



# **BANK OF GHANA**

## **NOTICE TO BANKS AND SPECIALISED DEPOSIT-TAKING INSTITUTIONS (SDIs)**

**NOTICE NO. BG/GOV/SEC/2021/12**

### **ABOLITION OF UNFAIR FEES, CHARGES AND OTHER PRACTICES IN THE BANKING SECTOR**

The Bank of Ghana has observed with concern, a trend where some Banks and Specialized Deposit-Taking Institutions (SDIs) impose certain fees and charges on customers. These practices are deemed to be unfair, inappropriate and detrimental to the financial inclusion agenda and the protection of customers' interest.

In line with the mandate of the Bank of Ghana to deal with unlawful or improper practices of banks and SDIs under **Section 3 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)** and to ensure that the interest of customers of banks and SDIs are adequately protected, the Bank of Ghana hereby notifies banks and Specialised Deposit-Taking Institutions of the abolition of the following practices:

#### **1. Credit Insurance Premium Overcharges**

As part of credit underwriting policies, a number of banks and SDIs require borrowers to hold credit insurance against eventualities such as death, permanent disability and termination of employment. While the Bank of Ghana acknowledges the importance of this practice as a loss mitigating norm in credit management, a number of banks and SDIs take advantage, to overprice the premiums charged to customers, resulting in the increased cost of borrowing. Banks and SDIs are directed to desist from premium overcharges and to adhere strictly to the following:



- i. Banks and SDIs that opt to use their pre-determined insurance companies to underwrite borrowers' loans, shall apply the same premium charged by the underwriting company to borrowers.
- ii. Banks and SDIs are not permitted to retain insurance premiums collected from customers with the intention of implementing an internal insurance policy.

This excludes commissions for Bancassurance arrangements.

## **2. Maintenance Fees on Savings Account**

The application of “**Account Maintenance Fees**” by banks and SDIs on savings accounts inhibits deposit mobilisation and discourages the use of banking systems by the general public. Bank of Ghana has noted that the application of such fees has driven a number of savings accounts into debit and in so doing, eroded the deposits of vulnerable depositors who would generally expect their savings accounts to earn interest.

This practice is detrimental to financial inclusion and negates the gains of the financial literacy programmes geared towards promoting personal savings.

**Banks and SDIs are directed to desist from charging “Account Maintenance Fees” on savings accounts. This ban however, does not include charges for services provided by banks and SDIs with the explicit prior subscription by customers.**

## **3. Over the Counter (OTC) Withdrawal Charges**

Bank of Ghana notes that some banks and SDIs impose penal charges on customers who withdraw their own funds from banking halls of affected banks and SDIs. The reason commonly attributed to this practice is to encourage customers to use digital platforms provided by the banks/SDIs for such withdrawals, in order to decongest banking halls. These digital platforms are however not offered for free.



While Bank of Ghana acknowledges the support of banks and SDIs in the digitization agenda, this action deters some customers, especially those who are averse to the use of digital platforms, from opening and operating accounts. The practice also negatively affects the financial inclusion drive of the Bank of Ghana.

**Banks and SDIs are directed to desist from levying penalties on customers who withdraw own funds below certain thresholds from the banking halls.**

**In addition, banks and SDIs shall not levy penalties against customers who request account balances within banking halls.**

#### **4. Change of Ownership of Collateral Documents**

Bank of Ghana notes that some banks and SDIs require borrowers who secure credit facilities with movable assets, to transfer ownership of such assets into the joint names of the borrower and the bank or SDI involved. In addition, borrowers are made to bear the cost associated with the transfer prior to loan approval and after settlement of loan.

This practice of some banks and SDIs is contrary to **section 7 of the Borrowers and Lenders Act, 2020 (Act 1052)** which does not permit a security interest to operate as a transfer of title from a borrower to a lender. The practice further denies borrowers the opportunity to secure multiple loans with a single collateral duly registered in the name of the respective borrowers.

**Banks and SDIs are barred from engaging in the practice of changing ownership of collaterals presented by borrowers to secure credit facilities from the borrower to the bank or SDI.**

#### **5. Application of interest on Penal Charges**

The Bank of Ghana has observed a practice among some banks and SDIs, where penal interest rates levied against defaulting loan customers, are made to accrue interest. In effect, interest is computed on penal charges in addition to interest on the outstanding loan amount.



This practice results in high outstanding loan balances which customers are unable to pay, resulting in high non-performing loans.

**The practice is detrimental to the credit market. Banks and SDIs are directed to desist from the application of interest on penal charges.**

**Additionally, penal charges shall only be applied on the amount of the delayed interest or principal payment and not on the total outstanding loan amount in accordance with section 55(3) of the Borrowers and Lenders Act, 2020 (Act 1052).**

## **6. Quotation of Monthly Interest Rates on Credit Facilities**

In accordance with section 55 (2) of the Borrowers and Lenders Act, 2020 (Act 1052), banks and SDIs shall impose on a borrower an interest rate that is calculated on an **Annual Basis only** in all credit agreements.

Consequently, banks and SDIs are directed to desist from the quotation of monthly interest rates on all credit facilities and associated fees.

In addition to the interest rate, banks and SDIs are directed to disclose the Annualized Percentage Rate (APR) related to every credit facility in accordance with the Disclosure and Product Transparency Rules for Credit Products and Services.

## **7. Third Party Deposit/Withdrawal Violations**

Bank of Ghana has observed with concern, the lack of compliance with the requirement of banks and SDIs to obtain full personal details (name, address, ID and telephone numbers) of a person who makes a deposit into or withdrawal from an account on behalf of another person.

Deposit slips of some banks and SDIs do not make provision for depositors' signatures. This anomaly makes it possible for third parties to deposit into customer's account under the guise that the



deposit was made by the customer, by simply writing “self” in the column for depositor’s name.

**Banks and SDIs are therefore directed to desist from this practice. Banks and SDIs shall ensure that depositors sign on deposit slips at all times.**

**(SGD)  
SANDRA THOMPSON (MS)  
THE SECRETARY**

**17<sup>th</sup> June, 2021**

PUBLIC