exceeds 5 years; or
  - (c) in the case where the Borrower has entered into any hire-purchase agreement for the hire of a motor vehicle, grant any credit facility for the purchase of that motor vehicle to the Borrower, where the sum of –
    - (i) the period of hire under the hire-purchase agreement;
    - (ii) in the case where there is any subsequent hire-purchase agreement, the sum of –

- (A) the period of hire under the subsequent hire-purchase agreement; and
  - (B) the period between the date the subsequent hire-purchase agreement is entered into and the date the first hire-purchase agreement was entered into for the hire of the motor vehicle; and
- (iii) the tenure of the credit facility,
- exceeds 5 years.

#### **Purchaser's or Hirer's Contribution**

4. A bank shall not disburse monies under any credit facility for the purchase of a motor vehicle or enter into any hire-purchase agreement for the hiring of a motor vehicle, unless the Borrower or hirer, as the case may be, has paid out of monies not obtained through any credit facility, a sum not less than the difference between –
- (a) the purchase price of the motor vehicle; and
  - (b) the Relevant Amount.
5. A bank which grants credit facilities to any other company for the purpose of enabling the company to –
- (a) grant credit facilities for the purchase of a motor vehicle; or
  - (b) enter into a hire-purchase agreement for the hiring of a motor vehicle,
- shall take reasonable steps to ensure that the company complies with paragraphs 2, 3 and 4 in respect of such credit facilities granted or hire-purchase agreement entered into by the company, as if the company is the bank.

#### **Verification by the Bank**

##### Declaration

6. A bank granting a credit facility for the purchase of a motor vehicle shall obtain a written declaration from the Borrower on –
- (a) whether the Borrower received any discount, rebate or any other benefit from the vendor or any other person which has the effect of reducing the True Purchase Price and the amount of such discount, rebate or benefit, as the case may be; and
  - (b) whether the Borrower has obtained any other credit facility for the purchase of the motor vehicle, and if so, the amount of such credit facility.
7. A bank entering into a hire-purchase agreement for the hiring of a motor vehicle shall obtain a written declaration from the hirer on whether the hirer has obtained any credit facility for the hiring of the motor vehicle, and if so, the amount of such credit facility.

##### Checks with Credit Bureaus

8. Prior to granting a credit facility for the purchase of a motor vehicle or entering into a hire-purchase agreement for the hiring of a motor vehicle, as the case may be, a bank

shall conduct or cause to be conducted, comprehensive checks with one or more credit bureaus, on the information held by such parties, to –

- (a) verify the information obtained in the declaration from the Borrower under paragraph 6(b) or the hirer under paragraph 7, as the case may be;
- (b) assess the credit-worthiness of the Borrower or the hirer, as the case may be; and
- (c) comply with paragraphs 2 and 4.

Other Reasonable Steps

- 9. For the purpose of determining the Relevant Amount, a bank shall obtain documentary evidence to verify –
  - (a) the date of the agreement to purchase or hire the motor vehicle or the date on which the Borrower or hirer successfully bids for a COE, as the case may be; and
  - (b) the value of the motor vehicle as determined by the Registrar in accordance with rule 7(3) of the Road Traffic (Motor Vehicles, Registration and Licensing) Rules<sup>1</sup>.

**Re-financing Facilities and Subsequent Hire-Purchase Agreement**

- 10. For the avoidance of doubt, paragraphs 2 to 7, 8(a), 8(c) and 9 shall not apply to a Re-financing Facility and a subsequent hire-purchase agreement.
- 11. Where the application date for a Re-financing Facility is on or after 26 February 2013, a bank may only grant the Re-financing Facility for the purchase of a motor vehicle where the sum of –
  - (a) the tenure of the Re-financing Facility;
  - (b) the period between the first time monies are disbursed under the Re-financing Facility and the first time monies were disbursed under the first credit facility granted to the Borrower for the purchase of that motor vehicle;
  - (c) in the case where the Borrower has entered into any hire-purchase agreement for that motor vehicle, the period of hire under the hire-purchase agreement; and
  - (d) in the case where there is any subsequent hire-purchase agreement, the sum of –
    - (i) the period of hire under the subsequent hire-purchase agreement; and
    - (ii) the period between the date the subsequent hire-purchase agreement is entered into and the date the first hire-purchase agreement was entered into for the hire of the motor vehicle,

does not exceed 5 years.

- 12. Where the application date for a subsequent hire-purchase agreement is on or after 26 February 2013, a bank may only enter into the hire-purchase agreement for the hiring of a motor vehicle where the sum of –

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<sup>1</sup> This is commonly known as the open market value of a motor vehicle and can be found on the website [www.onemotoring.com.sg](http://www.onemotoring.com.sg).

- (a) the period of hire under the subsequent hire-purchase agreement; and
- (b) the period between the date the subsequent hire-purchase agreement is entered into and the date the first hire-purchase agreement was entered into for the hire of that motor vehicle,

does not exceed 5 years.

### **Excluded Facilities**

13. Paragraphs 2 to 12 shall not apply to –

- (a) any credit facility for the purchase of a Commercial Vehicle or a motorcycle; or
- (b) any hire-purchase agreement for the hiring of a Commercial Vehicle or a motorcycle.

### **Definitions and Interpretations**

14. In this Notice,

- (a) “Borrower” means any person applying for a credit facility;
- (b) “COE” means the Certificate of Entitlement and is a permit issued by the Registrar of Vehicles under section 10A of the Road Traffic Act (Cap. 276);
- (c) “Commercial Vehicle” means a vehicle in Singapore that is a –
  - (i) goods vehicle as defined in section 2 of the Road Traffic Act (but does not include a goods-cum-passengers vehicle as defined in rule 2 of the Road Traffic (Motor Vehicles, Registration and Licensing) Rules);
  - (ii) omnibus, school bus, private hire bus, excursion bus or private bus, as described in the Second Schedule to the Road Traffic Act;
  - (iii) engineering plant, such as a tractor, a road roller, an excavator, a forklift, a dumper, a grader, a concrete pump, a dozer, a loader, a skidder, a compactor, a scrapper, a pipe-layer, a handcraft, a pax step or an airport service equipment;
  - (iv) private hire car as described in the Second Schedule of the Road Traffic Act; or
  - (v) taxi as described in the Second Schedule to the Road Traffic Act;
- (d) “hirer” means any person who takes or has taken a motor vehicle from a bank under a hire-purchase agreement;
- (e) “hire-purchase agreement” means an agreement, under which –
  - (i) a motor vehicle is bailed to the hirer in return for periodical payments; and
  - (ii) the property in the motor vehicle will pass to the hirer if the terms of the agreement are complied with and one or more of the following occur:

- (A) the exercise of an option to purchase by the hirer;
  - (B) the doing of any other specified act by any party to the agreement;
  - (C) the happening of any other specified event;
- (f) “hire-purchase price” means the total sum payable by the hirer under a hire-purchase agreement in order to complete the purchase of a motor vehicle to which the agreement relates, exclusive of any sum payable as a penalty or as compensation or damages for a breach of the agreement;
- (g) “motor vehicle” has the same meaning as defined in section 2 of the Road Traffic Act;
- (h) “purchase price”, in relation to a motor vehicle, means the aggregate of the price of the motor vehicle, its relevant taxes and the price of the COE as applicable;
- (i) “Re-financing Facility” in relation to a motor vehicle, means a credit facility granted for the sole purpose of enabling the Borrower to repay –
- (i) the balance outstanding under a credit facility obtained by the Borrower for the purchase of that motor vehicle; or
  - (ii) the balance outstanding under a Re-financing Facility in respect of that motor vehicle;
- (j) “Relevant Amount”, in relation to the purchase or hiring of a motor vehicle, as the case may be, under a scenario specified in the second column of the table below, means  $LTV\% \times [\text{purchase price} - \text{amount of discount, rebate, or any other benefits offered by the vendor of the motor vehicle or any other person}]$ , where “LTV%” is the loan-to-value ratio specified in the first column of the table:

LTV%	Scenario
60%	<p>In the case of a credit facility granted for the purchase of a motor vehicle or a hire-purchase agreement entered into for the hire of a motor vehicle, as the case may be, where –</p> <ul style="list-style-type: none"> <li>(a) the value of the vehicle as determined by the Registrar in accordance with rule 7(3) of the Road Traffic (Motor Vehicles, Registration and Licensing) Rules is \$20,000 or less; and</li> <li>(b) the date on which the agreement to purchase the motor vehicle, or the date on which the hire-purchase agreement is entered into, is on or after 26 February 2013, or where there is no agreement to purchase or hire the motor vehicle, the date on which the Borrower or hirer, as the case may be, successfully obtains a COE is on or after 26 February 2013.</li> </ul>
50%	<p>In the case of a credit facility granted for the purchase of a motor vehicle or a hire-purchase agreement entered into for the hire of a motor vehicle, as the case may be, where –</p> <ul style="list-style-type: none"> <li>(a) the value of the vehicle as determined by the Registrar in</li> </ul>

	<p>accordance with rule 7(3) of the Road Traffic (Motor Vehicles, Registration and Licensing) Rules is more than \$20,000; and</p> <p>(b) the date on which the agreement to purchase the motor vehicle, or the date on which the hire-purchase agreement is entered into, is on or after 26 February 2013, or where there is no agreement to purchase or hire the motor vehicle, the date on which the Borrower or hirer, as the case may be, successfully obtains a COE is on or after 26 February 2013.</p>
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- (k) “Registrar” has the same meaning as in section 2 of the Road Traffic Act (Cap. 276);
- (l) “subsequent hire-purchase agreement” in relation to a motor vehicle, means a hire-purchase agreement entered into by the hirer with a bank, merchant bank, finance company or any other company for the sole purpose of enabling the hirer to terminate its hire-purchase agreement with another bank, merchant bank, finance company or any other company and to hire that motor vehicle from the first-mentioned bank, merchant bank, finance company or any other company.
- (m) “True Purchase Price” means the amount which is paid out-of-pocket by a Borrower for the purchase of a motor vehicle and includes any amount paid to a bank by a Borrower in connection to obtaining credit facilities for the purchase of the motor vehicle. For the avoidance of doubt, True Purchase Price does not include any amount that is paid out of funds obtained through any credit facility;
- (n) A reference to credit facilities granted for the purchase of a motor vehicle includes any credit facilities granted in connection with the purchase of that motor vehicle;
- (o) Where a credit facility is granted to joint Borrowers, a reference to “Borrower” shall be read accordingly to refer to the joint Borrowers, except that in paragraphs 2(a)(ii), 6 and 8, such a reference shall be read to also refer to each Borrower;
- (p) Where a hire-purchase agreement is entered into by joint hirers, a reference to “hirer” shall be read accordingly to refer to the joint hirers, except that in paragraphs 2(b), 7 and 8, such reference shall be read to also refer to each hirer; and
- (q) The expressions used shall, except where expressly defined in this Notice or where the context otherwise requires, have the same meaning as in the Act.

### **Effective Date**

15. This Notice shall take effect on 26 February 2013.