**Credit Circular No 2020/02**

**7th January 2020**

CONCERNS WITH REPECT TO VALUATION OF MOTOR VEHICLES   
FOR GRANTING FACILITIES BY LICENCED FINANCE COMPANIES (LFCs)

1. We quote below the contents of a Circular letter address to the Chief Executive Officers of LFCs by the Department of Supervision of No-Bank Financial Institutions with regard to the above, for your information.

**Quote; -**

“The Department continue to receive complaints during the recent past regarding certain malpractices relating to valuation of motor vehicles for the purpose of granting leasing facilities such as,

1. Over valuations of the vehicles to avoid the limits imposed on Loan to Value (LTV) ratios,
2. Providing additional loans to cover the excess of LTV ratios under another person related to the customer,
3. Obtaining on-line valuation reports without the valuer physically inspecting and assessing the condition of the vehicle, and
4. Obtain valuation reports from unqualified valuers**,**

All companies are requested to **stop such unprofessional practices with immediate effect** as it would ultimately lead to increase in credit risk of the institution and making the customers indebted without their knowledge

The Department will take strict regulatory actions against companies, in the event such malpractices are observed by the examiners at their routine examinations.”

**Unquote**

1. To comply with (a) & (b) above Branch Managers are required to be guided by the Credit Circular No 2019/ 13 dated 4th June 2019, whereby we have notified the branches the Direction of the Central Bank of Sri Lanka relating to the Loan to Value Ratio, which requires strict compliance by all staff.
2. With regard to all malpractices stated above Branch Managers and all staff members are hereby notified to refrain from such activities as they would be considered as grave acts of misconduct warranting dismissal from service if observed by our Internal Audit or at such other inspection of the credit administration activities at the Branch, carried out as directed by the Management. Please note that such malpractices are also subject to strict regulatory action against our company, including heavy penalties, if observed by their examiners.
3. Therefore, you are required to bring the contents of this circular to all staff members at your branch and ensure strict compliance with the requirements herein.

Signed Signed

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