

## **INSIST ON IOUS WHEN YOU LEND MONEY TO FRIENDS**

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Some Singaporeans have had to resort to hiring debt collectors in order to get their money back from friends or relatives.

THE title of this article could also have been: How to lose your money and friends.

That is because it takes a close look at a virtually surefire way to do so: lending money to them. You protest: 'But it's to someone I really trust' or 'But I've known her since we were in school'. However, as any financial adviser or experienced businessman will tell you, it does not matter how well you think you know someone.

For when it comes to paying the money back, even the seemingly nicest people can turn nasty. Whether a change in circumstances means they cannot repay their debt, or perhaps they just do not want to cough up the money, that well-meant gesture of yours can backfire badly, leaving in its wake ruptured friendships and broken family ties.

Ms Mary, who is in her 30s, knows all about that. She lent her boyfriend more than \$75,000 to help keep his business afloat and pay for his losses on the stock market. Of course, he promised to return the money. But he always came up with reasons why he could do so only at some unspecified future date. He constantly whined about being short of money, yet he somehow managed to have enough for luxuries. 'He'd treat his friends to buffet dinners at hotels. He'd live it up in karaoke lounges. He was such a show-off,' says Ms Mary. She broke up with him more than a year ago but has not given up on getting her money back. 'It wasn't spare cash. It was the bulk of my savings!' she says in an e-mail exchange with The Sunday Times.

She had earlier sent in questions to The Sunday Times' Your Personal Adviser column, seeking legal counsel. Her predicament is a common experience here and elsewhere.

In Britain, for example, a survey found that seven out of 10 people have lent money and almost half of the lenders never saw it again. Almost three quarters of the lenders said they got into serious arguments and even ended relationships as a result, reported The Guardian newspaper last November.

Commonly, people at the wrong end of the deal feel ripped off, betrayed, wounded. They are shocked that friends or family members can lie to avoid paying up.

### **Getting Tough**

FOR lenders in Singapore as elsewhere, a recourse is to get tough - by calling in debt collectors. After viewing evidence of the debt, such as an IOU note, the collectors will head for the homes of the debtors.

Ms Veronica Chua, a manager at Asian Debts Collection Services in Beach Road, which has been in this business for 14 years, would not divulge how her collectors work. She says only: 'The debtors and their families can't tolerate it anymore after several visits from us, and will pay up.'

There is no law that specifically covers what debt collectors can or cannot do. **Lawyer Vijai Parwani** says collectors should not create a nuisance, or damage property, or harm anyone.

For clients without evidence of the debt, Ms Chua says her firm's collectors accompany them to confront the debtors. She has had clients who are owed as little as \$200 but engage collectors because they are angry with the debtors and 'want to make them lose face'.

The collectors' cut is around 20 per cent of the recovered sum plus an upfront fee starting from \$50 and rising with the size of the debt.

When giving a loan, if you are really serious about getting it back, you should insist that the borrower write an IOU note and even a few post-dated cheques. Lawyer Tan Chau Yee, a partner at Harry Elias Partnership, suggests that the IOU note reads: I (name) (NRIC number) of (address) (contact numbers) acknowledge receipt of the sum of S\$\_\_ being a friendly interest-free loan given to me, at my request, by my friend, (name) (NRIC number) of (address) today, by way of (bank's name) cheque no. \_\_ dated \_\_. I promise to repay this sum in full to him/her by (stipulated date of repayment). Dated this \_\_ day of \_\_ (month) 2005.

The IOU note should bear a witness' signature, name, NRIC number, address and contact number.

If the repayment does not happen, the note has a limited shelf life. Mr Tan says you have to make a claim for repayment within six years from the stipulated repayment date, otherwise you lose your right for a claim.

If the IOU does not stipulate a repayment date, the six-year period starts running when you demand repayment, say, through a lawyer.

Mr Kuo How Nam, the president of Credit Counselling Singapore (CCS), the only non-profit credit counselling service here, says you can forget about trying to gauge the likelihood of getting your money back. 'Borrowers normally won't tell you the entire story. You don't know if your loan is enough to solve the problem or will just keep the wolves away for a short while,' he says. 'Debtors are desperate people. They will try to borrow from everywhere and make all kinds of promises to repay.'

At the end of the day, you have to make a judgment call based on how close you are to the borrower and his reasons for borrowing.

But the last thing you want to do is borrow money to help him, says Mr Kuo. 'You don't want to be dragged down by the problems of other people.'

CCS has encountered several people who are in a financial mess because they borrowed off credit cards to help a friend or family member.

### **Write It Off**

MS YONG Siow Ying, 62, a retired senior vice-president of the former Overseas Union Bank, says if you choose to make a loan for whatever reason, mentally write it off. 'Treat it as a gift. If you chase after the debt, you will feel animosity when the repayment is not forthcoming,' she says. If the borrower is a relative, or someone whom you just do not have the heart to say 'no' to, you can offer to help out in other ways such as paying for his children's school fees and pocket money, or certain household expenses, she says.

Some people do have a genuine desire to return money they owe and they keep you updated on their financial ability to do so. Eventually, they get around to repaying, and are eternally grateful that you bailed them out.

They are few and far between, though.

Many others just cannot control their spending and have a chronic habit of borrowing money - and then avoiding your calls.

Mr Albert Lim, 50, a former bank officer, knows a few of them. He lent a few thousand dollars to a former schoolmate to claim back his car which had been towed away by the hire purchase company as he had not kept up the instalment payments. 'Later, he asked for more money because his wife had asthma attacks, his children had this problem and that problem. Then a sister had a brain tumour. 'I don't know if the stories were true. I thought if I continued to help him out, he would survive and repay me one day.' Now, Mr Lim blames himself for the \$100,000 that he has lent to such friends: 'Sometimes I think I'm stupid.'

Ms Susan Loh, a media executive in her 40s, has reflected on her own bad experiences and concludes: 'I think people consider me a softie, a pushover. 'They're right. I don't have the heart to be firm and demand my money back.'

To her and others in the same boat, the lesson they learnt the painful way is clear: Never lend money unless you are willing to write off the loan.

For debt counselling, call Credit Counselling Singapore on 1800-225-5227