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20 May 2014 Feature Article

Are you keeping a tab on your money?

50-year-old Jonetani had just settled into his newly purchased house which he had always longed for. However, to make this dream come true, Jonetani had obtained a home loan worth $25,700 from one of the prominent credit providers in the country.

The arrangement was that the monthly repayments for the loan will be deducted directly from Jonetani's pay.

Everything was going fine for some time, before Jonetani started facing financial adversities and had to take up a number of personal loans from the same credit provider whilst still making payments for his home loan.

Now, over-burdened with these unexpected borrowings, Jonetani had to dig deeper into his pocket; his not so big pay packet had to cater for his home loan as well as the personal loan repayments.

With increased burden, Jonetani began defaulting on his payments. This led his account into arrears, adding further fees and charges to his repayment amounts.

The situation later blew out of proportion which led to his property being put up for mortgagee sale.

Unable to bear the possible loss of his dream house, Jonetani decided to utilise his superannuation contribution (FNPF) to clear his home loan account. A sum of $2,415 was paid- clearing off Jonetani's home loan and saving his home from mortgagee sale.

Following this payment, Jonetanis' home loan account should have been closed. But this did not happen and little did he know that the superannuation contribution that was made, had an excess payment of $196.62 in his home loan account.

Despite the excess amount, the credit provider continued to deduct the repayments for the home loan from Jonetani's pay for 17 months and also deducted housing insurance worth $148.72.

Approximately, $3,110.44 was collected by the credit provider before Jonetani came to realise what was going on by checking his bank statements.

Once he realised that his housing loan deductions were still transacted, feeling cheated, he sought the assistance of the Council.

The Council, after correspondence with the credit provider, informed Jonetani that the credit provider had utilised the sum collected ($3,110.44) in his home loan account to recover for his personal loans. This was used as a cover-up by the credit provider because housing insurance should not have deducted when the house was paid off.

But, for Jonetani, the question was why he not informed by the credit-provider of the new arrangement as he had no knowledge of it. He only realised of the deductions from his bank statements.

Credit providers must make full disclosure to the customer.

The Council has from last year till date handled five other cases relating to property loans and mortgages where consumers were either charged more than their pending amounts or charged excessive interest rates.

Council's advice

The Council advices consumers to keep track of deductions made from their pay accounts for their personal loans and/or home loans. If consumers do not exercise consumer responsibility, they may end up paying more than what they are expected to- as was the case with Jonetani.

Consumers cannot be complacent and act ignorant especially when it is to do with their money. It is rather absurd not be alert enough to investigate any possible financial trespass with your personal account.

The Council advices consumers to reconcile statements by cross-checking with their salary slips in order to know how much payment has been made and for what purposes.

Should a consumer come across a transaction which he/she is unaware of or have not authorised any deductions, then clarity should be sought immediately so that they do not end up making payments for a loan which has already been cleared off.