

MEDIA RELEASE

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FINANCIAL INSTITUTIONS OFFER DEBT CONSOLIDATION PLAN

Singapore – The Association of Banks in Singapore (ABS) announced today that 14 participating financial institutions (FIs)¹ will be launching the Debt Consolidation Plan (DCP) on 23 January 2017.

The DCP is a new repayment scheme that aims to help borrowers to reduce their debts over time. This is to prepare borrowers who will be affected by the industry-wide borrowing limit, which is being reduced from the current 24 times monthly income to 18 times and 12 times in June 2017 and June 2019 respectively.

The DCP provides an option for eligible customers² to consolidate their existing unsecured credit balances across FIs with just one participating FI, thereby reducing their monthly debt repayment obligations. Debts that can be consolidated include outstanding balances from unsecured credit facilities like credit cards, personal loans, and overdrafts.

Each customer can only have one DCP at any one point in time³. Once a customer's DCP application is accepted by his bank (DC Bank), the DC Bank will take over his outstanding balances, fees and interest charges from his existing accounts with other banks, which will be suspended or closed. The

¹ American Express International Inc, Australia & New Zealand Banking Group Ltd, Bank of China Ltd, CIMB Bank Berhad, Citibank Singapore Ltd, DBS Bank Ltd, Diners Club (Singapore) Pte Ltd, The Hongkong and Shanghai Banking Corporation Ltd, Industrial and Commercial Bank of China Ltd, Standard Chartered Bank (Singapore) Ltd, Maybank Singapore, Oversea-Chinese Banking Corporation Ltd, RHB Bank Berhad, and United Overseas Bank Ltd.

² The DCP is available to Singaporeans and Permanent Residents who

- earn between \$20,000 and \$120,000 per annum with net personal assets of less than \$2 million; and
- have industry-wide unsecured debts exceeding 12 times of their monthly income. Customers may apply for the plan at any of the 14 participating FIs.

³ DCP customers will be allowed to seek refinancing of their DCP with other participating FIs after three months. They are also allowed to seek fresh non-DCP unsecured credit (i) with any other FIs when their industry-wide unsecured debts are eight times or less of their monthly income, and (ii) with their own DC banks when their debts are four times or less of their monthly income. This, however, will be subject to the risk assessment of individual banks as well as prevailing unsecured credit regulations

customer will then make regular repayments to the DC bank to service the DCP over a period of up to 10 years.

One key feature of the DCP is the concessionary unsecured credit of one month's income. This offers borrowers greater transactional convenience to manage their daily financial needs as they gradually pay down their outstanding unsecured debts.

This new repayment scheme follows the Repayment Assistance Scheme (RAS) launched in April 2015, and expired in December of the same year. While the RAS was a one-off plan, the DCP is a longer-term solution offered by the industry.

ABS Director Ong-Ang Ai Boon said: "The ABS' Debt Consolidation Plan is an industry effort that aims to provide flexibility to both borrowers and lenders. We encourage customers who are eligible for the Plan to take early action to reduce their debts."

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About The Association of Banks in Singapore:

The Association of Banks in Singapore (ABS) plays an active role in promoting and representing the interests of the banking community in Singapore. In doing so, ABS works closely with the relevant government authorities towards the development of a sound financial system in Singapore. Since its establishment in 1973, ABS has promoted common understanding among its members and projected a unifying voice on banking issues. It has brought its members closer together through various guidelines and banking practices as well as the support of projects of mutual benefit to face the challenges of the financial and banking community in Singapore. Today, ABS has a membership of 158 local and foreign banks. Further information on ABS is available on the website: www.abs.org.sg.