



THE REPUBLIC OF UGANDA

**THE TIER 4 MICROFINANCE
INSTITUTIONS AND MONEY LENDERS
(LENDING CONDITIONS)
REGULATIONS, 2024**

S.I. No. 108 of 2024

STATUTORY INSTRUMENTS SUPPLEMENT

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STATUTORY INSTRUMENTS
2024 No. 108

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AND MONEY LENDERS (LENDING CONDITIONS)
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ARRANGEMENT OF REGULATIONS

Regulation

1. Citation
2. Application
3. Interpretation
4. Interest, fees and charges
5. Lending contract to be in writing
6. Variation of terms of lending contract
7. Interest recoverable from non-performing loans
8. Collateral for money advanced
9. Compounding of interest rates
10. Guarantor
11. Cooling off period
12. Early settlement charge
13. Recovery of loan
14. Exchange of credit information
15. Transparency
16. Transaction receipts
17. Transition period

SCHEDULE—CURRENCY POINT

2024 No. 108

**The Tier 4 Microfinance Institutions and Money Lenders
(Lending Conditions) Regulations, 2024**

*(Under section 110 (2) (d) of the Tier 4 Microfinance
Institutions and Money Lenders Act, Cap. 61)*

IN EXERCISE of the powers conferred upon the Minister responsible for finance by section 110 (2) (d) of the Tier 4 Microfinance Institutions and Money Lenders Act, these Regulations are made this 8th day of November, 2024.

1. Citation

These Regulations may be cited as the Tier 4 Microfinance Institutions and Money Lenders (Lending Conditions) Regulations, 2024.

2. Application

These Regulations apply to Tier 4 Microfinance Institutions and Money Lenders except self-help groups.

3. Interpretation

In these Regulations, unless the context otherwise requires—

“Act” means the Tier 4 Microfinance Institutions and Money Lenders Act, Cap. 61;

“Authority” means the Uganda Microfinance Regulatory Authority established by section 5 of the Act;

“borrower” means a person who obtains credit from a lender;

“currency point” has the value assigned to it under the Schedule to these Regulations;

“institution” means a tier 4 microfinance institution;

“money lender” means a company licensed under section 78 of the Act;

“non-performing loan” means a loan in which the principal or interest is due and unpaid after the due date in accordance with the contract between the lender and the borrower.

4. Interest, fees and charges

(1) An institution or money lender shall not lend money and earn interest unless the institution or money lender is licensed by the Authority under the Act.

(2) An institution or money lender shall not impose interest, a charge, loan or other related fee or charge which exceeds one hundred percent of the principal amount per annum advanced as a loan to the borrower.

(3) An institution or money lender shall, before advancing a loan to a borrower—

(a) provide the borrower with a schedule of the interest, fees and charges, including commissions, payable for the product or service that the borrower has chosen;

(b) display prominently, the interest, standard fees and charges at all its branches or websites and other electronic digital channels, and any other communication channels which an institution or money lender uses;

(c) inform the borrower, at the time the services or products is offered, and on request, of the basis of charges for services rendered which are not subject to standard fees and charges;

(d) inform the borrower of any additional charges or expenses that the borrower is required to pay, including search fees and loan processing fees;

(e) where third party fees and charges are involved, inform the borrower, in advance, of the relevant service or product and the applicable fees and charges offered by the third party.

(4) For the purposes of regulation (3) (e) “third party fees and charges” means fees and charges which are not levied directly by an institution or money lender but which are charged to meet the financial obligations of an agent or third party involved in the transaction.

(5) The interest chargeable on a loan as penalty for default shall not exceed half of the monthly rate charged and shall be charged only on the principal balance amount.

(6) An institution or money lender which contravenes this regulation commits an offence, and is liable, on conviction, to a fine not exceeding forty-eight currency points and in the case of a continuing contravention, to an additional penalty not exceeding ten currency points in respect of each day on which the offence continues.

(7) Notwithstanding any agreement to the contrary, a borrower shall not be under an obligation to pay any interest, loan related fees or charges exceeding one hundred percent of the principal amount per annum to any person advanced as a loan to the borrower.

5. Lending contract to be in writing

(1) An institution or money lender shall, prior to advancing a loan to a borrower, issue a lending contract which shall be in writing or electronic form and signed by the institution or money lender and the borrower, and witnessed by a third party.

(2) The contract referred to in subregulation (1) shall state—

(a) the terms and conditions of the loan;

(b) the loan fees and charges, if any;

(c) the consequences of prematurely terminating a loan or early payment;

- (d) the method of calculating interest;
 - (e) the applicable interest rates for the contracted period and the basis and frequency on which loan payments or deductions are to be made;
 - (f) the total cost of credit which is inclusive of fees;
 - (g) the payment schedule;
 - (h) cooling off provision;
 - (i) the nature of the collateral;
 - (j) recovery procedures;
 - (k) the date on which the loan is disbursed;
 - (l) the amount of the principal of the loan;
 - (m) the interest charged on the loan expressed in terms of a percentage per year;
 - (n) the nature of the security, if any;
 - (o) the duties and obligations of the borrower;
 - (p) the mode of repayment;
 - (q) the nature of guarantorship, if any; and
 - (r) the right to early repayment.
- (3) The borrower is entitled to a copy of the contract.
- (4) An institution or money lender shall develop a template loan agreement and shall submit it to the Authority for approval at the time of applying for a licence or renewal of a licence.
- (5) An institution or money lender who contravenes this regulation commits an offence, and is liable, on conviction to a fine not exceeding forty-eight currency points and in the case of a continuing contravention, to an additional penalty not exceeding ten currency points in respect of each day on which the offence continues.

6. Variation of terms of lending contract

- (1) An institution or money lender shall not vary any term of a lending contract, including increasing interest rates or charges in the contract without the written consent of the borrower.
- (2) An institution or money lender shall not vary a lending contract to increase the interest rate without prior written notice to the Authority.

7. Interest recoverable from non-performing loans

- (1) Subject to subregulation (2), an institution or money lender shall only charge or impose the permissible charges on a non-performing loan.
- (2) The permissible charges referred to in subregulation (1) are the sum of the following—
 - (a) the principal owing when the loan becomes non-performing;
 - (b) interest, fees and charges in accordance with the contract between the borrower and the lender, not exceeding the principal owing when the loan becomes non-performing; and
 - (c) expenses incurred in the recovery of any amount owed by the borrower.
- (3) Where a loan becomes non-performing and the borrower resumes payments on the loan, and the loan becomes non-performing again, the limitations under paragraphs (a) and (b) of subregulation (2) shall be determined with respect to the time the loan last became non-performing.

8. Collateral for money advanced

- (1) An institution or money lender shall not demand or accept the following as collateral for any money advanced to a borrower as a loan—
 - (a) a national identity card, passport, warrant card or other document establishing the identity or nationality of the holder;

- (b) Automated Teller Machine cards and security codes for the Automated Teller Machine cards or deposit account books; or
 - (c) an instrument of transfer of any property or assets signed prior to the disbursement of the loan.
- (2) An institution or money lender who contravenes subregulation (1), commits an offence and, is liable—
- (a) in case of a legal entity to a fine not exceeding ninety-six currency points for each day of default; or
 - (b) in case of a natural person to a fine not exceeding ninety-six currency points for each day of default or to imprisonment not exceeding four years or both.
- (3) Where an offence under subregulation (2), is committed by a legal entity, such offence may be deemed to have been committed by a director or the executive head of the institution or money lender.
- (4) Where it is proved to the satisfaction of court that a transaction for lending is disguised as a sale or transfer of property, the court may—
- (a) nullify the transaction;
 - (b) order the borrower to refund the money borrowed, without interest;
 - (c) revoke the licence of the institution or money lender; or
 - (d) make other such orders as it may deem fit.
- (5) An institution or money lender shall not dispose of any collateral given by a debtor as a sale, pledge or collateral for the loan advanced to him or her, unless sixty days have elapsed since a written demand notice was issued to the debtor requiring him or her to pay any outstanding monies on the money advanced.

(6) An institution or money lender may dispose of the collateral given by the debtor by way of public auction or private treaty without recourse to court.

(7) An institution or money lender may, before carrying out the sale of collateral by public auction or private treaty, undertake a valuation and obtain a forced sale value of the collateral in order to determine the market value of the property.

(8) An institution or money lender shall not sell the collateral for less than the forced sale value in the initial two auctions and where the collateral does not sell in the first two attempts, the lender may sell the collateral at a forced sale value or less than the forced sale value.

(9) The proceeds from the sale of collateral shall be applied as follows—

- (a) to pay all monies outstanding on the loan;
- (b) to costs and expenses properly incurred and incidental to the sale; and
- (c) the balance, if any, shall be paid to the borrower.

(10) A borrower shall retain the right to pay any outstanding monies and costs to redeem the collateral before it is disposed off.

(11) Regulation 18 of the Tier 4 Microfinance Institutions and Money Lenders (Money Lenders) Regulations, 2018 relating to the collateral for money advanced shall apply to a money lender.

9. Compounding of interest rates

(1) Subject to section 85 of the Act, an institution or money lender shall not charge compound interest on any loans.

(2) The interest charged on a loan by an institution or money lender shall be computed on the monthly outstanding balance of the

principal remaining after deducting from the original principal the total payments made by or on behalf of the borrower which are appropriated to the principal.

10. Guarantor

- (1) An institution or money lender shall notify the guarantor in writing of the quantum and nature of his or her potential liabilities.
- (2) An institution or money lender shall obtain written consent from the guarantor before accepting the person as guarantor.

11. Cooling off period

- (1) An institution or money lender shall allow a borrower at least five working days after signing a lending contract to purchase the financial product or service, to revoke or terminate the contract by written notice delivered to the institution or money lender.
- (2) The revocation or termination of the contract for provision of a financial product or service shall be effective if the borrower repays the full amount of the loan at the time of cancellation of the contract and any other administrative fee or charge, where applicable, for costs which have been reasonably incurred by the institution or money lender prior to the revocation or termination.

- (3) The administrative fee or charge in subregulation (2), shall not exceed two per cent of the value of the loan.

12. Early settlement charge

An institution or money lender shall not charge or impose an extra cost on a borrower who wishes to settle and repay his or her loan obligation early or before the due date.

13. Recovery of loan

- (1) An institution or money lender, its officers, employees or agents shall not, in the course of recovering a loan from a borrower, engage in any of the following conduct against the borrower or other person—

- (a) use of threats, or violence or other criminal means to physically harm the person or his or her reputation or property;

- (b) use of obscene or profane language;

- (c) make unauthorised or unsolicited calls, or use social media channels to send messages to a borrower's contact list who are not party to the loan transaction;

- (d) improper or unconscionable debt collection tactics, methods or conduct; or

- (e) any other conduct whose consequence is to harass, oppress or abuse any person in connection with the collection of a debt.

(2) Where a loan becomes delinquent and a recovery agent is assigned to the borrower, the particulars of the recovery agent shall be communicated to the borrower by the institution or money lender before the recovery agent contacts the borrower.

(3) The communication referred to in subregulation (2) shall include the name, address and the telephone contacts of the appointed recovery agent.

(4) An institution or money lender that contravenes this regulation commits an offence and is liable, on conviction, to a fine not exceeding forty-eight currency points and in the case of a continuing contravention, to an additional penalty not exceeding ten currency points in respect of each day on which the offence continues.

14. Exchange of credit information

- (1) Notwithstanding any other provision of these Regulations, an institution or money lender shall disclose any positive or negative information relating to its borrowers to the credit reference mechanism through measures implemented by the Authority where the information

is reasonably required for the discharge of the functions of the lender and the credit reference mechanism in accordance with section 7(2) (1) of the Act.

(2) An institution or money lender submitting credit information to a credit reference mechanism shall ensure that the information is complete and accurate to enable reliable credit history data.

(3) An institution or money lender shall obtain consent from a borrower to share the data relating to a lending contract, both positive and negative before sharing the data with the credit reference mechanism.

(4) The Authority shall issue validation criterion for data submission to the credit reference sharing mechanism established for the purposes of de-risking borrowers and controlling over-borrowing in tier 4 microfinance institutions and money lenders.

(5) A credit provider shall share data with the credit reference mechanism using the allocated unique identifier issued by the Authority.

(6) Every lender shall share the credit information of borrowers with the Authority's established credit reference mechanism.

15. Transparency

(1) An institution or money lender shall—

(a) ensure that any information given to a borrower, whether in writing, electronically or orally is fair, clear and transparent;

(b) ensure that the information is written in English or other official language of Uganda and in a font size of not less than 10 points;

(c) where a borrower is unable to understand English, provide an oral explanation in a language the borrower understands;

(d) where a borrower is unable to understand written information, explain orally to the borrower, the written information;

(e) ensure that where an oral explanation has been provided to the borrower, the borrower shall have a third party to countersign as evidence that an oral explanation has been given to the borrower;

(f) ensure that information on its products and services is updated and current and easily available at its branches, websites, electronic forms and any other communication channels which the institution or money lender uses; and

(g) ensure that it discloses at its branches, agents, websites, advertisements, promotional materials and any other communication channels which it uses that it is regulated by the Uganda Microfinance Regulatory Authority.

(2) The Authority shall publish on its website, all licensed institutions or money lenders with the loan products, interest rates and charges.

16. Transaction receipts

An institution or money lender shall generate and issue a hard copy receipt, e-receipt or instant message to acknowledge the transaction carried out by or with a borrower.

17. Transition period

An institution or money lender duly licensed by the Authority before the commencement of these Regulations and in existence before the commencement of these Regulations shall, within three months from the date of commencement of these Regulations, comply with the provisions of these Regulations.

SCHEDULE

CURRENCY POINT

Regulation 2

A currency point is equivalent to twenty thousand shillings.

Cross References

Tier 4 Microfinance Institutions and Money Lenders (Money Lenders) Regulations S.I. No. 8 of 2018

MATIA KASAIJA (MP),
*Minister of Finance, Planning and
Economic Development*