

Clear debt before leaving UAE for good, or banks can sue you



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LEGAL VIEW

Q: I am a resident of the UAE and I am planning to go back to my home country soon. I need some advice on the legal consequences I may face if I leave the country after the cancellation of my residence visa but without settling outstanding credit card debt and personal loans.

A: It should be noted that in the UAE, when a personal loan or a credit card facility is granted to a borrower, banks or financial institutions may collect cheques as security against the loan amount. This is in addition to a signed personal loan agreement or a signed application form, which contains terms and conditions. Failing to pay three consecutive instalments or six non-consecutive instalments on the repayment of your personal loans or credit card bills may be considered an event of default, in accordance with Article 4(4) of the Personal Loan Agreement format appended to Notice No. (3692/2012) of the Central Bank of the UAE.

The Article 4(4) of the Personal Loan Agreement format, approved by the Central Bank of the 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 that the borrower failed to pay three consecutive instalments or six non-consecutive instalments without the approval of the bank."

Therefore, in case of a default, the bank or the financial institution from where you have availed the personal loans or credit cards may choose to deposit your security cheques for collection.

Then, if these security cheques are dishonoured because of insufficient funds in your bank account, the lending bank or financial institution may file a criminal complaint against you.

It should be noted that the dishonour of a cheque is considered a criminal offence in the UAE. This is in accordance with Article 401 of Federal Law No. (3) of 1987 on issuance of the Penal Code of the UAE, which states: "Detention or a fine shall be imposed on anyone who, in bad faith, gives a draft (cheque) without a sufficient and drawable balance or who, after giving a cheque, withdraws all or part of the balance, making the balance insufficient for settlement of the cheque, or if he orders a

drawee not to cash a cheque or signs the cheque in a manner that prevents it from being cashed."

Upon the filing of a criminal complaint, a travel ban may be imposed against you. You may not be allowed to travel outside the UAE if you default on repayment of personal loans or credit card instalments. If you default on payments after leaving the UAE, you may be detained when you re-enter the country.

However, if the amount of your security cheque is less than Dh200,000, the punishment may be a penalty, which may vary between Dh2,000 and Dh10,000, depending on the cheque amount. Upon the payment of this penalty, the travel ban imposed because of a cheque that bounced may be lifted.

Further, the lending bank or financial institution may file a civil case against you, based on the personal loan agreement you signed, to recover the outstanding debt. If you are outside the UAE, they may file an application before the court to detain you when you re-enter the country.

It is recommended that you consult a legal practitioner in the UAE to get further professional advice.

KNOW THE LAW

Failing to pay three consecutive instalments or six non-consecutive instalments on the repayment of your personal loans or credit card debt may be considered an event of default.



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