

Consumer Finance - Common Glossary of Important Terms

Accrued Interest: Interest that accumulates on the unpaid principal balance of a loan.

Account: An existing account of the Customer with the Bank or an account opened by the Customer with the bank.

Advance Booking: Booking of vehicle with the manufacturer through advance payment.

Agreement: An agreement entered into between the Customer and the Bank, including the Schedules attached hereto which shall form an integral part of this Agreement and any amendments or modifications to this Agreement.

Agreement Stamping Charges: Charges paid by the customer for stamping of financing agreement.

Amortization: Loan payments by equal periodic amounts calculated to pay off the debt at the end of a fixed period, including accrued interest on the outstanding balance.

Amortization Schedule: Information of Equal Monthly Installments (EMI) with breakup of principal & markup along with loan outstanding.

Annual Fee / Renewal Fee: An annual fee typically charged to customers with credit cards/revolving line facilities for maintenance of their facilities.

Applicable Rate: Rate applied on the facility.

Application Form: A form to be filled in and signed as per the Bank's requirements to avail Banking facilities. Requirement of details to be filled in will vary for each facility. Applications may also require certain specified documents also to be attached.

Appraisal Agency: Agency used for assessing market value of an Asset.

ATM: An automated teller machine or any card-operated machine or device whether belonging to the Bank or other participating banks or financial institutions or concerns or to the Visa Card or MasterCard global ATM Network, or the affiliated networks thereof, as the case may be, which accepts the Card.

Auto Loan: The loans or financing facilities to purchase the vehicle for personal use.

Balance Transfer (BTF): Balance transfer of existing finance facility of borrower from other banks/DFIs.

Balance Transfer Account: An account in the name of the customer will be opened for the purposes of the facility.

Balloon Payment: Payment by customer in addition/additional/excess to the installment amount to reduce the principal outstanding. Excess payment by the customer to reduce principal outstanding.

Banker's Lien: Bank's charge on the asset

Base Rate: The one (1) Year Karachi Inter Bank Offered Rate (KIBOR). The Base Rate will be set for the first time on first business day of the month of disbursement of Sale Price and thereafter on the first Business Day of subsequent Base Periods. Base Price is only applicable to a facility offered at a floating rate, as specified in the Application Form

Base Period: The period starting on the date of disbursement of the Sale Price and ending on December 31st of the same year and subsequent periods of one (1) calendar year each. Base Price is only applicable to a facility at a floating rate, as specified in the Application Form.

Base Price: The Base Rate plus [•] basis points. Base Price is only applicable to a facility offered at a floating rate, as specified in the Application Form.

BOQ: Bill of quantity - Break up of amount in construction cases.

Business Day: A day on which banks are open for banking business in Pakistan.

Business Person: Individual having his own business.

Charges: The amount payable by the customer to the Bank under the Terms and Conditions, including but not limited to any transactions, Annual Membership , Services Fee, late fee and other fees / charges.

Clean Limit: Credit Limit, which has been granted by the bank without any collateral/liquid/non-liquid securities.

Clear Title: When the property in question is free from any doubt is not disputed and is not having any encumbrances and it is said to have a clear title.

Closing Balance: The amount payable (or available) as of last working day of the certain period/month.

Co-Borrower: Secondary person applying for the loan with the primary person.

Co-Signer: A co-signer is a person who signs a loan or credit card with the primary applicant, pledging to be responsible for repaying the loan or debt in the event the applicant is unable.

Collateral: An asset pledged to a lender to guarantee repayment. Collateral could include savings, bonds, insurance policies, jewelry, property or other items that are pledged to pay off a loan if payments are not made according to the contract.

Collector: Bank employee responsible for collection/recovery.

Credit History: A financial profile of any person based on how he repays his bills, clears his debt and the amount a person owes to various banks and other financial institutions.

Credit Limit: It is the maximum amount of money one can draw on his account based on prior sanction or approval from the bank. In other words, borrowing or drawing limit fixed by a bank for a customer depending on his credit history, repaying capacity and relationship with bank.

Credit rating / Score: A credit rating is an evaluation of the credit risk of a prospective debtor (an individual), predicting their ability to pay back the debt, and an implicit forecast of the likelihood of the debtor defaulting.

Cross Sell: Selling of product to already existing customer. Current Customer making all the repayments on time.

Current: Customer making all the repayments on time.

Current Balance / Outstanding Balance / Total Outstanding: The total amount that customer owes to the bank for availing facility at a particular point in time which may include all the charges (mark-up, late payment charges, joining charges) fees (annual, renewal) & other liabilities.

Customer: A person who is availing any facility or products of a bank.

Dealer/Manufacturer: The dealer and / or manufacturer from whom the Motor Vehicle shall be acquired by the Customer;

Due Date(s): The date(s) on which any part of the Purchase Price is due and payable by the Customer to the Bank

Employer: The employer of the Customer other than the Bank with whom the Customer is employed.

Event of Default: An event which would, with the expiry of a grace period, the giving of notice or the making of any determination or any combination of them, be an Event of Default.

Dealership: Vehicle is being provided through dealership.

Debt Ratio/Debt Burden: A ration of amount of money customer owe to banks or credit issuers against total monthly income of a customer. It reflects the percentage of income that goes to paying customer debts every month.

Default/ Delinquency: When a customer fails to make any payment(s) due towards the bank as per the terms and conditions agreed or otherwise is termed as default. Furthermore, a breach of contract/terms and conditions may also be categorized as an event of default.

Account is classified as delinquent when loan payments are not paid according to the contractually agreed upon terms or when due.

Delivery Acceptance Form: In the context of auto loans, this is a mandatory document which the customer signs acknowledging acceptance and possession of vehicle from the dealer.

Desired Financing Amount: Amount required by the customer.

Desired Financing Tenure: Tenure required by the customer.

Direct Debit / Auto Debt Facility: A facility offers by the bank to customer against which monthly full payment or minimum payment will be debited from his/her account on the due date.

Disbursement: Loan payout in the name of the customer.

Discrepancy: Incomplete or missing documents, or alternatively incomplete, illegible or contradictory information in the customer's loan application or documentation provided by customer.

Dishonored/Returned Cheque: A cheque which is returned by the payer's Bank due any number of possible reasons including but not limited "insufficient funds, amounts' mismatch, illegible signature, overwriting, date-barring etc."

Days Past Due (DPD): Number of days past the due date after the customer's payment became due as per the contractually agreed upon terms and conditions.

Due Date /Payment Due Date /Installment Due Date: Date specified in the statement of account for monthly repayments/ schedule for the payment of the Minimum Payment Amount, the Current Balance or Installment to be made to the Bank for the facility availed by the customer.

E-Alerts: Electronic Alerts to be sent to customer via email / SMS.

Early Settlement: Payment of entire loan amount before the normal maturity of loan as per repayment schedule.

E-Banking / Internet Banking: Banking transactions which can be conducted on internet after accessing Bank's application with unique password.

e-CIB /Credit Bureau: Electronic Credit Information Bureau-eCIB has been established by the State Bank of Pakistan which requires all banks and financial institutions to report all loans and advances, to the State Bank.

EMI: Equal Monthly Installments.

Equity/Down Payment: Customer's stake in the vehicle, customer pays a vehicle value's part before financing.

External Agencies: Agencies providing services to customers which are on Bank's panel.

Facility: The finance facility extended/agreed to be extended to the Customer by the Bank in terms of the Agreement.

Facility Rate / Pricing / Interest Rate / Interest: Mark-Up rate charged on the financed amount.

FCY: Foreign Currency Account.

FED: Federal Excise Duty

Financing Agreement: Document used for agreement between the customer and the bank.

Fixed Rate: Facilities where the mark up rate defined at the time of loan disbursement is fixed for the tenure of the loan or until facility is closed.

Fixed Term: This applies to products and services, which have a set lifetime. The customer may be charged if the bank agrees to alter the product or service before the end of its life.

Floating Rate: Mark up rate renewable after certain defined period of time. The markup rate is linked with KIBOR plus a fixed percentage of profit margin.

FX Conversion Charges: Foreign Currency Transactions charges to be borne by customer to convert into Pakistani Rupees.

Guarantee: A promise given by a person called 'the guarantor' to pay another person's debts if that person does not pay them.

Hypothecation: Process of placing a charge / lien on vehicle financed by the Bank

Income Estimation Agency: Agency used for assessing customer's income.

Installment Loan: A loan in which the amount of payment and the number of payments are predetermined.

Insurance Payments: means premium and all other charges payable by the Customer to the Bank with respect to the insurance of the vehicle in terms of the Agreement.

Insurance Premium: The amount payable to an insurance coverage provider in return for their coverage of an asset at a pre-determined insurance premium rate.

Insurance Products: The products designed to cover the customer's liability / assets to any unforeseen circumstances, which may face by the customer in future.

Interest Free Period: The interest free period applies on retail transactions only. The days begin at the start of your statement period and ends when your payment for that purchase/ transaction is made.

KIBOR: Karachi Interbank Offered Rate as directed by SBP on monthly basis.

Late Payment Charges: Penalty levied on late installment / payments.

Lawyer Appraisal Agency: Agency used to verify and appraise the property document.

Liabilities: Any or all amounts payable whatsoever by the Card member to the Bank.

Linked Account/Repayment Account: Account opened for making monthly payments/installments.

Litigation Charges: Charges which will be incurred at the time of filling a suit by the bank against a defaulted customer.

LOU: Letter of understanding between the bank and the customer mentioning some of the important terms & conditions of the loan.

LTV: Loan to value - Ratio of amount of loan sanctioned against value of the property.

Margin: Bank's Profit percentage

Maturity: Loans payment completion.

Merchant: Any person / entity supplying goods and / or services and / or other benefits who accepts the Card as a means of payment.

Minimum Payment Amount: A certain percentage of current outstanding balance which a customer has to pay to avoid the delinquency /default.

Monitoring Charges: The charges payable by the Customer for tracking the Motor Vehicle by the company which installs the tracker device in the Motor Vehicle.

Motor Vehicle: Vehicle

Month: Calendar month

Mortgages: Mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan or finance.

Multiple Limit: Total credit limit approved for a Card member on all of his / her Credit Cards collectively.

NCCA/ Non Checking Account: A type of account where a customer can only make deposits but cannot withdraw funds from the account. As such, no instruments (debit card, cheque book, internet banking etc.) are provided to the customer when opening this type of account

NOC: No Objection Certificate issued in favor of the customer after loan clearance.

Off Us ATM: Transaction conducted on other bank ATM

On Us ATM: Transaction conducted on issuer's bank ATM

Offer Letter: A letter highlighting the terms and conditions of the financing arrangement including loan amount, tenure, mark-up rate, etc.

Outstanding Loans: Loans payable.

Overdue Payments/ Late Payments: Amount of loan and credit card payment(s) which has not been made as of its due date (or maturity) date. All financial arrangements become overdue one business day after their due date. A borrower who is past due may be subject to late fees and other charges.

Partial Loss: Any loss or partial destruction of, or damage to the Lease Asset or any part thereof other than a Total Loss.

Partial Prepayment: Customer making a deposit, apart from his regular payment/instalment, against his loan to reduce his/her liabilities/monthly instalment.

Payment Facility: To pay any amount(s) to any person / party for any purpose settlement of any bills or for any other purpose approved by the Bank from time to time.

Personal Loans: Personal Loans mean the loans to individuals for the payment of goods, services and expenses and include Running Finance/Revolving Credit to individuals.

PIN / ATM PIN: The Personal Identification Number issued to a Card member to enable the Card member or a Supplementary Card member or selected by a Card member or a Supplementary Card member and generated through IVR (Interactive Voice Recording) to use the Card at an ATM for a Cash Advance.

Pre-Payment/ Early Settlement: A one off payment along with FED charges which customer may be asked to make if customer decide to repay loan early before maturity.

Prepayment Charges: Financial charges applied on pre-payment of loan.

Principal: The amount of debt, exclusive of interest, remaining on a loan.

Processing Fee: One time Fee charged on approved amount only for processing.

Purchase Order: Order issued by the bank to the dealer for confirmation of purchasing the vehicle.

Rate Revision Letter: Letter for customer when the applicable rate is revised annually.

Ready Delivery: Vehicle available at the dealer for delivery after payment.

Ready Delivery Used: Used vehicle available at dealer's end for delivery after payment.

Registration Charges: Amount required for registering the vehicle with Excise and Taxation Office.

Repayment: The process of returning of the borrowed loan amount. The repayment has to be made for the entire tenure of the loan amount. Based on fixed or floating interest rates on the loan amount, the banks or financial institution decides on an EMI which has to be paid on or before a date mentioned in the loan agreement every month.

Repayment Period: Tenure of the facility.

Repossession: 'Duplication of term' It is suggested to retain any one of the definition.

Revolving Loan: This is a type of loan which is "evergreen" in nature such that there is no specified facility maturity date (it may, however, include facility renewals at a pre-determined frequency). The borrower is typically assigned a credit limit and he / she can withdraw any amount he / she requires up to this credit limit.

Right of Set Off: In an event of default or otherwise, bank has the right of set off i.e. bank at its discretion or otherwise and without giving notice to the customer, reserves the right to recover outstanding amount(s) from any of Customer's Account(s) maintained with the bank.

Rupee/PKR: Pakistani Rupee Currency

Salaried Individual: Person employed on a salaried basis.

Sale Price: The amount of the Facility agreed to be provided by the Bank

SBP: The State Bank of Pakistan.

Sale Order: Confirmation document sent to the customers before delivering Vehicle.

Schedule: means the Schedule attached with this Agreement which shall form an integral part of this Agreement.

Schedule of Charges: The document prescribing Service Fee(s), charges and other fee(s) applicable to the Card/ BTF, Card Transactions and / or Card Account, issued by the Bank bi-annually to the Card members.

Secured Limit: Credit Limit which has been granted by bank and is secured against collateral/liquid/non-liquid securities. In an event of default, or otherwise, bank has the right to recover the amount(s) outstanding against the said security.

Security: Bank's security against the loan

Self-employed Professional: Individual having his own professional business.

Semi Commercial: Vehicles that can be used for individual consumption and for commercial purpose as well.

Service Fee / Annualized Percentage Rate: Fee as determined by the Bank and prescribed in the Schedule of Charges and payable by the customer on the outstanding Liabilities and other amounts.

SMS Fee: SMS - Short Message Service Charges

Standing Instructions/ Auto Debit: Specific written (and signed) instructions provided by a customer to debit his / her account by a specified amount on a pre-determined frequency. In the context of consumer financing, standing instructions are often requested from borrowers, which have another Non checking account, which can be used to service their repayments

Statement of Account: The Bank's monthly or other periodic statement of account send to it's customers showing particulars of the transactions carried out.

Suit: Legal case filing.

TAT - Turn Around Time: Time required for application processing.

Tax: means any present or future tax, levy, impost, duty, assessments registration fee or other charge or withholding of a similar nature (including any penalty payable in connection with any failure to pay or any delay in paying any of the same).

Temporary Credit: A limited period of credit posted by bank into cardholder's card account for disputed transaction.

Tenure: The length of time for which a term loan has been approved and is typically structured in 12-month multiples.

Term Loan: This is a type of loan which is disbursed for a specified time duration after which the loan matures. This type of loan involve reduction of the principal outstanding as and when the customer pay his / her installments.

Title of the Property: Documents identifying the owner of the property.

Title of Vehicle: Documents identifying the owner of vehicle such as excise file and registration book in Autos.

Total Cash Outlay (TCO): An amount including down payment, insurance, processing fee etc. which is paid after Auto loan approval.

Total Loss: means in each case certified by a reputable takaful / insurance company, the total loss or destruction of, or damage to the whole (or a substantial part) of the Lease Asset or any event or occurrence that renders the whole (or substantial part) of the Lease Asset permanently unfit for any economic use and the repair or remedial work in respect thereof is wholly uneconomical.

Total Monthly Payment (TMP): Equal monthly amount payable including loan installment (Principal + Markup) and insurance premium amount

Top Up: Top Up means line replenishment/enhancement

Trenches: Loan disbursed in parts are called trenches.

Undertaking: Indemnity provided by the customer.

Unsatisfactory Credit History: Customer is not making payments against availed cross sell facility/product resulting bank has right to close either temporary or permanently said product/facility.

Validity Date: The validity date specified by the Bank on the Card.

Withdrawal Facility: To withdraw cash either through the Automated Teller Machines (“ATMs”) or through use of a Debit Card held by the Customer (Debit Card).

US Dollar: Currency of the United States of America