



PRESS RELEASE
AMENDMENTS TO NOTICE ON TOTAL DEBT SERVICE RATIO

1. Autoriti Monetari Brunei Darussalam (AMBD), on Thursday, 10 August 2017 corresponding to 17 Zulkaedah 1438 has issued amendments to the Notice on Total Debt Service Ratio (TDSR) to all banks and Perbadanan Tabung Amanah Islam Brunei (TAIB).
2. The TDSR measures your total monthly debt obligations as a proportion of your net monthly income. Effective 8 June 2015, the maximum TDSR set by AMBD is at 60% for borrowers with a minimum net monthly income of BND1,750. Meanwhile, borrowers with net monthly income below BND1,750 are subjected to the respective financial institution's internal policy on TDSR or minimum take home pay requirement.
3. The implementation of the TDSR aims to protect individuals from falling into a debt trap. The TDSR limits how much individuals can borrow relative to their income to ensure their monthly loan repayments are at a manageable level, and consequently have sufficient remaining income to cover for their daily living expenses.
4. From June 2015 until June 2017, a total of 119,467 retail loans/financing applications have been received by banks and finance companies. Out of this total, only 2.7% of these applications were declined due to borrowers' exceeding their TDSR, highlighting the low rejection rate. Indeed, more than half of borrowers (75%) were reported to have TDSR of less than 60%. On a country wide level, AMBD has observed several positive outcomes from the implementation of the TDSR policy in 2015 as follows:
 - a. Household indebtedness, as measured by personal loans (including credit cards), has declined by 30.4% from BND2.3 billion in 2010 to BND1.6 billion in June 2017. This shows the steady and controlled growth of personal loans amongst households in the country;
 - b. The ratio of "bad loans" to total loans in the household sector, as indicated by the Non-Performing Loan Ratio (NPL) has also declined from 2.3% in December 2014 to 1.9% in June 2017, suggesting better and more disciplined debt management by households as well as prudent granting of loans by banks and finance companies.

5. AMBD, as the regulator and supervisor of the financial sector, continues to monitor the effectiveness of its regulations to ensure that they are in line with the current economic and market environment. In October 2015, AMBD increased the flexibility of the TDSR policy, particularly for business owners, to include variable income such as rental and other business income as part of their Gross Monthly Income subject to certain conditions. Apart from that, credit cards secured by fixed deposits were also excluded from the TDSR computation.
6. More recently, AMBD has received feedback that the TDSR framework has limited some customers' capabilities to get property financing. In this regard, AMBD has reviewed the policy further and subsequently, has taken the initiative to fine-tune the TDSR to provide more flexibility to these borrowers. Effective from 10 August 2017, the new TDSR amendment will allow banks and Perbadanan TAIB to increase the TDSR limit from 60% to a maximum of 70% for credit facilities to finance the purchase or construction of properties only such as houses.
7. This amendment is intended to encourage home ownership particularly for borrowers with net monthly income of BND1,750.00 and above, and to have wider options in making home purchases. Additionally, this amendment also aims to stimulate the domestic property market through increased bank lending which can contribute to economic growth, in line towards realizing Wawasan 2035.
8. For more information or enquiries, members of the public can visit AMBD's website at www.ambd.gov.bn; or download AMBD App from the App Store or Google Playstore.

Autoriti Monetari Brunei Darussalam

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