



Liable to repay loan even if one loses job



LEGAL VIEW
ASHISH MEHTA

A person I know has a bank loan, but he lost his job. He has not managed to get another job in the validity period of his existing employment visa.

He has already informed his banker that he lost his job and will be unable to pay the loan instalments.

Can you explain the legal procedure that will be followed in such circumstances?

Pursuant to your question (as I understand it), it may be noted that the claims for loans against an individual shall subsist irrespective of whether such individual is employed or not.

However, it may also be noted that, prior to disbursement of loans, all banks enter into specific loan agreements with the borrowers which usually set out specific terms and conditions for repayment of loan in the event the borrower loses his employment or any other source of income based on which the bank had disbursed the loan or otherwise.

Usually under such circumstances, banks may try to invoke all the conditions for securing repayment of the loan set forth in the loan agreement in the event of a default which may include encashment of the cheque issued by the borrower in favour of the bank against the loan along with any other securities provided by the borrower.

Further, the bank may consider negotiating and settling for a review of the repayment terms till such time the borrower has a new source of income.

It would usually depend on the mutual understanding between the bank and the borrower, and also the policy of the bank on repayment of loans, as to how the repayment terms may be set forth.

Employer yet to settle dues despite court order

I was employed with a company registered in the Sharjah Airport Free Zone (SAIFZ) and my visa has expired. I had filed a case against my employer for non-payment of salaries. It has

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been a month since the Sharjah Courts decided the case in my favour, but the company is yet to execute the settlement. The Execution Department of the court told me that the company's assets would be attached.

As the case has been going on indefinitely, I wish to cancel my visa. Is there a clause in the visa cancellation form which says “received all dues and salaries” which I need to sign? If I sign this, what happens to the case I filed? Can I still follow up on the case if I return to the UAE on a new employment visa? Can I approach the SAIFZ authorities to cancel my visa or should the company do it?

(Pursuant to your questions as I understand them) you may apply to the Sharjah Courts for a no-objection to cancel your employment visa sponsored by the SAIFZ, pending the final settlement of your claims against your current employer.

Subsequently, you may continue to follow up on your claims even after taking up a new employment. Alternatively, you may consider applying for a temporary work permit from the Sharjah Courts which would allow you to take up employment and work for another employer for a maximum period of six months.

It may be noted that the SAIFZ, being a free-zone, is the sponsor of your employment visa. And for cancellation of your employment visa, the presence of your employer is required, but it is not a mandatory precondition, as the SAIFZ may invoke its authority to unilaterally proceed for cancellation of your employment visa, if there is a court order to that effect. You may consult a legal attorney to advice you further.

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