

Vehicle loans can be repaid prematurely with 1% charge



LEGAL VIEW Ashish Mehta

I plan to buy a car for my family through auto loan finance. But, I am currently in my six months probation period at work and I fear if I buy the car and sign into a three-year deal, then lose my job in the mean time, I will be struggling to repay the loan. If I lose my job and move my family back to India, how do I pay off the loan early? Will I be able to sell the car (even though it is on a three-year loan) and then use the money to pay off the loan early? Will I incur a penalty if I do that? But if I cannot afford to pay off my car loan, what can I do? Will I face jail?

A borrower can repay his auto loan prematurely before the term of the repayment period. The lenders in the UAE are authorised to charge 1 per cent on remaining balance for early repayment of auto loans, in accordance with Appendix No.2 of Regulation No. 29/2011 issued by Central Bank of UAE Regarding Bank Loans & Services Offered to Individual Customers. The vehicle will remain mortgaged (hypothecated) to the bank as security until repayment of the loan in accordance with Article 3 of the aforementioned regulation. If you have a prospective buyer for your car during the auto loan period, you should inform the buyer and the lender regarding the sale of the said car. Once the sale value is

agreed between you and the prospective buyer, you may request the prospective buyer to pay the sale amount with the lender and do the necessary formalities to register the car in the name of the prospective buyer upon clearing the auto loan so that the mortgage held by the bank is removed and the ownership will be transferred to prospective buyer. There will be only early repayment charge of 1 per cent on the remaining balance as aforesaid for early closure of loan.

In the event you are not able to pay off your auto loan, the lender will take possession of the car and you will be still liable to pay the unpaid loan instalments. Usually, the lenders also take a security cheque from you for the loan amount and if the loan instalments are not paid consecutively for three months, the lender may deposit your security cheque and if the cheque is dishonoured, you may face civil and as well as criminal proceedings for dishonour of cheque.

Please note that policy of each lender may vary so it is best you first satisfy yourself with the policy of the lender you intend to use to check their policy on early settlement of the auto loan.

Travel allowance not part of leave salary
I worked in a private construction company in Dubai from June 11, 2016, to May 20,

Know the law

Every employee shall be entitled to his basic wage and the housing allowance if applicable in respect of his days of annual leave where the circumstances of the work make it necessary for an employee to work during all or part of his annual leave and the days of leave on which he works are not carried forward to the following year, the employer shall pay him his remuneration, plus a leave allowance.



2017. I resigned from the company followed by one month notice period that ended on May 20, which means I completed 11 months and 9 days in the company. However, when I asked for my final settlement, my company paid me only 10 days of leave salary, stating that as you have not completed one year, you will only get two days salary per month, excluding six-month probation period. My company also deducted travel allowance from my leave salary. Please tell me that if my company is following the UAE labour law while doing this? I was working on an unlimited contract and my company is not in a free zone.

Pursuant to your queries you are entitled for 22 days of annual leave salary as you have completed 11 months of service with your company in accordance with Article 75

(a) of the Federal Law No. 8 of 1980 regulating Employment Relations in the UAE (the 'Employment Law'), which states: "Every employee shall within each year of service, be granted a period of annual leave of not less than two a month, where the employee's period of service is more than six months but less than one year."

Further, you are entitled to basic salary and housing allowance as part of leave salary and not your entire salary which may include travel allowance and other allowances. This is in accordance with Article 78 of the Employment Law, which states: "Every employee shall be entitled to his basic wage and the housing allowance if applicable in respect of his days of annual leave where the circumstances of the work make it necessary for an employee to work during all or part of his annual leave and the days of leave on which he works are not carried forward to the following year, the employer shall pay him his remuneration, plus a leave allowance in respect of the days worked at a rate equal to his basic wage.

It shall be unlawful in any circumstances to employ an employee during his annual leave more than once in two successive years."

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