



# Bank of St. Helena

[www.sainthelenabank.com](http://www.sainthelenabank.com)

## **How Your Loan Works**

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This paper explains how Bank of St. Helena processes loans.

It applies to all loan types except overdrafts.

This paper discusses:

- Normal Loan Behaviour
- Abnormal Loan Behaviour (when things go wrong)

## **Normal Loan Behaviour**

### **Security**

If your loan is Secured the bank will 'take a charge' on an asset that you own (e.g. a plot of land or a vehicle). This is a legal process. In the event that you fail to repay your loan according to our Terms and Conditions of Lending we may apply to the courts to 'repossess' this asset (see Repossession, below). You are also, while the loan remains outstanding, restricted from selling or materially altering the asset without our written permission. Should you wish to sell or otherwise dispose of the asset, you must first repay the loan in full.

Upon completion (i.e. when the loan is fully repaid) the bank will 'release' the charge on the asset, and you may then do with it as you wish without reference to the bank.

### **Normal Monthly Repayments**

In general, loans from Bank of St. Helena are set up for monthly repayments.

The agreement you sign when you take out your loan explains the interest rate that will apply, and the initial monthly repayment that will be required. Unless specifically stated otherwise, your loan interest rate is variable. If the rate changes you will be advised of the new monthly repayment amount.

Every month, on or around the agreed date, we will debit the amount of the repayment from the Savings Account you have nominated. If you wish to change which account we debit, please advise us.

The debit to the Savings Account is in two parts – an amount of Principal (which repays part of the original debt) and an amount of Interest (based on the amount of the loan that remains outstanding). These are shown separately on your account statement. You may need this information for your tax return.

Assuming that there are always sufficient funds in your Savings Account to meet the full monthly repayment each month, the loan will progress normally to completion. Otherwise the procedure under 'Problem Repayments', below, will be followed.

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Established and regulated in St. Helena under the *Banking Ordinance 2003* and the *Bank of St. Helena Ordinance 2003*.

## **Abnormal Loan Behaviour**

Most customers' loans proceed quite normally throughout their life, and the issues raised here never apply. However, it is important that the consequences of non-payment and delayed payment are understood.

### **Problem Repayments**

**If you having difficulties meeting your agreed monthly repayments, please talk to us, preferably before you get into the situation described here. We will then try to arrange a mutually agreeable solution** (for example, 'Rescheduling' you loan, as described below).

This section explains what happens if there are insufficient funds in your Savings Account to cover a monthly repayment.

Whatever the balance of the nominated Savings Account, the repayment is still taken in full. This may cause the balance of the Savings Account to become 'overdrawn' (i.e. a negative value, shown with the code 'DR'), or may take the balance beyond an agreed overdraft limit. In this case your Savings Account is defined as having an 'unauthorised overdraft'.

Higher interest is charged on unauthorised overdrafts, currently at a rate of 6% above Savings Account Rate (this percentage may vary). At the time of writing, with Savings Account Rate at 4%, unauthorised overdrafts are being charged at 10%. This interest is accumulated daily and charged at the end of the month in which the unauthorised overdraft occurs. Unauthorised Overdraft Interest continues to be added until the account is back in credit (or back within its authorised overdraft limit). Note that the unauthorised overdraft interest is debited to the account even if it remains overdrawn, and thus will increase the amount of the unauthorised overdraft.

When your account has an unauthorised overdraft you will not be able to make withdrawals, bill payments or account transfers. You can only pay money in.

As soon as your account goes into unauthorised overdraft we will attempt to contact you to inform you of the situation and advise you to bring your Savings Account balance back to at least the agreed minimum balance.

If an unauthorised overdraft continues for more than two months (even if payments have been made in the meantime), the bank may commence legal action to enforce payment. This may include demanding seizure of any assets which have been pledged as security against the loan (see Repossession, below).

### **Rescheduling**

If you are having trouble meeting your monthly repayments, perhaps because you have an unexpected change of circumstances, we may be able to reschedule your loan. Rescheduling is where we make a new agreement with you which alters the amount you pay each month. For example, we may extend the term of the loan, which has the effect of reducing the amount you have to pay each month.

**Not all loans can be rescheduled, and you should be aware that the bank is under no obligation to agree to rescheduling.**

### **Repossession**

Repossession is the legal term for a process whereby the bank takes over an asset or assets which you have pledged as security in a loan agreement.

**The bank will only do this if you fail to meet our Terms & Conditions of Lending**, and we will always attempt to resolve any difficulties with you before resorting to repossession.

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Should the bank decide that it is necessary to seek repossession, the bank will apply to the court for a judgement. Upon receipt of the judgement, the bank will proceed as follows:

1. The bank will take control of the asset or assets (if necessary, officials appointed by the court will assist the bank in doing this).
2. The bank will then sell the assets, attempting to get a reasonable price for them under the circumstances. It must be expected that the bank will not always get as good a price as could have been obtained in a normal private sale.
3. If the proceeds of the sale are sufficient to meet the bank's outstanding debt and the costs it has incurred, any balance will be paid to you. The debt is then closed.
4. If the proceeds of the sale are insufficient to meet the bank's outstanding debt, the bank may take further court action against you for the remaining moneys.

**Please note that if the asset in question is your home you will not be able to remain living there if it has been repossessed.** It is not the bank's responsibility to find you alternative accommodation.