



# **RESPONSIBLE BORROWING**

## **WHAT YOU NEED TO CONSIDER IN OBTAINING LOANS FROM BANKS AND SPECIALISED DEPOSIT-TAKING INSTITUTIONS**

### **NOTICE NO. BG/GOV/SEC/2023/03**

As part of its mandate to promote transparency and effective disclosure practices in the financial sector, Bank of Ghana wishes to bring to the attention of the general public, the underlisted key issues, with regards to loan acquisition and repayment responsibilities and obligations of customers of banks and specialized deposit-taking institutions.


- i. Critically assess your capacity for the loan, i.e. your repayment capabilities prior to obtaining a loan facility.
- ii. Borrowers are advised not to rush to acquire loans. Where possible, they may obtain and compare offers from multiple lenders before deciding on the best deal.
- iii. Prior to the signing of a Loan Agreement, lenders are required to give potential borrowers a 'Pre-agreement Truth' in Lending statement (similar to proforma invoice), that summarizes the terms and conditions associated with the loan.
- iv. Information on the 'Pre-agreement Truth' in Lending statement should include:
  - a. Interest rate of the credit facility (indicating whether fixed or variable).
  - b. Annual Percentage Rate (APR)
  - c. Other fees and charges such as commissions, administrative or processing fees, commitment fees, insurance.
  - d. Bundled products and services.
  - e. Repayment Schedule.
  - f. Penal charges or late payment penalties.
  - g. Penalty rates and any other charges associated with the product.
  - h. Security deposits or savings required as a condition to acquire the loan.
  - i. Total amount to be paid back at the end of the loan period, among others.



- v. In taking the decision to accept a loan offer, customers should look out for interest rate which in this case should be the Annual Percentage Rate (APR), which represents the total cost to be paid to the lender each year for the loan, expressed as a percentage. Note that the APR provides a broader measure of the cost that a borrower pays for taking a loan. The APR reflects not only the interest rate but also the other fees and charges that borrowers have to pay for the loan.
- vi. You may compare the APR of your financial institution with those of other lenders in making the decision on where to apply for your loan.
- vii. Take note of all the fees and charges associated with the loan, and these **shall** be disclosed in the Loan Agreement.
- viii. Seek clarification from the lender in any language of your choice to gain the needed understanding of the loan product.
- ix. Prior to signing any Loan Agreement, please read and ensure that you understand all the terms and conditions, and seek professional advice if you need it.
- x. Charges that are not disclosed to the borrower in the Loan Agreement will be considered null and void. Borrowers shall be due a refund of all such charges paid, and may report to the Bank of Ghana if a lender fails to reverse such payments.
- xi. If you desire to pay off a loan earlier than scheduled, the lender should provide you with the full outstanding amount to pay, and allow you 20 working days from the date of receipt of the written request, to effect full repayment. You may be charged an early settlement penalty fee. However, this should not exceed **0.25% of the principal amount of the loan.**
- xii. After signing the Loan Agreement and obtaining the facility, borrowers should adhere to the agreed terms and conditions, including the repayment of the facility. Your lender may be contacted where necessary, to discuss any repayment challenges.
- xiii. Always remember to obtain a copy of the Loan Agreement, duly signed by you (borrower) and authorized representative(s) of the Lender, for your records.



**For further information, please contact Bank of Ghana Market  
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THE SECRETARY**

**5<sup>TH</sup> APRIL, 2023**

PUBLIC