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NOTICE TO THE GENERAL PUBLIC

MEASURES TO ADDRESS NON-PERFOMING LOANS IN THE BANKING SECTOR

The Bank of Tanzania conducted a review to establish the main reasons behind high non-performing loans in the banking sector and established that, to a great extent, employees of some banks and financial institutions are directly responsible through issuing loans without following procedures, fraud/corruption or other practices that are tantamount to lack of integrity. High rate of non-performing loans is among major causes of high lending rates and may lead to instability of the banking sector.

In view of the above, the Bank of Tanzania wishes to inform the general public that it has deemed it necessary to take measures listed below in order to address the issue of high non-performing loans in the banking sector:

1. To conduct examination of banks and financial institutions to determine causes and employees who are directly responsible for non-performing loans. In this regard, where it is established that a particular employee is responsible for non-performing loans through issuing loans without following procedures, fraud or lack of integrity, the concerned bank or financial institution will be required to take appropriate legal measures against the employee(s), and the Bank of Tanzania will blacklist the concerned employees and bar them from being employed in any bank or financial institution operating in Tanzania;
2. To require banks and financial institutions whose employee(s) have non-performing loans with another bank or financial institution to submit details of the employee(s) to the credit reference bureau. Further, the Bank of Tanzania will blacklist the concerned employee and bar them from being employed in any bank or financial institution operating in Tanzania, should it be found that failure to service the loan is on account of negligence, fraud or lack of integrity;
3. To require banks and financial institutions not to grant any credit accommodation to unscrupulous borrowers who borrowed with the intension of not repaying the loans or using deceitful means. Details of such borrowers will also be kept in special register which will be shared with banks and financial institutions for that purpose. In the meanwhile, borrowers falling under this category are given three months to

- make arrangements to repay the loans before their names are entered into the special register; and
4. To require banks and financial institutions to submit details of civil servants who have non-performing loans to their employers for appropriate actions. Further, details of such borrowers will also be kept in special register which will be shared with banks and financial institutions in order to ensure that such civil servants do not access any additional credit accommodation until appropriate action has been taken and the non-performing loan is regularized.

The Bank of Tanzania wishes to urge the general public to fulfill their fiduciary and contractual duties once they have accessed credit accommodation from banks and financial institutions. Further, the general public is urged to report to the bank, financial institution or the Bank of Tanzania any fraud or corruption event encountered when accessing any service from a bank or financial institution. Meanwhile, the Bank of Tanzania shall continue to engage banks and financial institutions to ensure that credit granting procedures are effectively adhered to in order to underwrite quality credits and reduce the rate of non-performing loans.



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