

Saudi Arabian Monetary Authority Deputyship of Supervision

Debt Collection Regulations and Procedures for Individual Customers April, 2018

Note: This translation is provided for guidance. The governing text is the Arabic text.

Note: These Regulations form a unified, updated document encapsulating a number of regulations previously issued by SAMA.

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I. Introduction

1. General Framework:

The general framework of these Regulations includes:

- Controls governing communication with retail consumers and their guarantors.
- Debt collection procedures.
- Procedures for dealing with defaulting retail consumers.

2. Objectives:

These Regulations aim at governing the mechanism of debt collection and communication with retail consumers and their guarantors in a manner that enables creditors to follow clear and specific procedures while protecting the rights of all relevant parties.

3. Scope

These Regulations shall apply to banks and finance companies supervised by SAMA.

II. Definitions

| Term | Definition |
|------------------------------------|---|
| SAMA | Saudi Arabian Monetary Authority |
| Creditor | Banks and finance companies supervised by SAMA. |
| Individual Customers | Any natural person who obtains financing from a creditor. |
| Debt collection | The process of collecting amounts payable by a retail consumer on due dates by a creditor. |
| Default | The non-payment of a retail consumer of the monthly installments agreed upon in the finance contract for three consecutive months or more than five separate months throughout the finance period. |
| Complaint | Any expression, written or verbal, entailing dissatisfaction with the provided services, whether such dissatisfaction is justified or not. |
| Third party | An entity contracted by a creditor to provide, on its behalf, any services which used to be provided by the said creditor or to provide a new service to be launched. Such entity can act as a unit or subsidiary of the creditor or operate independently. |
| Employee | Any natural person, including directly contracted employees or outsourced employees, working for a creditor and is subject to its administration or supervision in return for a financial consideration. |
| Authenticated communication | A recorded, verifiable means of communication that can be retrieved in written or electronic format. |
| Compelling change in circumstances | Any event that causes an uncontrollable change in a retail consumer's circumstances, including without limitation: the inability to work (partially or totally), retirement (compulsory), and loss of a job or some fixed allowances given to employees by employers monthly. |
| Voluntary change in circumstances | Any event that causes a change in the circumstances of a retail consumer on their own volition, including without limitation: Retirement (voluntary) and change of jobs. |
| Guarantor | Any natural or juristic person who guarantees or promises to guarantee the fulfillment of any financing extended to a retail consumer, according to a written acknowledgement, in the event that they become unable to do so. |
| Day | Any day in a month, including weekends and holidays. |

III. Relevant Laws and Instructions

- Banking Control Law.
- Finance Companies Control Law and its Implementing Regulations.
- Real Estate Finance Law and its Implementing Regulations.
- Finance lease Law and its Implementing Regulations.
- Implementation of the provisions of the Banking Control Law.
- The updated Regulations for Consumer Financing.
- Rules Governing the Opening of Bank Accounts and General Operational Guidelines in Saudi Arabia.
- Banking Consumer Protection Principles.
- Finance Consumer Protection Principles.
- Assignment Tasks of Third Party Instructions

IV. Content of the Regulations

1. Communication with Retail Consumers:

A creditor must apply due diligence when communicating with a retail consumer before seeking recourse in competent judicial authorities, while observing the following:

1.1 Authenticated means of communication that a creditor has the right to use when communicating with a consumer or their guarantor are limited to:

- E-mail.
- Registered mail.
- National address.
- SMS messages.
- Phone calls.

1.2 The communication message must include at minimum:

- The creditor's name and the department concerned with the collection of defaulted payments.
- The contact number of the concerned department and/or the third party.
- Working hours of the concerned department and/or the third party.
- Name of the employee, the creditor and/or the third party if a consumer is contacted through a phone call.

1.3 A creditor must commit to the following:

- The number of attempts to contact a consumer through their phone number must not exceed ten attempts' within a period of 30 days,

and the retail consumer should have the ability to call back the same number used as used by the creditor in attempting to reach them.

- All phone calls received from or made to a retail consumer must be documented and records thereof should be maintained for no less than ten years from the date of the phone call. A retail consumer must be notified at the beginning of the phone call that it is recorded.
- A retail consumer should be able to rate their satisfaction at the end of the phone call (incoming and outgoing), which must also be documented electronically.
- There must be standards in place to ensure that employees provide consumers with correct information with the utmost professionalism regarding their current default status and the legal actions to which a creditor is entitled to pursue.
- A retail consumer must not be provided with inaccurate or illegal information regarding the consequences of default.
- A retail consumer must not be reached through envelopes with phrases indicating that the content is information on debt collection or similar
- A retail consumer's financial and personal information should be protected, kept confidential, and not be used except for specific professional and legal purposes with the prior consent of the retail consumer. In addition, communication should not be made with any person other than the retail consumer or their guarantor, and in the

case of phone calls, the identity of the person answering must be verified.

1.4 In the event that a retail consumer objects to the due amount of payment, a creditor shall:

- Document such objection.
- Submit a complaint of the retail consumer as per SAMA's instruction in this regard.
- Provide the retail consumer with the estimated period for resolution of their complaint, provided that it does not exceed the statutory period set for resolution of complaints.
- Not communicate with the retail consumer to remind them of defaulted payments until the complaint has been resolved.
- Advise the retail consumer of the escalation mechanism in place and direct them to the relevant entity in the case of dissatisfaction with the result of resolution and desire to escalate the complaint.
- Develop a policy for the analysis of complaints and objections, along with their patterns, to address their root causes. The department concerned with the resolution of complaints shall document such reports and measure their efficiency in resolving the root causes of frequent complaints.
- Develop work procedures with relevant departments that cover service level agreements and escalation mechanisms to ensure that retail consumers' objections and complaints are resolved within the statutory period, provided that the mechanism is documented

electronically and the departments' level of compliance with such mechanism is measured.

- 1.5 The department concerned with debt collection and communication and/or the third party must be subject to review and audit by both the internal audit and the compliance departments at the bank or finance company on an ongoing basis in order to ensure the soundness of procedures followed and their conformity with these Regulations and the relevant instructions.

2. Debt Collection Procedures:

2.1 A bank must not:

- Deduct any amounts from a retail consumer's accounts without a judicial order or ruling or without the retail consumer's prior consent, or if provided otherwise in the finance contract.
- Block accounts or balances of a retail consumer, even if temporarily, and deny them access to funds available in their accounts without a judicial order or ruling.
- Deduct more than one monthly installment for each loan within a single pay cycle, unless there is a judicial order or ruling or prior consent is obtained from the retail consumer.
- Deduct a monthly installment before the due date agreed upon or withhold an installment payment before the due date, as agreed in the financing contract.
- Withhold or deduct end-of-service gratuities payable to retail consumers, unless a judicial order or ruling was issued in this regard.

- 2.2 A creditors must set the date of deduction in accordance with the monthly payday, provided that such date is specified in the payment schedule or as may be agreed upon with the retail consumer through any of the authenticated communication means.
- 2.3 A creditor must deduct the monthly installment on the agreed date of deduction. If it is proved that a creditor does not comply with the agreed date of deduction, they shall extend the finance period by a similar term to be added at the end of the period, without any term cost or additional fees, and notify the retail consumer of the same through authenticated communication means.
- 2.4 A bank, as per requested by a retail consumer, must reschedule the debt when a compelling change in the circumstances of the retail consumer is proved, without granting any new loan, charging extra fees or changing the term cost. A bank must carry out the rescheduling within a period not exceeding 30 days from the date the individual customer is provided with the necessary documents. This excludes asset-backed finance contracts.
- 2.5 A bank, as per requested by a retail consumer, must reschedule the debt in the case that voluntary changes in a retail consumer's circumstances are proved, with the potentiality to change the term cost but without charging additional fees. Debt rescheduling must be carried out within a period not more than 30 days from the date the necessary documents are supplied by the individual customer. This excludes asset-backed finance contracts.

3. Procedures for Dealing with Defaulting Consumers:

- 3.1 A creditor must be entitled to take legal actions against any defaulting retail consumer at the competent judicial authorities, and such retail consumer must be notified in the event of default for more than three consecutive months or five separate months throughout the finance period. The last attempt to contact such consumer must be through their national address.
- 3.2 Upon the issuance of a judicial order or ruling against a defaulting retail consumer, a creditor must comply with the said order or ruling, unless both parties (creditor and retail consumer) agree otherwise (for example without limitation, settlement of debt between both parties, debt rescheduling, etc.).
- 3.3 A creditor must take in their consideration the circumstances of any defaulting individual customer that was issued an enforceable judicial ruling against them in favor of the creditor, when providing the necessary guarantees by making available the option of debt rescheduling, with the potentiality to change the term cost and without charging additional fees.

V. General Provisions:

1. For a contract concluded on 01/10/2018:
 - 1.1 Unless the two parties agree not to apply any of the following exceptions, a creditor must exempt the individual customer from payment of the amounts due under the finance contract in the event of death or total disability. Such exemption shall take effect, at most, 30 days from the date of receipt of the relevant documents. Any amounts

deducted after the date of death or that total disability medically certified shall be returned. This excludes commercial finance contracts and cases of death or total disability arising from:

- Deliberate self-injury or suicide attempt, whether the retail consumer has sound mental health or is suffering from mental disorders at the time of the incident.
- Natural disasters.
- Rulings issued by courts or competent judicial authorities pursuant to laws applicable Saudi Arabia.
- Consumption of alcohol, narcotics or illegal drugs.
- Participation, or training to participate, in dangerous sports or competitions such as horse or car racing.
- Job-related death or injury.
- Damage directly or indirectly caused by nuclear weapons, ionizing radiations, radioactive contamination resulting from any nuclear fuel or waste, contamination due to nuclear fuel combustion, war, invasion, acts of foreign enemy, hostilities, warlike acts, or acts of vandalism and terrorism committed by person(s) working individually, on behalf of, or in relation with any terrorist organization.

1.2 A creditor must not impose delay penalties or debt collection fees in excess of the amount due as they should, at most, equal the value of a single installment throughout the finance period.

2. A creditor must ensure that a retail consumer fully understands the potential risks associated regarding non-compliance with the terms and conditions pertaining to finance products.
3. Before extending financing, a creditor must evaluate the creditworthiness of the retail consumer and ascertain their ability to fulfil their payment obligations throughout the contract period. Such creditor must also take into account the retail consumer's ability to make the final payment, if covered in the finance contract, in addition to potential changes to their credit status (e.g. voluntary / compulsory retirement, unstable allowances).
4. These Regulations set the minimum due diligence obligations to be met by a creditor as they must continuously work on developing their own internal procedures, in line with the nature and size of their business and in accordance with the best local and international standards and practices, with no prejudice to these Regulations and the relevant instructions.
5. These Regulations form an updated version of previous regulations and/or instructions issued in this connection, and shall be binding on creditors and/or third parties. In addition, all creditors and third parties must update their policies and procedures in line with these Regulations. In the event of non-compliance therewith, neither a creditor nor a third party must be exonerated from liability.
6. Subject to Paragraph (1) of Item (5) herein, these Regulations must apply to all existing and future contracts.

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