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Corresponding to: 29/7/2018

Circular to all banks operating in the Kingdom

After Greetings,

A study of a sample of credit facilities contracts signed with your clients, which were provided to us by yourselves, showed that a number of contracts contain materials that directly or indirectly contradict the provisions of the Instructions on Dealing with Customers Fairly and Transparently No. (56/ 2012) dated 31/10/2012, their amendments, and subsequent circulars in terms of:

1. Some banks fail to specify the instrument and/ or the instrument maturity approved for pricing products that include a variable interest rate, and some do not explain the added margin (the fixed part of the interest/ return rate).
2. Some contracts included a clause that gives the bank the freedom to adjust interest rates, commissions and margins at any time, and/ or not to specify the periodicity of modifying the interest / return rate and not to adhere to the fixed part throughout the contract's validity period, therefore violating the provisions of the above instructions and the credit policy of those banks.
3. Not complying with the maximum limits of the commissions and fees specified in the table attached to the above instructions, including what was included in the contracts of some banks of collecting a monthly delay commission of (10) dinars as a minimum.
4. The contracts of some banks do not include a mechanism and conditions for early payment of the granted facilities, including linking the early payment commission to the remaining period on the maturity of the last due installment, according to the table of maximum limits for commissions and fees attached to the above instructions.
5. Most bank contracts include terms and expressions bearing the status of commissions and fees under other names without stating their nature or defining them, and that the borrower signs in advance on their validity and commitment to repay them, for example (clients' commission, expenditures, attachments, wages).

6. Some contracts included unclear texts that may have more than one interpretation, with the signature of the client waiving his/ her right to object to them, for example (as the bank deems appropriate, the appropriate price and method, the emergence of differences, unintended error in calculation, addition of expenses).
7. Some of the contracts provided to us are printed in small unread font.
8. A number of banks include in their contracts a clause indicating the approval of the borrower and / or the guarantor on the bank's authorization of unspecified entities in the contract to collect the outstanding debts and due payments, without specifying what these entities are, while the collection of the receivables must be done through the bank itself or any of its attorneys.
9. Not adhering to the stipulation in the contract to notify the client and / or the guarantor, wherever necessary, in accordance with the instructions in force. Rather, customers at some banks sign phrases stating the waiver of client / guarantor of this, such as (without the need for notice).

Accordingly, we emphasize on the full compliance with Dealing with Customers Fairly and Transparently Instructions No. (56/ 2012) dated 31/10/2012, their amendments, and subsequent circulars. We also stress that none of the contracts should include articles that contradict the instructions in force. Therefore, banks that have such observations are required to rectify their positions for all credit contracts no later than 1/9/2018, in order to avoid imposing any of the penalties prescribed under the Central Bank Law No. 23 of 1971 and its amendments and / or the Banking Law No. 28 of 2000 and its amendments.

Respectfully,

Governor

Dr. Ziad Fariz