

LET'S TALK MONEY

Issue 14



Prevention is better than cure

Repossessions by banks have made headlines around the world in recent months, with most of the blame going to the current global economic crisis specifically. This issue of Let's Talk Money sheds light on the prevailing issue of repossessions as well as how you can avoid it from happening to you.

What does a repossession entail?

Repossessions take place when a financial institution takes control of an asset, such as a property or vehicle, which was financed under a purchase or credit contract when installment payments for the article have been in arrears for a certain period of time.

What are the standard procedures followed by Bank Gaborone when an asset is repossessed?

Once a client's name appears on the arrears list at branch level, telephonic contact is made with the client to request payment of the amount in arrears. In the event of further non payment the Bank's Collection Officers will visit the client to assess the situation. Should it become evident to the Bank that a client may not be able to pay the arrears; a Section 11 repossession notice is issued in accordance with the Credit Agreements Act, whereby a client is requested to pay the arrears within 30 days. After the expiry of the 30 days, and if no payments were made by the client, efforts to repossess the article will ensue. Normally at this stage, most accounts are already in arrears by approximately three months. Once an article is repossessed, Bank Gaborone obtains a sworn valuation. The client is then granted a 30 day period in accordance with the Credit Agreements Act to pay the arrears. Should payment still not be forthcoming the applicable asset is attached and put up for public auction or private sale.

What steps can be taken to prevent an asset from being repossessed?

As a responsible lender, Bank Gaborone advises clients that affordability is very important and that one's credit record should be taken care of. Clients should keep the following tips in mind:

- Budget, budget and budget again. Without a proper monthly budget that makes provision for unforeseen expenses, you might become trapped in a debt spiral.
- Reveal your true financial position to your Bank. Bank Gaborone is always willing to look at the rehabilitation of accounts, but can only assist once in possession of a client's real state of financial affairs.

What happens to the debt owed by an individual once his/her asset is repossessed by Bank Gaborone?

The client remains responsible for any shortfall on the settlement amount of an installment agreement after disposal of an asset. Should the client not conclude an arrangement for repayment of the shortfall balance, a summons will be issued to recover this through various legal processes.

How does a repossession affect one's future prospects for obtaining credit?

The repossession of an asset does have a very negative influence on a client's credit record at all financial institutions. All defaulting clients are listed with an accredited Credit Bureau and a banking sector blacklist. This listing will only be removed upon repayment of the outstanding debt and expiry of a waiting period. Such repayment and removal will enable most clients to qualify for finance again.

Bank Gaborone has always taken a very responsible view on the extension of credit to its customers. Credit applications are carefully considered and the Bank always attempts to act in the best interest of the client. If your financial situation has changed, contact your Bank Gaborone branch for a solution that will once again prove that we are Growing Together.

For more information on this article or any of our products and services please contact one of branches: Mall Branch – 3671500, Game City Branch – 3181077, Francistown Branch – 2442323 or visit our website at www.bankgaborone.co.bw.

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