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| **INSERT YOUR LOGO HERE** |

 **LOAN POLICY**

Please note: this policy must be amended for your company's circumstances.

**Company name** Effective date:

 Section:

**Policy manual** Page: 1

 Dated:

**RE: LOAN POLICY**

**Interest rate and period**

1. Prime + \_......... % interest per annum fixed over the full term of the loan. The full term of the loan is a maximum of 12 consecutive months.

2. Applicants must have had a minimum of one year’s service or an employee credit (leave pay and salary owed) of more than the loan amount.

3. The interest rate for **new** loans will be reviewed once every quarter.

4. Applicants must not have more than one loan with the company and must have sufficient funds available (leave pay, provident fund credit, etc) to cover the total purchase/debt costs.

5. The maximum monthly payment is 15% of cost to company package (CTCP). The maximum loan amount is therefore restricted to an amount that could be serviced by this maximum monthly payment. The overall maximum loan amount available is R10 000 irrespective of CTCP.

6. Employees apply for the loan on an application form, which is handed to their respective manager for approval. The manager should be satisfied that granting the loan will assist the employee and will not further aggravate a debt situation. Loans should only be granted in cases where the employee is unable to reasonably arrange alternative finance and needs the assistance, e.g. cover funeral costs, medical bill and other unexpected expenses. Loans should not be used to cover debts that could have been planned for, e.g., school fees.

7. The manager should also ensure that the applicant could, to the best of the manager’s knowledge, afford to repay the loan, given other obligations (an income and expenditure statement could be of assistance in this regard).

8. The employee must disclose any outstanding debt on the loan application form. False or incomplete disclosure will be a disciplinary offence, and this will be communicated to applicants before approval of the loan.

9. Where the company has been served with a garnishee order, the employee concerned will not be allowed to participate in this scheme.

10. The employee will not be granted a loan to pay off an existing company loan.

11. The loan amount or loan period may not be increased or decreased during the loan period. Future loan applications will be considered on a nil balance only. Please consider your options carefully before committing yourself.

12. The intention is not for the company to make a profit from staff loans, but to provide a service whilst covering the company’s costs of capital, providing for a reasonable bad debt provision, and ensuring a minimal administration cost.

13. **Procedure**

* 1. An employee wishing to apply for a loan must first complete a staff loan application form.

13.2 The staff loan application form is to be supported by copies of documentation relating to the loan application i.e. copies of invoices etc.

* 1. The employee must immediately enter into an acknowledgement of debt with the company in which the following rules must be observed:
		1. The maximum period for repayment of any loan will be twelve months.
		2. The company levies interest at the prime overdraft rate plus \_% interest per
		annum at the time of granting the loan.
		3. The managing director is to approve the loan application.
		4. The approved staff loan application form must be sent to the Salaries Department for the deduction from the employee’s salary to be made.

14. **Interest rate**

The intention is not for the company to make a profit from staff loans, but to provide a service whilst

covering the company’s costs of capital, providing for a reasonable bad debt provision, and ensuring a

minimal administration cost.