Credit Circular No. 2019/25

17th December 2019

GUARANTOR’S STATEMENT

1. When evaluation of credit facilities against the security of personal Guarantees we note that there had been instances at branches where the format “Guarantors Statement’ obtained from guarantors are incomplete and sometimes the guarantor has placed his signature on a blank format. We consider this as a very unsatisfactory method of evaluating credit. Obtaining signatures on blank formats are prohibited as per the Directions of the Central Bank of Sri Lanka as well.
2. As a result of this situation the company is at a disadvantage when a facility granted against the security of personal Guarantee (s) get defaulted and when it becomes necessary to enforcing such guarantees through litigation.
   1. Incomplete address result in the communications addressed to guarantor(s) being returned by postal authorities undelivered (e.g. Notice of Default, Letters of Demand, Summons, Notice of Termination of Lease agreements etc.) Therefore, the address of the guarantor should be verified against that in the NIC and the position rectified.
   2. Incomplete / missing data in the Guarantor(s) statement relating to Income and source of income, Deduction form salaries, Income tax particulars, details of Assets would hinder the proper evaluation process of the Guarantor(s)
   3. Due to non-availability of details of the assets of the guarantor(s) judgments decided in our favour cannot be by enforced through related writs issued.
   4. As result of the above situation, the justifications to recommend credit facilities at branch level against personal guarantees would amount to misrepresentation of facts to the approving authority.
3. Due to lack of information in the Guarantor’s statement the section “**Approval to accept the Guarantor**” in the revised Credit Proposal format cannot be completed as required. The data called in the Guarantor’s Statement is to evaluate the Guarantor’s capacity to meet his commitment in case of default, the second way out.
4. In the case of Credit facilities **which are less than Rs 500,000/- t**he “**The Approval to Accept the Guarantor**” section in the revised credit proposal format need not be completed. However, the Branch Manager should justify the grant of a facility against personal Guarantee (s) under section 13 in the revised credit proposal paper, using verified data in the guarantor’s statement.
5. Please also refer Credit Policy Manual page 16 under the subject “Collateral’ which is self-explanatory

1. Branch Managers are requested to ensure compliance with the above conditions having brought the contents of this circular to all staff.

Signed Signed

**Senior Deputy General Manager**  **CEO/ Executive Director**