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Feature Article

Irresponsible Lending

Ronal had a Mitsubishi Pajero which he decided to sell off to Timothy for \$37,000.

Ronal was planning to buy a new vehicle from the payment he anticipated to receive from Timothy. However Timothy did not have such cash on hand. He decided to apply for loan from a well-known bank (Home Finance Company Ltd).

The bank started liaising with Ronal and requested for a copy of the third party policy and the vehicle's LTA registration.

Ronal went ahead to transfer the third party policy on Timothy's name. He also made a deposit of \$20,000 for his new vehicle on the assurance from the bank that Timothy will be buying his Pajero. This deposit was non-refundable.

At a later stage, the bank even requested Ronal to release the vehicle to Timothy because Timothy's loan was approved which would be released within 5 working days. The bank assured Ronal that they were finalizing security documents.

Ronal was taken aback by the request. How can the bank ask him to release the vehicle to Timothy without the settlement? Apparently, Ronal did not release the vehicle to Timothy and instead chose to wait for the final settlement.

It was now almost two months that Ronal had been waiting for the settlement. In the midst of this uncertainty, Timothy decided not to buy the car from Ronal, at all.

In his explanation, Timothy told the bank that the duration of the transfer of vehicle was one of the reasons for his decision. He also raised the issue that Ronal had continued to use the vehicle as his own instead of releasing it to him. Timothy's reason not to continue with the sale had nothing to do with the vehicle but the manner in which his loan was being processed.

Feeling cheated, Ronal brought the issue to the Council's attention.

Council's investigation: The Council established that the bank had created distrust between the buyer and the seller by taking longer than expected to approve the loan for purchasing of the vehicle. The Council noted the following:

- The Bank did not execute any Agreement between Ronal and Timothy;
- The Bank instructed Ronal to release the third party policy and LTA registration prior to any Bill of Sale; and
- The Bank instructed Ronal to release the vehicle to Timothy without any Bill of Sale and payment.

Sighting such discrepancies, the Council sought clarification from the bank on why no Bill of Sale was stamped, who will be liable to bear the cost of re-transferring the vehicle to Ronal. Who would have been responsible for any accidents which may have occurred if Ronal had released the vehicle to Timothy without receiving any payment?

In their response, the bank stated that no Bill of Sale was drawn up and the bank could have made the payment prior to securing a Bill of Sale based on a commercial decision. And the onus was on the seller whether to release the asset or await full payment. Such response from the bank was unacceptable.

The Council then wrote to the Reserve Bank of Fiji to highlight the discrepancies found in Bank's vehicle loan procedures. RBF in its response, stated that the matter has been discussed with the Bank and they have advised the Bank to rectify their procedures. Both buyer and the seller wasted their time all thanks to this Bank.

The Council believes this is a classic case of bank's attitude towards its customers knowing well that RBF will not penalize the bank.