

Bank can take action against loan defaulter



LEGAL VIEW Ashish Mehta

I have been living in Dubai for nine years and have never defaulted on any credit card or loan payments. In December 2015, I lost my job due to restructuring. I have a personal loan of Dh255,000 (security cheque amount) of which I have paid 10 instalments of Dh6,300 before I lost my job. The total payments to the bank amount to 63,000.

But, since losing my job, I have missed three instalments since I have no income. The bank is now threatening me that they will pursue a legal case. I've had a relationship with this bank since 2013, when I had another personal loan in my name where I paid all the instalments without default. Kindly advise me what could be the consequences that I may face with regards to this issue.

Pursuant to your personal loan, the lending bank is well within its right to pursue a legal case against you for default in repayment of personal loan amount. The Central Bank of the UAE through its notice No. 3692/2012 to all banks and finance companies in the UAE has provided a format of general terms and conditions to be incorporated in agreements for personal loans, overdrafts and auto loans which has been approved by the Emirates Banks Association. The said formats are in accordance with Article 12 (a) and

(b) of the Regulations No. 29/2011 dated 23/02/2011 regarding Bank Loans and Other Services Offered to Individual Customers.

Article 4(4) of the Personal Loan Agreement format approved by the Central Bank of UAE states that: "The loan elapses and all the instalments, interests and any other fees and expenses become due and payable immediately without having to give any notification or any court ruling and without prejudice to any other rights of the bank according to this agreement or in accordance with the law in the event of occurrence that the borrower failed to pay three consecutive instalment or six nonconsecutive instalments of the monthly instalments without approval of the bank."

Pursuant to the aforesaid, if you have signed a personal loan agreement, or if you have signed the terms and conditions in the application form while availing personal loans you will be held responsible if you don't pay the monthly instalments to your bank. Further lending bank has the right to file criminal case as well by depositing your security cheque which you provided at the time of availing the loans.

**Offer letter valid only if it does not contradict Labour Law
I was working in a Free Zone**

Know the law

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company at Dubai Outsource Zone on an unlimited contract. I signed an offer letter in which it was written that if I resign before two years, I have to pay three months' gross salaries. I signed the contract after coming here in Dubai. I am resigning after 18 months with one-month notice period but my company is asking for three gross salaries as it was mentioned in the offer letter. There is nothing mentioned in the contract about the three gross salaries. But the company is pressurising me to sign the settlement sheet. Am I eligible to pay the three gross salaries based on the offer letter? Or is the contract the final agreement between an employee and employer?

You are not liable to pay three months' gross salary to your employer for termination of employment contract before completion of two years of service as you are working under unlimited period of contract. Further, we assume that your employment falls under the purview of Federal Law No. 8 of 1980 of UAE (the 'Labour Law') which regulates Employer-Employee relationship in the UAE.

In accordance with Article 117 (1) of the Labour Law, you have to serve one month's notice to your employer if you wish to terminate your employment contract. The said article states that, "Both the employer and the worker may terminate a contract of employment of unlimited duration for a valid reason at any time following its conclusion by giving the other party notice in writing at least 30 days before the termination."

The offer letter issued by your employer prior to joining the employment is only valid if it does not contradict the Labour Law of the UAE.

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