



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

Regulation No. 29/2011 Regarding Bank Loans & Other Services Offered to Individual Customers

Consolidated version as of 14/06/2022

This regulation has been amended and clarified by the following notices respectively (E 28/02/2011), (N 2705/2012), (N 4501/2011), (N 13/1187/2013), (N 22/2017), (N 193/2018), (N 3986/2019), (N 5060/2019) and (N 2535/2022).
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INTRODUCTION

Following review of reports on loans and other services offered to individual customers, and banks' responses to the questionnaire previously sent, titled "Personal Consumer Loans", and pursuant to provisions of article nos. (5), (18), (94) and (96) of Union Law No (10) of 1980, Regarding the Central Bank, the Monetary System & Organization of Banking, the Central Bank has decided that all banks must abide by the provisions of these regulations, at all times.

OBJECTIVE

The objective of these regulations is to determine the relationship between banks (conventional and Islamic) and finance companies on the one hand, and their individual customers on the other, in a more transparent manner, so as to boost confidence in banks and finance companies and enhance credibility of the banking system.

ARTICLE (1) DEFINITIONS

- a) **Bank Transfer:** Transferring funds electronically from one account to another, whether inside the UAE or to an account abroad.
- b) **Bank's Cheque:** A manager's cheque, or a cheque where the bank is the drawer and the beneficiary is an individual, an establishment, a commercial company or a government institution, inside or outside the UAE.
- c) **Bank Guarantees:** Guarantees issued by banks on behalf of their customers (including retail customers), which are usually payable upon first demand by the beneficiary.
- d) **Debit Cards:** Cards similar to credit cards, except that purchases and withdrawals charged to it are immediately deductible from the account.
- e) **Prepaid Cards:** Cards filled with value, where purchases and withdrawals are deducted from the stored value until depleted (or fully exhausted).
- f) **Top-Up Loan:** An additional loan obtained by the borrower from the lending bank or finance company, prior to full repayment of the outstanding loan.
- g) **Commissions:** Rates charged against particular banking services rendered by banks.
- h) **Fees:** Rates charged against particular banking services, commitments or obligations.
- i) **Deductions:** deductions or debits to bank accounts against banking services.
- j) **Deductible Charges:** Charges to accounts against banking services.

ARTICLE (2) PERSONAL LOAN

- a) **Personal Loan:** Is "a loan that is given to individual customers, where repayments are made out of salary and end of service indemnity and/or any other verifiable regular income from a well-defined source".
- b) **Personal Loan's Limit:** Amount of the personal consumer loan has been set at (20) twenty times the salary or the total income of the borrower, and banks and finance companies must make sure that this limit is not exceeded.
- c) **Repayment Period:** The repayment period for this loan must not exceed (48) months.
- d) In order to ensure that the monthly installments deducted for repayment of this loan and resulting interest are kept in a reasonable proportion to the customer's income, the deductions from his salary and/or regular income must not exceed the limits specified under Article (7) of these Regulations.
- e) Loans extended to sole proprietorship firms and companies, secured by salary of the owner or salaries of the partners shall be treated the same way this loan is treated, and shall be subject to the same terms and conditions.
- f) This loan shall be extended as per an application by the customer to be approved by the bank or the finance company, and it should be drafted in the manner set out in Article (12) hereof.

ARTICLE (3) CAR LOAN

- a) **Car Loan:** Is a loan extended by the bank or the finance company to its customer for the purpose of purchasing a private car.
- b) Car loan shall be treated as separate from the personal consumer loan, and should not exceed (80%) eighty percent of the value of the financed vehicle.
- c) **Repayment Period:** The maximum period for repayment of the loan shall be (60) months.
- d) **Security:** This loan should be secured by a mortgage over the car.
- e) Car loans extended to sole proprietorship firms and companies, secured by salary of the owner or salaries of the partners shall be treated the same way this loan is treated, and shall be subject to the same terms and conditions.
- f) This loan shall be extended as per an application by the customer and approved by the bank or the finance company, and it should be drafted in the manner set out in Article (12) of these Regulations.

ARTICLE (4) OVERDRAFT FACILITIES

- a) **Overdrafts:** Are “facilities linked to customers accounts, and are provided by banks for payment on their behalf, in advance. This usually results in a negative balance in the customers’ accounts, which would require deposit of funds to cover that balance plus resulting interest and deductions”.
- b) Overdraft facilities extended to sole proprietorship firms and companies, secured by salary of the owner or salaries of the partners shall be treated the same way these facilities are treated, and shall be subject to the same terms and conditions
- c) To obtain such facilities, there should be pre-arrangements between the customer and the bank. The customer must submit his application, which shows the purpose of the facilities, the expected repayment period and the sources of repayment, in accordance with the form set out in Article (12) of these Regulations.

ARTICLE (5) CREDIT CARDS

- a) **Credit Cards:** Are “Plastic cards linked to an electronic network, containing details and credit limit of the card holder. Value of a customer’s purchases and cash withdrawals are paid on his behalf by the issuing bank or the finance company, and the customer pays the value at the beginning of the month following the transactions’ month, or by installments as per agreement with the issuing bank or finance company, after end of the period allowed for full payment of the balance.
- b) Credit cards shall be issued to customers of the bank or the finance company, and may be issued to non-customers, in which case customer statistical data, as residents or non-residents, must be recorded separately.
- c) Banks and finance companies issuing such cards must abide by the following:
 1. Provide these cards to persons whose annual income equal or exceeds AED 60,000.
 2. These cards may be provided against a pledged deposit of value not less than AED 60,000.
- d) Banks or finance companies should provide their credit card customers with a monthly statement of expenses, showing values of purchases and cash withdrawals, and they should immediately investigate if a customer challenges any expense item.
- e) Credit card facilities for the unpaid balances of these cards provided to sole proprietorship firms and companies and secured by salary of the owner or salaries of the partners shall be treated the same way these facilities are treated, and shall be subject to the same terms and conditions.
- f) Provisions of the agreement for providing credit cards, signed by the customer, should be in accordance with the form set forth in Article (12) of these Regulations.

ARTICLE (6) INTEREST**Computation of Interest**

- a) Each bank or finance company must calculate the interest rate charged for the loans mentioned under article nos. (2) and (3) and overdraft facilities (Article- 4 in case of banks only) as well as unpaid credit card balances (Article -5), in accordance with the following formula:

$$\text{Interest Amount} = \frac{\text{Principal} \times \text{interest rate} \times \text{loan period (in months)} + 1}{2 \times 100 \times 12}$$

- b) All banks and finance companies must declare their respective interest rates on loans, overdraft balances (In case of banks only), and balances due for credit cards within the table. The rate shall be determined on basis of the reducing balance of the loan on annual basis and included in the display board mentioned in Article (11) of these Regulations.
- c) “Interest Amount” on loans and overdraft balances shall be determined on basis of the formula mentioned under (a) above.
- d) Deduction of a ratio of the loan in advance, as the payable interest amount is prohibited, the formula mentioned under (a) above should be used to calculate the first interest amount, and then interest amount shall be calculated on the reducing balance of the loan by using the following simple equation:

$$\text{Interest Amount} = \frac{\text{Loan balance at the begining of the month} \times \text{Interest rate}}{12 \times 100}$$

- e) Banks and finance companies must arrive at the “Interest Amount” and deduct it from the agreed monthly installment, then use the net amount to reduce the loan balance and reach “the new balance of the loan at the beginning of the month” which would, in turn, be used in the calculation process at the end of the following month.
- f) With regard to calculation of interest amount on credit cards due balances, these shall only be calculated for the outstanding balance after the maturity date for its full payment; i.e., in the month following the month on which the purchases and withdrawals have occurred. Interest amount must then be calculated as per the equation mentioned under (a) above and in accordance with the rates declared on the display board mentioned under Article (11) of these Regulations.
- g) A Bank or a finance company shall determine the penalty rate in the event of full or partial prepayment before maturity date, or in case of a top- up loan, however, a top- up loan, should not be granted unless the original loan was repaid, without default, for a period not less than one year, and in this case the rate shall be declared in the table mentioned in Annex-2

ARTICLE (7) REPAYMENT INSTALLMENTS

- a) Deductions from salary or regular income of any borrower, for all types of loans extended by banks and finance companies together, including, but not necessarily restricted to, car and private housing loans, overdraft facilities, and credit cards facilities, must not exceed 50% fifty percent of his gross salary, and any regular income from a defined and specific source at any time.
- b) Should a loan or a banking facility’s repayment period extends to the retirement age, banks and finance companies must schedule reduction of these loans or facilities in such way as to allow deduction of only 30% of the income (or pension salary).
- c) Banks and finance companies may only take from the customer the number of postdated cheques covering the installments, and of value not exceeding 120% of value of the loan or the debit balance.

ARTICLE (8) ARMED FORCES STAFF LOANS

In the case of army personnel, the conditions detailed in our Notice No. 1850/2004 dated 14/06/2004 shall continue to apply, but with the following amendments:

- a) The value of installments deducted by the bank (or the finance company) for all types of loans and facilities (personal- commercial- housing – car loan- credit cards and any other loans or facilities) shall not exceed 50% of the borrower’s gross salary.
- b) Military ID cards should not be taken, nor photocopied. A certificate issued by the Armed Forces stating gross salary, period of service and that the applicant is still holding his job should suffice.
- c) In case a lending bank or finance company fails to abide with the above, the Armed Forces shall transfer the salary of the concerned Armed Forces staff to any other bank (or finance company) without referring to the bank that extended the loans or facilities.

ARTICLE (9) BANK ACCOUNTS & RELATED COMMISSIONS, FEES AND CHARGES

- a) **Bank Accounts** are: current accounts, savings accounts, call accounts and the like, as well as accounts set-up for specific purposes.
- b) Commercial banks may open all types of accounts for their retail customers, but in such cases, they must abide by the standard agreement mentioned under Article (12) of these Regulations. In case a customer requested closing of the account and termination of the business relationship with the bank, the bank should do that without imposing a penalty if the account opening date goes back to more than one year. In all cases, an account must be closed and an appropriate certificate must be issued within, maximum, seven days (7) from date of submission of the application.
- c) Banks may set a minimum credit balance for each account, and impose charges if such minimum was not maintained, as specified in Article (11) of this regulation.
- d) None of the opened accounts can be considered “dormant” if the customer’s address is known or if the customer is present and has other active accounts with the bank. Accounts are classified as dormant only in accordance with the provisions of these regulations issued by the Central Bank in this regard.
- e) Banks may issue ATM cards, or debit cards linked to any type of these accounts. They may also charge fees for issuance of new cards, replacement of lost cards or renewal of expired cards. However, they must declare these fees in the manner specified in Article (11) of these Regulations.

ARTICLE (10) PERSONAL BANKING SERVICES & THE FEES AND COMMISSIONS CHARGED ON THEM

- a) **Personal Banking Services:** are bank transfers, issuance of bank cheques (or manager’s cheques) issuance of bank guarantees, opening of documentary credit, discount of cheques of local and foreign banks, issuance of balance certificates, issuance of indebtedness certificates and the like.
- b) All banks and finance companies (finance companies are not permitted to open current, savings or call accounts to retail customers or provide services and facilities relating to such accounts) may provide the personal banking services mentioned in (a) above and collect related commissions and fees, or deduct such fees from the account, however they should declare them in the manner specified in Article (11) of these Regulations.

ARTICLE (11) INTEREST RATES, COMMISSIONS AND BANKING SERVICE CHARGES

- a) Each bank or finance company shall determine the interest rates pertaining to personal loans and car loans (must include insurance and expressed in one figure) along with overdraft balances and unpaid credit cards balances and include them in the table shown in Annex-1 of these Regulations. Copy of this table must be sent for publication by the Central Bank.

- b) Fees, commissions, deductions and charges on loans, overdraft balances and unpaid credit card balances and those charged on retail banking services, shall be in accordance with the limits prescribed in the table shown in Annex-2 of these Regulations. Banks and finance companies may not impose any commissions, fees, charges or fines other than those mentioned in the said table without Central Bank's written approval.
- c) Any Fees/commissions on purchase/sale of currency notes, Travelers Cheques, Demand Drafts, and Telegraphic Transfers for major countries must also be clearly written in Arabic and English on a board of an appropriate size to be fixed next to the Foreign Exchange Counter in the banking hall at banks' branches, as shown in Annex-3 of these Regulations.
- d) The Central Bank shall annually review fees, commissions and charges imposed as per table No-(2) attached to these regulations.

ARTICLE (12) CONDITIONS FOR OPENING OF ACCOUNTS, PROVIDING OF CREDIT CARDS AND GRANTING LOANS & BANK FACILITIES

- a) Conditions for opening of accounts of all types as well as conditions for obtaining credits cards must be included in a standard agreement, drafted in both English and Arabic and written in an easily readable font, and in accordance with texts drafted and approved by the Emirates Banks Association.
- b) Conditions for granting personal loans, car loans, overdraft facilities and facilities for covering unpaid credit card balances must be included in standard applications, drafted in both Arabic and English and written in an easily readable font, and in accordance with texts drafted and approved by the Emirates Banks Association.

ARTICLE (13) SHARIAAH COMPLIANT BANKING SERVICES

The provisions of these Regulations shall apply to Shari'ah compliant banking services, except in the matter of computing interest and determining its amount, which would be done in accordance with Shari'ah principles.

In such case, clarity, transparent disclosure, accuracy and documentation at all times, must all be observed, and copy of the established rates should be sent to the Central Bank for publication.

ARTICLE (14) VIOLATIONS TO THE PROVISIONS OF THESE REGULATIONS

Should suspicions arise as to the violation of provisions of these Regulations by any bank, the matter shall be referred to the Legal Development Unit of the Central Bank to decide whether such violation has occurred. If the violation is established, the fine referred to in Article (107) of Union Law No-(10) of 1980 Regarding the Central Bank, the Monetary System and Organization of Banking, shall be imposed, and shall apply to each violation, and be charged on daily basis to the violating bank, until rectified.

ARTICLE (15) GENERAL PROVISIONS

- a) Banks or finance companies are not allowed to alter or vary terms and conditions for granting the loan or the facility during the tenor of the loan or the facility, unless agreed to in writing by the borrower. In case of changes to the commissions or fees, customers must be notified, at least, two months prior to implementation of such changes.
- b) Banks and finance companies are prohibited from taking blank cheques for granting loans or overdraft facilities, or for issuing credit cards.

ARTICLE (16) THE PROVISIONS OF THESE REGULATIONS ARE NOT APPLICABLE TO MERCHANT AND INVESTMENT BANKS

The provisions of these Regulations are not applicable to investment banks or merchant banks, nor to finance or investment companies, since these institutions are not authorized to provide personal loans or retail banking services. Moneychangers, however, shall only be subject to the provisions regarding bank transfers and exchange of currency.

ARTICLE (17) RESPONSIBILITIES OF THE BANKING SUPERVISION & EXAMINATION DEPARTMENT

- a) The Banking Supervision & Examination Department will issue a guide to clarify how banks should comply with the provisions of these Regulations and submit the required statistical data to the Central Bank.
- b) The Banking Supervision & Examination Department will also issue a guide to its examiners to explain the regulatory procedures relevant to these Regulations.

ARTICLE (18) CANCELLATION OF THE PREVIOUS CIRCULAR ON THE SUBJECT

Upon enforcement of this Regulation, Circular No- 12/93 dated 23/2/1993, and Central Bank's clarifications ref. DMM/1263/93 dated 6/7/1993, and any notices or directives relating thereto shall be cancelled, except for Notice No- 1850/2004, dated 14/6/2004, regarding Armed Forces Personnel.

ARTICLE (19) INTERPRETATION OF THESE REGULATIONS

The Legal Development Unit of the Central Bank shall be the reference for interpretation of the provisions these Regulations.

ARTICLE (20) CURRENTLY OUTSTANDING LOANS

- a) The provisions of these Regulations shall apply to all banks and finance companies including Islamic banks and Islamic finance companies in relation to personal consumer loans and car loans granted by these entities currently existing, except for commissions, fees or any fines charged on them prior to the date on which these regulations come into force, which is considered finalized.
- b) Any borrower may transfer his/her loan/financing from any bank or finance company operating in the UAE against paying of an early payment fee not exceeding 1% of the outstanding balance of the loan, or AED 10,000, whichever is less. Another bank or a finance company operating in the UAE may accept the transfer under the following conditions:
 1. For loans granted after the issuance of this Regulation, the requirements of the Regulation must be fully complied with, in particular those relating to the loan or financing amount, the repayment period and monthly deduction.
 2. For loans granted prior to the issuance of this Regulation, the profit/interest rate should be reduced and the repayment period or loan/financing balance should not be increased by granting an additional loan or financing to the borrower.

ARTICLE (21) PUBLICATION

These regulations shall be published in the Official Gazette in both Arabic and English, and shall come into effect one month after date of its publication.