

LAW N. 2019/021 OF 24 DEC 2019

**TO LAY DOWN SOME RULES GOVERNING CREDIT ACTIVITIES IN  
THE BANKING AND MICRO-FINANCE SECTORS IN CAMEROON**

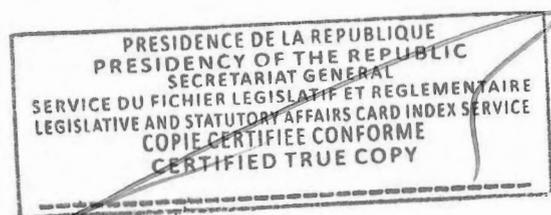
*The Parliament deliberated and adopted,  
the President of the Republic hereby  
enacts the law set out below:*

**PART I**  
**GENERAL PROVISIONS**

**CHAPTER I**  
**PURPOSE AND SCOPE**

**Section 1:** This law lays down some rules governing the granting of loans by banking and micro-finance institutions in Cameroon. In this regard, it sets out:

- conditions for the conclusion of a loan transaction;
- obligations of the parties concerned;
- liabilities in the event of non-repayment.



**Section 2:** This law shall apply to:

- credit institutions and microfinance institutions operating within the territory of the Republic of Cameroon;
- borrowers and customers/members of credit institutions and microfinance institutions operating within the territory of the Republic of Cameroon;
- loan transactions concluded between one or more customers/members and credit providers operating within the territory of the Republic of Cameroon.

**CHAPTER II**  
**DEFINITIONS**

**Section 3:** For the purpose of this law, the following definitions shall apply:

- (1) **Client/Member:** natural or legal person holding an account in the books of a credit provider operating within the Republic of Cameroon.
- (2) **Co-obligor:** debtor who, under a contract or the law, is liable to pay a debt jointly or severally with others.
- (3) **Rescheduled loan:** change in respect of the initial conditions of a loan, to reduce the monthly instalment amount by extending the loan duration.
- (4) **Restructured loan:** loan for which there is an addendum to the original contractual clauses or a deed of novation following a negotiation of all the original conditions based on the financial standing of the borrower.
- (5) **Borrower:** natural or legal person that is the beneficiary of a loan transaction.
- (6) **Credit institution:** approved institution that habitually engages in banking transactions.

- (7) **Microfinance institution (MFI):** approved entity engaged in microfinance activities within the national territory.
- (8) **Credit providers:** banks, financial institutions, microfinance institutions and any other body duly authorized to engage in credit and microfinance activities.
- (9) **Personal bankruptcy:** sanction pronounced within the context of property adjustment or liquidation procedure, against a natural person or legal person managers, traders or any person entered on the Trade and Real Property Register.
- (10) **Ban on credit:** sanction pronounced against a borrower in the event of intentional loan default.
- (11) **Moratorium:** deadline granted a borrower whose loan repayment becomes difficult or impossible due to circumstances beyond his/her control.
- (12) **Bad faith:** behaviour of borrowers that intentionally fake their own insolvency.
- (13) **Loan default:** failure to pay all or part of a debt arising from a credit transaction entered into with a credit institution.
- (14) **Signature commitment operation:** deed whereby a person acting for a consideration makes or undertakes to make funds available to another or, in the interest of the latter, makes an undertaking such as a surety, a bond, a guarantee or any other security.
- (15) **Credit transaction:** deed whereby a credit institution, acting for a consideration, makes or undertakes to make advanced payments to a natural or legal person, or makes a signature commitment in the interest of the latter.
- (16) **Lender:** credit institution that has granted a loan to a borrower.
- (17) **Surety:** assigning to a creditor, an asset, a set of assets or property, to secure the performance of an obligation or set of obligations, irrespective of the legal nature of such obligations and, particularly, be they current or future, determined, determinable or unconditional and of a fixed or fluctuating amount.
- (18) **Overall effective rate (TEG):** annual rate, proportional to the rate of the period calculated in arrears and expressed as a percentage with accuracy to two decimal places.
- (19) **Attrition rate:** overall effective rate which, at the time the loan is granted, is 33% above the average overall effective rate applied in the previous semester by credit institutions for similar transactions with similar risks.

**PART II**  
**CONCLUSION OF A CREDIT TRANSACTION**

**CHAPTER I**  
**INFORMATION ON DEBT CAPACITY OF BORROWER**

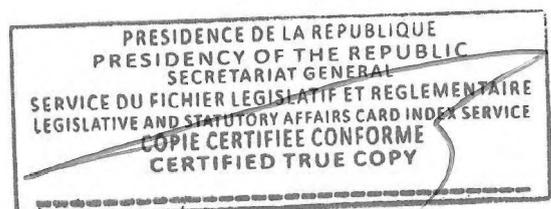
**Section 4:**(1) All natural or legal persons applying for a loan shall be required to provide to the credit provider, information required to assess their repayment capacity.

(2) Any natural person applying for a loan shall provide to the credit institution details of his/her financial position, in particular:

- monthly payslip(s), where he/she is an employee, and that of the spouse where applicable;
- information relating to any other income from investments (rents or financial income);
- where applicable, copyright, royalties, alimony received, disability pensions;
- declaration of assets;
- monthly repayment instalments of current loans (mortgage, car loan, consumer credit, etc.);
- rent amount, including rental charges if a tenant;
- building maintenance expenses and property tax, if a house owner;
- the amount of any support and other compensatory benefits payable;
- withholdings on wages and other deductions following a conviction;
- the existence of revolving credits;
- sundry taxes and duties;
- insurance premiums, including an estimate of those that may be added should the loan request be granted;
- any other data that may inform the decision of the credit provider.

(3) A legal person applying for a loan shall also be required to provide to the credit institution details of its financial position, in particular:

- balance sheets and profit and loss accounts for the last two years;
- balance sheets and projected profit and loss accounts for newly registered companies;
- monthly repayment instalments of current loans (mortgage, car loan, consumer credit, etc.);



- information on any income relating to investments (rents or financial income);
- the rent amount including rental charges, for tenants;
- building maintenance expenses and property tax, for house owners;
- the existence of revolving credits;
- various taxes and duties;
- insurance premiums, including an estimate of those that may be added, should the loan requested be granted;
- any other data that may inform the decision of the credit institution.

(4) The documents and data listed in sub-sections (2) and (3) above are not exhaustive. The credit institution may request any other document likely to inform its decision.

### PART III OBLIGATIONS OF PARTIES TO A CREDIT TRANSACTION

#### CHAPTER I LENDER OBLIGATIONS

**Section 5:-** (1) Credit providers shall be required to offer their customers products and services tailored to their needs, taking into account their repayment capacity in order to avoid any risk of loan default or debt distress.

(2) They shall also be bound to communicate to customers, on a regular basis, complete information on the cost and quality of the products and services offered them.

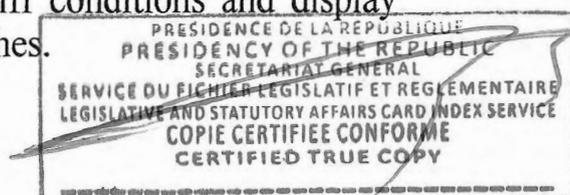
(3) In the event of a prior loan offer, the credit provider shall be required to provide any pre-contractual information to inform the customer's consent.

**Section 6:** Credit providers shall be required to provide information to borrowers to help the latter determine whether the proposed loan is tailored to their needs and financial position.

**Section 7:**(1) Prior to the borrower's commitment, credit providers must disclose to the borrower the draft credit agreement, the overall effective rate (TEG), the attrition rate and the amortization schedule of the proposed credit transaction.

(2) Once the credit agreement is signed, the credit provider shall be required to provide to the borrower a copy of the said agreement, the overall effective rate (TEG), the attrition rate and the amortization schedule of the credit transaction.

**Section 8:**(1) Credit providers must publish the tariff conditions and display them conspicuously in their offices, counters or branches.



(2) In each credit agreement, and in any advertisement of loans, credit providers must clearly specify the substance of the loan commitment for the borrower and the resulting repayment obligations.

## CHAPTER II BORROWER'S OBLIGATIONS

**Section 9:**(1) Any natural or legal person applying for a loan shall be responsible for the accuracy of the documents and information provided to the credit provider.

(2) In case of a positive response by the credit provider, the loan shall be binding on the borrower and co-obligors. The loan shall be repaid according to the terms and conditions set out in the loan agreement.

**Section 10:**(1) The borrower may repay the full loan amount at any time, subject to the terms of the loan agreement.

(2) The loan agreement shall lay down the terms and conditions for early repayment and the order in which advanced payments shall be made. In any case, early repayment may not give rise to an increase in the financial charges borne by the borrower.

(3) The credit provider must conduct due diligence to ascertain the origin of the funds used for the early repayment of the loan.

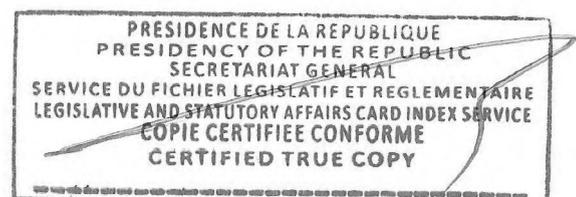
**Section 11:**(1) In case of non-compliance with a repayment term, the credit provider shall send a reminder letter to the borrower, requesting regularization of his/her situation within 30 (thirty) days of receipt of the reminder.

(2) Where the borrower fails to regularize the situation after the 30-day period, the credit provider shall serve the borrower a formal notice through a bailiff or by registered mail with acknowledgment of receipt, requesting the borrower to honour his/her commitment within a second period of 8 (eight) days from the date of receipt.

(3) Where the borrower still fails to honour his/her commitment, the credit provider shall proceed with the legal closure of accounts and institute legal action for enforced collection of the debt due.

(4) The lending credit provider shall be exempted from the prerequisites under Sections (1), (2) and (3) above in the event of payment default of a restructured or rescheduled loan.

(5) Where such default concerns a collateralized loan, the lending credit provider may redeem the collateral under the terms of the Revised OHADA Uniform Act on the Organization of Collateral.



**PART IV**  
**LOAN DEFAULT**

**CHAPTER I**  
**CREDIT BAN PROCEDURE**

**Section 12:** (1) With the exception of restructured and/or rescheduled loans, loan default shall, upon expiry of the unheeded formal notice provided for in Section 11(2) above, give rise to a ban on credit being issued by a lending credit provider, subject to regularization under the conditions provided for by this law.

(2) A ban on credit shall entail a ban on conclusion of a credit transaction with any other credit institution.

(3) The ban on credit provided for in Sub-section 1 above shall be evidenced by a written letter served on the borrower, specifying the measures taken and the reasons therefore. The letter shall also inform the borrower that he/she will become eligible *de novo* to conclude credit transactions with a credit provider, upon evidence of regularization of the situation by paying the principal and interest of the loan that gave rise to the credit incident.

(4) The credit provider shall be bound to serve on the borrower, the letter referred to in Sub-section 3 above, within 72 hours of the ban on credit decision.

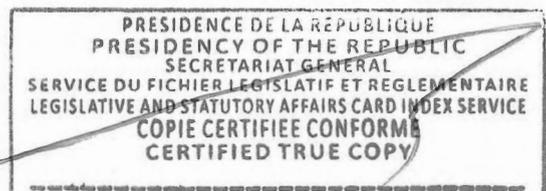
**Section 13:** Where the loan default is due to any one of the obligors for the same credit transaction, the ban on credit shall apply to each one of them.

**Section 14:** In the event of a ban on credit, the lending credit provider shall be required to inform the Secretary-General of the National Credit Council or any other body in lieu thereof within 48 (forty-eight) hours.

**Section 15:** In case of regularization of the ban on credit, the credit provider shall, at the request of the person so banned, issue a certificate of regularization within 48 (forty-eight) hours of receipt of the evidence of regularization, and shall inform the Secretary-General of the National Credit Council or any other body in lieu thereof accordingly.

**Section 16:**(1) The ban on credit shall be lifted by the credit provider through a ban lifting letter served on the borrower:

- where the credit ban was pronounced based on circumstances beyond the control of the borrower, particularly due to an error on the part of the credit provider. In such case, the aggrieved borrower may be entitled to reparation before the competent judge;
- upon production of a certificate of regularization.



(2) The credit provider shall be required to disclose the information referred to in Sub-section 1 above to the Secretary-General of the National Credit Council or any other body in lieu thereof.

**Section 17:** (1) Credit ban-related complaints shall first be filed with the credit provider concerned, which shall make a decision and notify the complainant of such decision within 15 (fifteen) days of receipt of the said complaint.

(2) Where the complainant is not satisfied with the decision of the credit institution, he/she may refer the matter to the Secretary-General of the National Credit Council or any other body in lieu thereof, who shall have 30 (thirty) days within which to notify the decision to the complainant.

(3) Where a borrower considers illegal a ban on credit issued against him/her by a credit provider and confirmed by the Secretary-General of the National Credit Council or any other body in lieu thereof, he/she may file an appeal before the competent court of summary jurisdiction to seek lifting of the ban.

**Section 18:** The ban on credit may also be pronounced on an ancillary basis by a court seised with a credit offence provided for by this law.

## CHAPTER II INFORMATION DISCLOSURE BY COURTS

**Section 19:** (1) Competent courts shall be bound to disclose decisions relating to a ban on credit to the Secretary-General of the National Credit Council or any other body in lieu thereof, within 30 (thirty) days of their delivery.

(2) To this end, the Secretariat General of the National Credit Council or any other body in lieu thereof shall contact the competent legal departments.

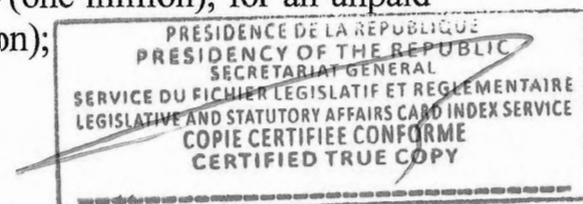
## PART V LOAN DEFAULT LIABILITY AND PENALTIES

### CHAPTER I LIABILITY OF NATURAL PERSONS

**Section 20:** Whoever, in bad faith, defaults on a loan granted by a credit provider shall be punished with imprisonment for from 6 (six) months to 5 (five) years or with fine of from 100000 (one hundred thousand) CFA francs to 100000000 (one hundred million) CFA francs, or with both such imprisonment and fine.

**Section 21:** (1) The fine provided for in Sub-section 1 above shall be based on the loan amount due as follows, in CFA francs:

- 100000 (one hundred thousand) to 1 000000 (one million), for an unpaid loan less than or equal to 5000000 (five million);



- 1 000000 (one million)to 2000000 (two million), for amounts greater than 5000000 (five million)and less than or equal to 10000000 (ten million);
- 2 000000 (two million) to 5000000 (five million) for amounts greater than 10000000 (ten million) and less than or equal to 50000000 (fifty million);
- 5000000 (five million) to 10000000 (ten million) for amounts greater than 50000000 (fifty million)and less than or equal to 100000000 (one hundred million);
- 10000000 (ten million) to 25 000 000 (twenty-five million), for amounts greater than 100000000 (one hundred million) and less than or equal to 500000000 (five hundred million);
- 25 000 000 (twenty-five million) to 500000000 (fifty million), for amounts greater than 500000000 (five hundred million) and less than or equal to 1000000000 (one billion);
- 50000000 (fifty million) to 100000000 (one hundred million) for amounts greater than 1000000000 (one billion).

(2) The penalties provided for in Sub-sections 1 and 2 above may also be applied in case of failure to comply with a moratorium.

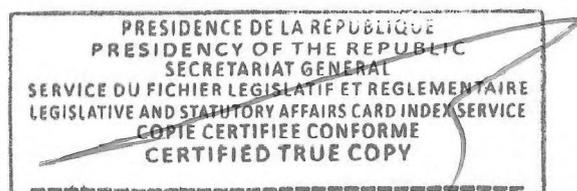
**Section 22:** Whoever, with intent to infringe the rights of the credit provider, uses or attempts to use false documents to conclude a credit transaction shall be punished with imprisonment for from 6 (six) months to 3 (three) years or with fine of from 100 000 (one hundred thousand) CFA francs to 5000000 (five million)CFA francs, or with both such imprisonment and fine.

**Section 23:** Whoever fraudulently causes the deletion or modification of credit data or causes alteration of the functioning of the data processing system, shall be punished with imprisonment for from 6 (six) months to 3 (three) years or with fine of from 100000 (one hundred thousand) CFA francs to 5 000 000 (five million) CFA francs, or with both such imprisonment and fine.

**Section 24:** The provisions of the Penal Code relating to an attempted participation in and aiding and abetting of an offence shall apply to employees of the credit provider for the offences provided for in Sections 20, 21, 22 and 23 above.

**Section 25:** Bans may, on grounds of bankruptcy or fraudulent bankruptcy, be pronounced against whoever is convicted for any of the offences provided for in this Chapter.

**Section 26:** Pronouncement of the penalties provided for in this Chapter shall not release the debtor from his/her obligations to the credit provider.



**CHAPTER II**  
**LIABILITY OF LEGAL PERSONS**

**Section 27:** (1) Legal persons shall be criminally liable for offences committed by their managers or employees.

(2) The criminal liability of legal persons shall not preclude that of natural persons who are perpetrators or accomplices of the same offences.

(3) The penalty incurred by the legal person shall be a fine.

(4) Notwithstanding the penalty provided for in Sub-section 3 above, one of the ancillary penalties provided for in the Penal Code may also be imposed on the accused legal persons.

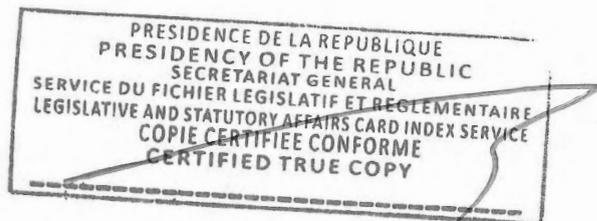
**PART VI**  
**FINAL PROVISIONS**

**Section 28:** (1) In addition to the collection conditions provided for Section 11 above, the credit provider or any other person concerned shall have no more than 60 (sixty) days to institute criminal proceedings against the borrower of bad faith, failing which it shall be precluded from doing so.

(2) The credit provider and/or borrower may request a discontinuance of proceedings pursuant to Section 64 of the Criminal Procedure Code, upon repayment of loan by the borrower, subsequent to the start of proceedings instituted against the latter and prior to delivery of a ruling on the merits.

(3) The discontinuance of proceedings referred to in Sub-section 2 above shall not preclude the possibility for the court so seised to pronounce a ban on credit against the delinquent borrower concerned for a period of no less than 1 (one) year and no more than 5 (five) years.

**Section 29:** This law shall be registered, published according to the procedure of urgency, and inserted in the Official Gazette in English and French./-



YAOUNDE, 24 DEC 2019

**PAUL BIYA**  
PRESIDENT OF THE REPUBLIC