

MAS 814

21 February 1978

Last revised on 11 March 2005*

NOTICE TO FINANCE COMPANIES FINANCE COMPANIES ACT, CAP 108

(FC Notice 14 dated 1 November 1973, 20 January 1975 and 1 April 1976 are cancelled.)

Provision For and Writing Off of Bad Debts

A PROVISION FOR BAD DEBTS

Finance companies are required to make provision for bad and doubtful debts and before any profit or loss is declared, ensure that the provision is adequate.

The Authority may if it thinks fit require a finance company to maintain a general provision for bad and doubtful debts¹ in addition to the specific provision² already maintained by that finance company.

B WRITING OFF BAD DEBTS

Finance companies are encouraged to write off any loan or advance either against their profits or against their bad debt provisions as soon as they are satisfied that the prospect of recovery is poor. However, a finance company must seek the Authority's written approval before writing off any credit facility granted to:

- (a) any of its directors;
- (b) any firm in which it or any of its directors is a partner, manager or agent or to any individual or firm of whom or of which any of its directors is a guarantor;
- (c) any corporation that is deemed to be related to the finance company as described in Section 6 of the Companies Act;
- (d) any of its officers, employees or other persons being persons receiving remuneration from it;

¹ Referred to in MAS Notice 811 as collective impairment provision for groups of similar loans.

² Referred to in MAS Notice 811 as individual impairment provision.

- (e) any private or public company in which it or any of its directors, officers, employees or other persons who receive remuneration from it has an interest as a director, manager, agent or guarantor;
- (f) any individual in whom, and any firm or company in which, any of its directors has an interest, directly or indirectly, other than an interest the nature of which has already been covered from (a) to (e) above or where the director's interest consists only of being a member or creditor of a company in which his interest may properly be regarded as of a trivial nature; or
- (g) any person who is a director, manager or officer of a finance company or bank licensed under the Finance Companies Act or the Banking Act respectively.

For the purpose of paragraph 3 items (a) to (f) above, the word "directors" includes the wife, husband, father, mother, son or daughter of a director.

Applications to write off such bad debts must be accompanied by the following information in each case:

- (I) Name and designation of the loan interviewing/recommending/approving officer.
- (II) Particulars of defaulter.
 - (a) Individuals
 - (i) Name
 - (ii) Occupation
 - (iii) Monthly income
 - (iv) Others (e.g. financial standing, business affiliations, etc)
 - (b) Sole Proprietor/Partnership
 - (i) Name(s) of Sole Proprietor/Partners
 - (ii) Nature of business
 - (iii) Means of Sole Proprietor/Partners
 - (iv) Others (e.g. owner's/partner's financial standing, business affiliations, etc)
 - (c) Limited Companies
 - (i) Date and Place of Incorporation
 - (ii) Paid-up Capital
 - (iii) Shareholders and their shareholdings
 - (iv) Directors
 - (v) Nature of business
 - (vi) Latest audited financial statement

- (III) Purpose of loan
- (IV) Date of approval of loan
- (V) Amount of loan to be written off
 - (i) Principal
 - (ii) Interest
- (VI) Interest rate charged
- (VII) Securities obtained
 - (i) Type
 - (ii) Value
- (VIII) Relationship of the defaulter to the loan approving officer/directors/finance company.
- (IX) Short history of the account.
- (X) Action taken to recover the loan, supported by documentary evidence.

* Notes on History of Amendments

1. MAS Notice 814 (Amendment) 2005 takes effect from 14 March 2005.