



LENDING ACTIVITIES



The Non-Bank Lending Activities Industry is the part of the Non-Bank Financial Institutions (NBF) sector. Non-Bank Lenders are non-deposit taking financial institutions that provide credit.

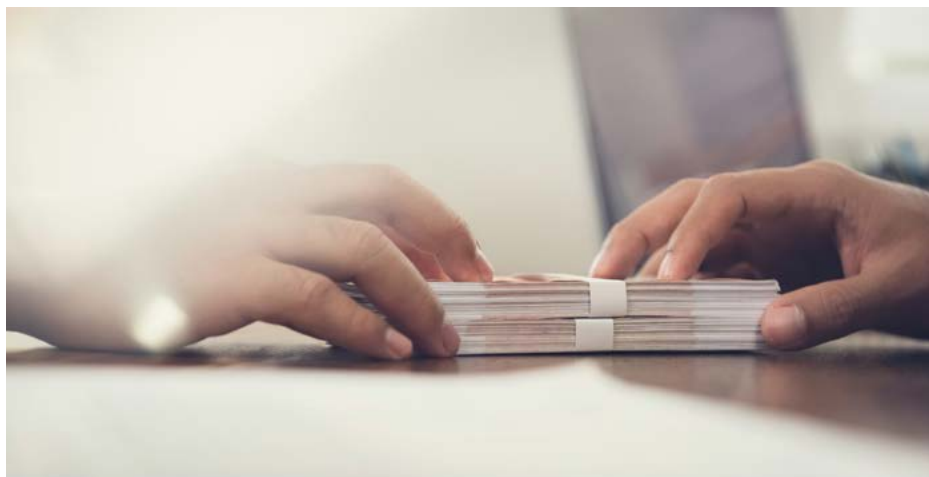
Who are the Market Players in the Non-Bank Lending Activities Industry?

The market players in the Non-Bank Lending Activities Industry are Micro Lenders, Pawnshops, Finance and Leasing entities.

- i. Micro Lenders:** means an entity that advances loans to persons, where the loans do not exceed the prescribed amount, but does not include an entity licensed in terms of the Banking Act or the Building Societies Act.
- ii. Pawn Shop:** means an entity licensed to engage in the business of lending money on:

- personal property that is physically delivered to it as security for the loan transaction;
- or
- lends money upon goods, wares or merchandise pledged, stored or deposited as security;
- or
- engages in the business of purchasing tangible personal property to be left in pawn on condition that it may be redeemed by the seller for a fixed price within a fixed period of time.
- iii. Finance Companies:** means a body corporate that provides loans or advances but does not include a bank or a deposit-taking institution.
- iv. Leasing Companies:** means a body corporate that provides leasing products but does not include a bank or a deposit-taking institution.





Before Applying for a Loan

Always shop around from licensed entities and ensure that there is full disclosure of the interest rate you are being charged. This will enable you to compare and choose the cheapest interest rate or your preferred lender.

Before Signing the Loan Agreement Contract

Ensure that the following features are in your contract and they have been clearly explained to you. Make sure you understand what they are:

1. Principal Amount.
2. The monthly interest rate.
3. Total amount repayable.
4. The length of the repayment period.
5. The circumstances under which penalties would be charged, the penalty interest, the method of calculating the penalty and any additional costs that may have to be paid.
6. The total interest rate charged over the repayment period.
7. Total Interest payable.
8. A statement indicating whether the monthly interest rate is fixed or variable over the repayment period. If it is variable, how and under which conditions would it vary.
9. The number of instalments and the amount of each instalment.
10. The total interest rate charged over the repayment period.

Possession of Clients' Documents

Lenders are not allowed to:

- Require the disclosure of borrower's confidential Personal Identification Number (PIN) used for a Bank Card; or
- Take possession of the borrower's Bank Card, National Identity Card (Omang) or any other official document for any reason.

Loan Statements

You have the right to your loan statement which should contain the following:

- Date of the statement;
- Original principal amount;
- The total amount repayable over the payment period;
- Repayment period;
- The number and amount of each installment;
- Total amount paid to date;
- Total amount still to be paid;
- Total monthly cost of credit;
- If the loan is insured, the statement must include the name of insurer, the amount and frequency of the insurance premium payable;
- Any defaults must be shown together with the date and the default amount. You have the right to be shown how the default amount was arrived at.



Remember.....

1. **NBFIRA Exemption Licenses:** make sure that you acquire loans from non-bank lenders who have valid licenses or exemptions granted or issued by the Regulatory Authority. Any unlicensed lender is deemed to be operating illegally and must be reported to the Regulatory Authority. All licensed entities are required to visibly display their licenses at their place of business. If you are in any doubt visit the Regulatory Authority's website for an up-to-date list of licensed Non-Bank Lenders.
2. **Default fee:** a late payment penalty should not be more than 5% of the 4. principal amount. Regulation 10(3): states that the aggregate of the penalty amount and additional costs, excluding identifiable legal fees, shall not exceed 5% of the outstanding principal amount per month with a maximum not exceeding the outstanding principal amount.
3. **Loan Agreement Requirements:** ensure to read and understand the loan agreement before you sign.

Regulation 11(1): a Micro Lender shall ensure that a loan agreement concluded with a borrower is:

- (b) Written in clear and simple English or Setswana language; and
- (c) Where the borrower cannot understand the language of the agreement, it must be clearly interpreted to the borrower.

Regulation 11(4): A Micro Lender shall, before concluding a loan agreement with a borrower:

- (a) Provide the borrower with an opportunity to read the loan agreement, or have it read to him or her where the borrower is illiterate; and
- (b) Explain to the borrower, in a language understood by the borrower the essential terms of the loan agreement so as to ensure that the meaning and the consequences of the loan agreement is understood.

4. **Cooling Off Period: Regulation 12:** A Micro Lender shall, in terms of the provisions of the loan agreement allow the borrower to terminate the agreement within at least two days after the signing of the loan agreement or approval and shall not charge the borrower any fee for the termination, Provided that:
 - (a) where the principal amount has been advanced to the borrower, the borrower shall simultaneously repay the amount advanced; and
 - (b) the micro lender is entitled to charge the borrower the prorated cost of credit.
5. **Do not sign up for something you do not understand.**
6. **Over-indebtedness: Regulation 8(2) (a):** Borrowing more than you can afford to repay could lead to severe financial difficulties. Avoid any delay in repayment, late payments are costly and will increase your debt load.

How is the Lending Activities Industry Regulated?

The Non-Bank Lending Activities Industry is regulated by the **Regulatory Authority** using the NBFIRA Act (2016) and guided by the following:

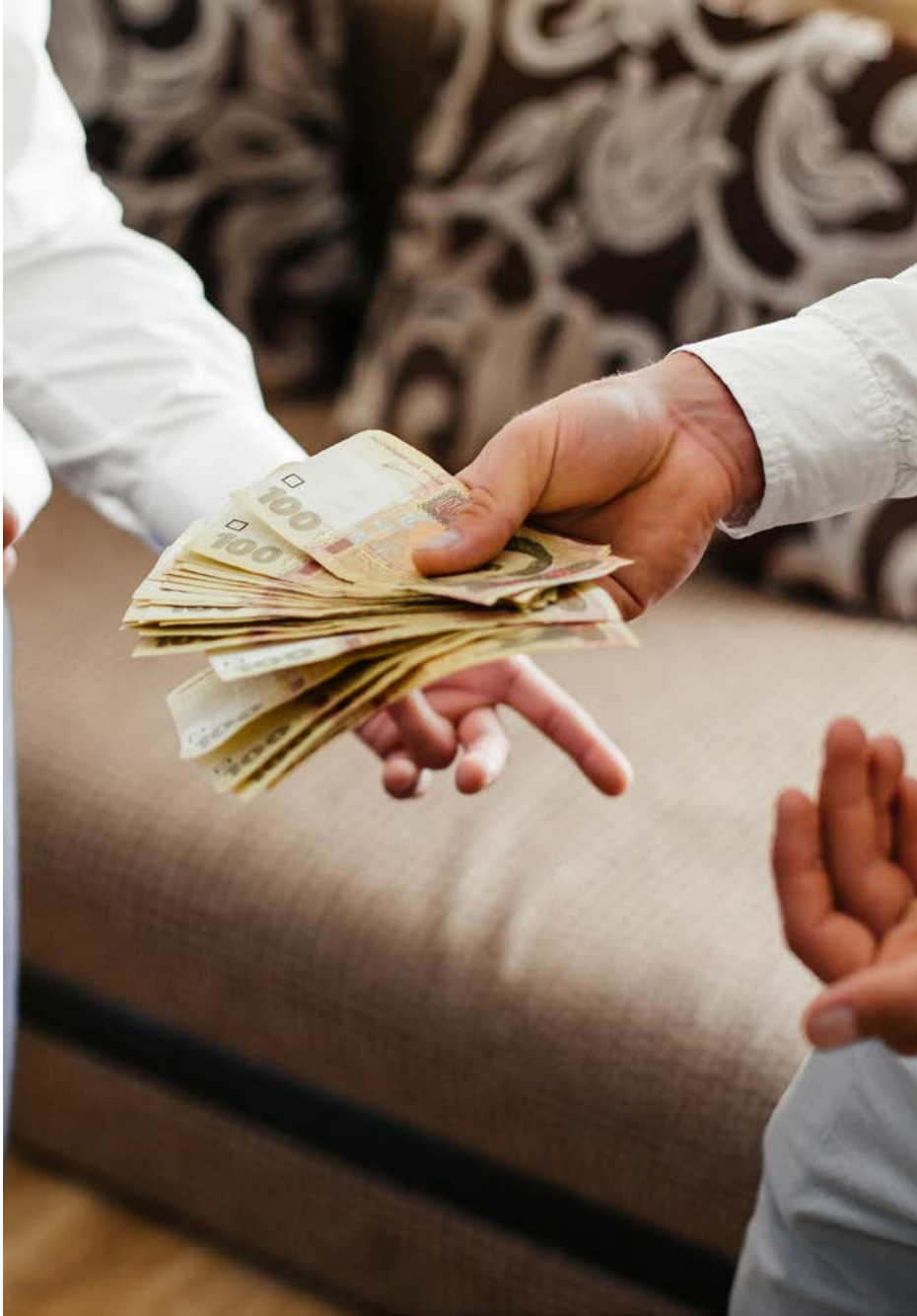
- Micro Lending Regulations (2012);
- Other Regulatory Instruments issued periodically.

Consumer Protection – How do I Lodge my complaint with NBFIRA?

The **Regulatory Authority** has a legal duty to protect consumers by promoting Fairness, Efficiency & Orderliness within the Lending industry.

If you are unsatisfied with the nature and quality of service from a service provider within the Lending industry or are unable to amicably resolve a dispute, you may escalate your complaint to the **Regulatory Authority** through our Complaints Portal on our website www.nbfira.org.bw.

Refer to our Complaints Procedure on guidelines on how to lodge a complaint.



NBFIRA Ethics Hotline

Have you observed or suspect fraudulent or unethical activities within the NBFI sector or the **Regulatory Authority**? Be part of the solution and make an anonymous report to:

Call on the Toll-Free Number: 16133

Email to: nbfira@tipoffs.com

Website: www.tipoffs.com

Postal address: P.O. Box 448, Gaborone

NBFIRA CONTACT DETAILS

For more information, contact us on:

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NBFIRA



"NBFIRA... Working Towards Financial Stability"