



BANK OF GHANA

FREQUENTLY ASKED QUESTIONS (FAQs)

REVOCAION OF LICENCES OF INSOLVENT SAVINGS AND LOANS COMPANIES, FINANCE HOUSE COMPANIES, AND NON-BANK FINANCIAL INSTITUTIONS

1. Why is the Bank of Ghana undertaking this particular action?

Answer:

A comprehensive assessment of the savings and loans and finance house sub-sectors carried out by the Bank of Ghana in 2018 and 2019, identified solvency, liquidity, and governance challenges in a number of institutions. All efforts by the Bank of Ghana to get the shareholders and directors of the 23 affected institutions to rectify the above lapses, especially the significant capital deficiencies yielded no positive results. Consequently, the financial position of these institutions has continued to deteriorate, leading to their insolvency with some of them ceasing operations and closing their offices with depositors' funds locked up. Even those that have not closed their offices are unable to pay their depositors. This has placed a substantial amount of depositors' funds at risk. Given the risks that these institutions continue to pose to the entire financial system, and the need to protect depositors, the Bank of Ghana is sanitizing this sector through the orderly resolution of the failed institutions in accordance with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Also, the Bank of Ghana has revoked the licences of two (2) non-bank financial institutions namely **Express Funds International Ltd (remittance company)** and **Ghana Leasing Company Ltd (leasing company)** which are insolvent and have been inactive for a number of years. This action is pursuant to Section 7 of the Non-Bank Financial Institutions Act, 2008 (Act 774), which mandates the Bank of Ghana to revoke the licence of a non-bank financial institution licensed under that Act if that institution among other things ceases to carry on business.

2. Why is the Bank of Ghana taking this action now?

Answer: Insolvent financial institutions threaten the stability of and undermine confidence in the entire financial system. The Bank of Ghana has taken action against the affected institutions after efforts by these institutions to recover from insolvency and to address other identified supervisory concerns failed.

3. Which institutions are involved and how many are to be closed down?

Answer: A total of fifteen (15) Savings and Loans Companies and eight (8) Finance House Companies have had their licences revoked. In addition, the licences of one (1) Leasing company and one (1) Remittance company have been revoked. A list of these institutions has been published by the Bank of Ghana in its Notice to the public dated 16th August 2019.

4. Was there no other way of helping these institutions to survive instead of closing them down completely?

Answer: Prior to the revocation of their licences, the Bank of Ghana gave the shareholders, directors, and management of these institutions numerous opportunities to take steps to rectify their solvency and liquidity challenges, and other supervisory concerns raised by the Bank of Ghana. The institutions whose licences have been revoked, however, failed to take steps to address these issues. A significant number of these institutions were also faced with severe liquidity challenges, denying their customers access to their funds in contravention of relevant laws. To ensure their orderly exit, and to protect the public and the financial system from further dealings with these institutions, the Bank of Ghana has revoked their licences as is required by Act 930 and Act 774.

5. What happens next, after the licences have been revoked? Will the institutions whose licences have been revoked be able to continue to operate as going concerns?

Answer: Following the revocation of licences of the affected institutions, they are no longer authorized to conduct the business for which they were licensed by the Bank of Ghana. The affected institutions will be wound up in accordance with relevant laws. In the case of the fifteen (15) Savings and Loans Companies and eight (8) Finance Houses, the Bank of Ghana has appointed a Receiver in the person of Mr. Eric Nana Nipah of PWC to see to their orderly winding up pursuant to the provisions of Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930). In the case of the Leasing company and Remittance company, the Bank of Ghana has notified the Registrar of Companies (Registrar General's Department) of the revocation of their licences, and has requested

that the Registrar commence winding-up proceedings against these companies under relevant laws.

6. When and where will depositors of these institutions be able to receive their money?

Answer: The Government has made available funds to enable the Receiver to pay depositors of the savings and loans companies and finance houses after validation of their claims. Other creditors of the failed institutions will be settled by the Receiver in line with the hierarchy or priority of creditors' claims set out under Act 930. The Receiver will in due course make an announcement with regards to when and where payments will be made. The Receiver will also indicate documents required from depositors and other claimants to facilitate the validation of claims.

7. What happens to other creditors, besides depositors, and the counterparties who may have other agreements with these institutions?

Answer: The Receiver will register, verify, and validate claims from all creditors of failed institutions. Validated claims will be paid by the Receiver in accordance with the priority of payments set out in section 135 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

8. What should I do if my name is not captured in the books of the specified institutions?

Answer: Any depositor or other claimant whose name is not captured in the records of the affected institutions can still present proof of their claims in their possession to the Receiver for validation. The Receiver will investigate such claims, and to the extent that are validated, add such claims to the list of claims to be honoured subject to realization of value from the assets of the relevant institutions, except in the case of deposits under point 6 above.

9. Is it still safe to do business with Savings and Loans Companies and Finance Houses?

Answer: Yes, it is still safe to do business with Savings and Loans Companies and Finance Houses whose licences have not been revoked. There are now twenty-one (21) Savings and Loans Companies and sixteen (16) Finance Houses whose licences have not been revoked. These remaining institutions are in good standing with the Bank of Ghana's regulatory requirements. A list of such institutions in good standing is available on the Bank of Ghana's website.

10. Who is the Receiver and what is he expected to do?

Answer: The Receiver is Mr. Eric Nana Nipah of PricewaterhouseCoopers (PwC). He is required by law to take control over all fifteen (15) Savings and Loans Companies and eight (8) Finance Houses for which he was appointed and to see to the orderly winding up of the affected institutions in line with sections 123-139 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930). Working under the supervision of the Bank of Ghana, he will realise any remaining assets of the affected companies and pay out claims of these companies that are verified, in accordance with the priority of payments set out in section 135 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

11. What about the Leasing and Remittance companies? Who will see to their winding up?

Answer: The Bank of Ghana has notified the Registrar of Companies (Registrar General's Department) of the revocation of the licences of the Leasing and Remittance companies and has requested the Registrar to commence winding-up proceedings against these companies. These Leasing and Remittance companies were licensed by the Bank of Ghana under the Non-Bank Financial Institutions Act, 2008 (Act 774) as non-deposit taking institutions. Act 774 does not provide for receivership proceedings unlike Act 930 which regulates deposit-taking institutions like the savings and loans companies and finance houses. The Bank of Ghana therefore expects the Registrar of Companies to initiate winding-up against these institutions under the Companies Act, 2019 (Act 992) and the Bodies Corporate (Official Liquidations) Act, 1963 (Act 180).

12. Will there be job losses now that these institutions have been closed?

Answer: To minimize job losses, the Receiver will engage some staff of the affected institutions to assist him to undertake the receivership process which could take a few years. Employees of these institutions that will not be engaged by the Receiver will be settled by the Receiver in accordance with the priority of payments set out in section 135 of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

13. Will this affect the Bank of Ghana’s financial inclusion agenda, given that most of the affected institutions operated in areas that had limited access to the services of mainstream financial institutions?

Answer: We do not expect this to affect the financial inclusion agenda. While these institutions were licensed to promote the financial inclusion agenda, the majority of them veered off their mandate and rather pursued their own agenda of obtaining funds from retail and institutional sources and providing loans at prohibitively high costs as well as diverting much of the funds they obtained to their private ventures. What is more, a lot of the savings and loans companies and finance house companies simply placed funds with other operators in the same sector, instead of lending to small business or individuals who needed loans for economic activity. Also, weak capitalization of these institutions, and poor governance made them vulnerable, unsustainable and unable to help promote the financial inclusion agenda objective of the Bank of Ghana. The lessons learned include the fact that weak financial institutions cannot help promote financial inclusion. The Bank of Ghana’s clean-up exercise should rather help re-build trust in the sector and improve access to financial services by all.

14. What happens to the owners, directors and shareholders of these affected institutions?

Answer: Any persons found to have contributed to the failure of these institutions will be declared not fit and proper to engage in business regulated by the Bank, and reported to the law enforcement agencies for criminal action and further action including possible prosecution where applicable.

In addition, the Receiver will institute civil actions against relevant persons to claim damages and restitution where applicable.