Unofficial Translation

This translation is for convenience of those unfamiliar with Thai language.

Please refer to the Thai text for the official version.

Notification of the Bank of Thailand

No. 3/2568

Re: Regulations on Responsible Lending

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1. Rationale

Household debt in Thailand is a longstanding structural issue that has been accumulating and steadily increasing. The Bank of Thailand acknowledges the importance of addressing household debt as the country's structural issue that must be resolved. Addressing household debt requires time and comprehensive efforts tailored to the nature and causes of indebtedness at each stage. It must be done prudently to address the right problems, avoid exacerbating debtors' debt burdens, and preserve access to credit. Collaboration among all stakeholders, including debtors, creditors, and the government, is essential to ensure that household debt does not undermind the stability of financial system and long-term economic growth.

The Bank of Thailand has thus issued the Regulations on Responsible Lending, **which has been in effect since 1st January 2024. These regulations outline the roles and responsibilities of service providers in appropriately providing customer responsibilities throughout the debt journey.** The roles and responsibilities of the service provider encompass eight fundamental areas: (1) Credit product development (2) Advertisement (3) Sales process (4) Consideration of affordability (5) Promotion of financial discipline and management during indebtedness (6) Assistance to debtors with persistent debts (7) Assistance to debtors with debt repayment difficulties and (8) Legal proceedings and debt transfers to other creditors. These efforts are pivotal for sustainably addressing household debt issues in the long term and for promoting responsible and fair customer service management by service providers, which is crucial for supporting their ongoing business operations.

This time, the Bank of Thailand has improved the Regulations on Responsible Lending to ensure debtors receive adequate and appropriate assistance to their situations. The improvements are as follows: (1) Debtors receive more effective assistance through revised conditions to appropriately help debtors in persistent debt and relaxing guidelines for evaluating affordability for debt consolidation and refinance, which provide better repayment terms to debtors. (2) The debtors are nudged to maintain financial discipline and encouraged to choose the debt repayment programme and additional repayment that align with their financial capacity, thereby reducing long-term interest burdens. To facilitate these encouragements, service providers must offer comprehensive information about debt repayment options and borrowing costs, both before and during the period of indebtedness. (3) Service providers have clearer guidelines that align with regulations and business practices by relaxing assessment of debtors' affordabilities for loan approval and debt restructuring.

2. Statutory Power

By virtue of Section 38, Section 39, Section 40, Section 41, Section 46, Section 47, Section 57 and Section 71 of the Financial Institution Business Act B.E. 2551 (2008), the Bank of Thailand hereby issues regulations on responsible lending in this Notification, which must be complied with by financial institutions and companies within a financial business group.

By virtue of Section 4, Section 5 and Section 11/1 of the Emergency Decree on Asset Management Company B.E. 2541 (1998) and its amendments, the Bank of Thailand hereby issues regulations on responsible lending in this Notification, which must be complied with by asset management companies according to the law on asset management company.

By virtue of Section 7, Section 10, Section 11 and Section 12 of the Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Credit Card Business) dated 30 July 2020, the Bank of Thailand hereby issues regulations on responsible lending in this Notification which must be complied with by non-financial institution companies conducting credit card business.

By virtue of Section 8, Section 11, Section 12, and Section 13 of Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan Under Supervision) dated 30 July 2020, the Bank of Thailand hereby issues regulations on responsible lending in this Notification which must be complied with by non-financial institution companies conducting personal loan business under supervision

By virtue of Section 8, Section 11, Section 12, and Section 13 of Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Nano Finance Under Supervision) dated 30 July 2020, the Bank of Thailand hereby issues regulations on responsible lending in this Notification which must be complied with by non-financial institution companies conducting nano finance business under supervision.

3. Repealed Circular

Notification of the Bank of Thailand No. SorKorChor. 7/2566 Re: Regulations on Responsible Lending dated 21st December 2023

4. Scope of Application

This Notification shall apply to:

4.1 All financial institutions and companies within the financial business groups according to the law on financial institution business

4.2 All asset management companies according to the law on asset management company

4.3 All non-financial institution companies conducting credit card business according to the Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Credit Card Business)

4.4 All non-financial institution companies conducting personal loan business under supervision according to the Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Personal Loan Under Supervision)

4.5 All non-financial institution companies conducting nano finance business under supervision according to the Notification of the Ministry of Finance Re: Business that Requires a Permit According to Section 5 of the Declaration of the Revolutionary Council No. 58 (Nano Finance Under Supervision)

5. Content

5.1 Definition

"**Service provider**" means issuer, advisor, seller, buyer, or transferee of credit products.

"**Credit**" means lending money, or buying, discounting, rediscounting bills, becoming a creditor upon having paid or ordered that an amount of money be paid on behalf of a customer, or becoming a creditor upon having paid in accordance with an obligation specified in a letter of credit or other obligations, factoring transactions, hire purchase transactions, leasing transactions, transactions for acceptance to buy with the right of redemption, and credit card.

"**Retail lending**" means credit offered to natural persons with the purpose of consumption or business undertaking, including credit card, personal loan under supervision, nano finance under supervision, micro finance according to the Bank of Thailand's Guidelines on Microfinance Loans for Commercial Banks, residential mortgage loans, reverse mortgage, hire purchase transactions, leasing transactions, which are not small- and medium-sized enterprise loans.

"**Small- and medium-sized enterprise lending**" means credit offered to small- and medium-sized enterprises classified by each service provider. If the service provider does not classify such debtor, such loan means credit offered to small- and medium-sized enterprises as specified by the Office of Small and Medium Enterprise Promotion.

"**Customers**" means natural persons and juristic persons that use retail lending products and small- and medium-sized enterprise lending products as well as persons who ask for information, persons who have received offers or persons who have been invited by service providers to use a retail lending product or a small- and medium-sized enterprise lending product.

“**Advertisement**” means media **or any forms of actions** that a service provider created or hired or paid another person to create or proceed to disseminate information to the public about their credit products, with the intent to attract or encourage the use of such credit products from the service provider, including text, images, sounds, symbols, **or any other forms of actions** taken via media, channels, influencers, or tools, including advertisements displayed in different locations, including on-site premises."

“**Debtor with persistent debt**” means debtors of personal loan under supervision, excluding title loan and digital personal loan **with minimum payment conditions**, who are **not overdue in principal or interest for more than 90 days or 3 months from the due date**, and have paid total interest exceeding the total principal for a long time as specified in Attachment 6.

“**Debt restructuring**” means the act of service providers accommodating or changing debt repayment terms for debtors due to increased credit risk, which is categorised as

(1) Debt restructuring for debtors who are not overdue in principal or interest for more than 90 days or 3 months from the due date is referred to as pre-emptive debt restructuring (Pre-emptive Debt Restructuring: pre-emptive DR).

(2) Debt restructuring for debtors who are overdue in principal or interest for more than 90 days or 3 months from the due date is referred to as troubled debt restructuring (Troubled Debt Restructuring: TDR).

“**Non-performing loan debtors**” means non-performing financial assets and obligations and purchased or originated credit impaired according to the Notification of the Bank of Thailand on Asset Classification and Provisioning of Financial Institutions or the financial reporting standards for publicly accountable entities (PAEs).

For service providers complying with the financial reporting standards for non-publicly accountable entities (NPAEs), it means debtors with overdue principal or interest payments exceeding 90 days or 3 months, or debtors who have overdue principal or interest payments of not more than 90 days or 3 months but are classified by the service provider as non-performing loan debtors.

5.2 Principle

The key principles of this Notification are linked to the principles outlined in the Notification of the Bank of Thailand Re: Regulations on Market Conduct, aiming to ensure fair treatment of customers for consumer protection purposes. These principles include: (1) Customers are assured that service providers intend to provide fair and sincere service; **(2) Customers receive advices about products or services that align with their needs, financial capacity and comprehension level**; (3) Customers receive fair products and services in respect of price and conditions; (4) Customers **have the right to receive services or be treated fairly and conveniently after using products or services; and** (5) Customers understand their rights and duties **regarding the use of products or services.** The service providers play an important role in promoting financial knowledge and discipline, including **customers' skills in managing their money and debt** appropriately.

This Notification aims to ensure that service providers engage in responsible and fair credit management throughout the debt journey, covering periods before, or during indebtedness, when debtors encounter repayment difficulties, and during legal proceedings and debt transfers. Emphasis is placed on the benefits of customers, along with promoting the provision of information on terms and warnings that customers should be aware of, to nudge customers towards better financial discipline. This encourages responsible borrowing, which is crucial in addressing household debt problem in a sustainable way.

5.3 Regulations

5.3.1 Credit management throughout debt journey

To promote responsible lending, service providers must have credit management in place throughout the debt journey, which comprises 8 aspects as follows:

Regulation	Key points and expected outcome
(1) Credit product development	Service providers must offer credit products suitable for customer needs and affordability, without encouraging excessive borrowing. They should advocate for setting interest rates in line with

Regulation	Key points and expected outcome
	customers' risk profiles or customer segments and loan characteristics (risk-based pricing), along with ensuring fair contract terms for customers (details in Attachment 1).
(2) Advertisement	Service providers must create and control advertisements with content that is "accurate, **comprehensive** and clear," "allows for comparison of terms, interest rates, and various fees," and "does not encourage excessive borrowing." This is to ensure that customers receive and understand necessary information from advertisements sufficiently to make informed decisions and promote financial discipline (details in Attachment 2).
(3) Sales process	Service providers must ensure that customers receive complete, accurate, and unbiased information necessary for making well-informed decisions, offered products in a manner that aligns with customers' objectives or financial needs and refraining from encouraging excessive borrowing. (details in Attachment 3)
(4) Consideration of affordability	Service providers must assess customers' affordability by considering all debt burdens and ensuring that the residual income after deducting all debt repayment obligations is sufficient for customers' livelihoods using the best effort of the service providers (details in Attachment 4).
(5) Promotion of financial discipline and management during indebtedness	Service providers must provide key information and warnings that debtors should be aware of, including creating tools to support nudging debtor behaviour, to encourage debtors to improve financial discipline and manage debt for their own benefit (details in Attachment 5).
(6) Assistance to debtors with persistent debts	Service providers must inform debtors of the negative consequences of persistent debt and provide standardised assistance to help debtors see a suitable path to debt resolution (details in Attachment 6).
(7) Assistance to debtors with debt repayment difficulties	Service providers must offer debt restructuring options that align with the debtor's affordability promptly, beginning from the onset of signs that the debtor is experiencing repayment difficulties, through to the point of default. This particularly

Regulation	Key points and expected outcome
	applies before legal proceedings, debt transfer, contract cancellation, or asset seizure (details in Attachment 7).
(8) Legal proceedings and debt transfers to other creditors	Service providers must ensure that debtors are fully informed of their rights and essential information when legal proceedings are initiated, should debtors inquire. Moreover, debtors should be provided with opportunities to resolve debt issues, including offering suitable repayment terms after debt transfer. (details in Attachment 8).

Service providers shall comply with Attachment 1-8 for retail lending products and Attachment 7 and 8 for small- and medium-sized enterprise lending products (SMEs lending products), except service providers that are asset management companies according to the law on asset management company which shall comply with Attachment 7 Clause 7.3 and Attachment 8. The summary of the scope of compliance according to this Notification appears in Attachment 9. For cases beyond what is stated above, the Bank of Thailand encourages service providers to comply with other regulations specified in this Notification, as appropriate.

Furthermore, in the operations of service providers, in accordance with the Notification of the Bank of Thailand Re: Regulations on Market Conduct, the following management systems must be addressed:: (1) corporate culture and roles and responsibilities of the board of directors and senior management (2) remuneration scheme (3) communication and training for employees (4) problem and complaint handling, and (5) Three lines of defense. Service providers must integrate responsible lending throughout the debt journey as part of the management across all the five systems mentioned above.

5.3.2 Other requirements

Service providers are still required to be responsible for customers in the operations of the business partners acting on their behalf, such as outsourcers, agents, as if they were operating themselves. This includes cases where the service providers assign all or part of the tasks to such persons to act on their behalf, and cases where business partners acting on their behalf assign all or part of the tasks to subcontractors, who act on their behalf based on the tasks assigned by the service providers.

For compliance with regulations in this Notification of foreign branches of service providers mentioned in Clause 4, including companies within a financial business group located abroad, if the regulator in such country has the regulations on responsible lending or other regulations with similar provisions to regulate and protect customers to ensure responsible lending, such foreign branches and companies within a financial business group located abroad shall comply with such regulations.

If the service providers operate in accordance with policies or measures set by public agencies to provide support or assistance as necessary and appropriate to customer groups impacted by various situations such as the COVID-19 pandemic, natural disasters, with specific credit products or assistance services designed to prioritise customer benefits and urgent action is required, the service providers must continue to comply with the regulation specified in Clause 5.3.1, except for regulations related to credit product development and consideration of affordability, where discretion may be exercised in alignment with the principles specified in Clause 5.2.

Furthermore, for any operation of service providers related to responsible lending, the service providers must not have the intention to avoid compliance with the regulations specified by the Bank of Thailand in this Notification.

5.3.3 Reporting to the Bank of Thailand

Service providers shall prepare and submit reports in the format and frequence as specified by the Bank of Thailand.

5.3.4 Disclosure of information regarding fine penalty or charge

In cases where a service provider is fined or charged as a result of non-compliance with or violation of this Notification, the service provider shall disclose information about such fine penalty and charge according to the disclosure regulations specified in the Notification of the Bank of Thailand Re: Regulations on Market Conduct, mutatis mutandis.

6. Transitional Provision

6.1 Advertisements for retail lending products on social media used before 1st January 2024 can stay on social media, but shall not be used for re-advertising.

6.2 While the criteria specified in Attachment 5, Section 5.3.2 of this notification have not yet come into force, compliance with Attachment 5, Section 5.3.2 of Notification of the Bank of Thailand No. SorKorChor. 7/2566 Re: Regulations on Responsible Lending dated 21st December 2023, will remain in effect until 30th June 2025.

7. Effective Date

This Notification shall come into force as from the day following the dates of its publication in the Government Gazette, except for the criteria specified in Attachment 5, Section 5.1.1(2) and Section 5.3.2 which will come into force as from 1st July 2025.

Announced on 31st January 2025

(Mr. Sethaput Suthiwartnarueput)
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Attachment 1

Credit Product Development

Service providers must offer credit products suitable for customer needs and affordability, without encouraging excessive borrowing. They should advocate for setting interest rates in line with customers' risk profiles or customer segments and loan characteristics (risk-based pricing), along with ensuring fair contract terms for customers

1.1 Product development

1.1.1 Service providers must develop and design credit products suitable for customer needs and affordability. This includes establishing repayments terms and conditions that align with the incomes or cash flows used for the repayment, without encouraging customers to incur excessive debt.

<u>Example of appropriate credit product</u>;

- Service providers must avoid designing credit products with initial repayments focused on interest alone to attract customers, by deferring principal payment reduction or using a large final payment (balloon payment) that may render debtors unable to repay. This is unless the repayment structure aligns with the debtor's cash flow and has been assessed for debt repayment ability. Such cases may be specific to certain types of credit or debtor groups expected to have future cash flows to repay debt, such as revolving loan for enhancing business liquidity, where initial cash flows may not exist but are anticipated in the future for debt repayment.

1.1.2 Service providers should advocate for setting interest rates in line with customers' risk profiles or customer segments and loan characteristics (risk-based pricing) under the interest rate ceiling specified in the related regulations or laws.

<u>Examples of encouraged actions:</u>

- In cases where new customers have low risk profiles, good credit scores, or a history of consistent debt repayment with other creditors, service providers should offer interest rates lower than those offered to other customers with higher risk profiles or late repayment history.

- For existing customers who were previously approved for credit with high interest rates or equivalent to the ceiling due to high risk or limited information, but who have demonstrated consistent debt repayment, service providers should consider reviewing and reducing interest rates to align with the customer's risk when considering for additional credit line.
- In cases where debt repayments are deducted from salaries or where deposits are used as collateral, indicating low risk, interest rates should be lower than those for general credit to reflect the risk.
- For residential mortgage loans where customers have Mortgage Reducing Term Assurance (MRTA), service providers should consider offering special interest rates or rates lower than standard rates.

1.2 Credit product risk management and collateral management

1.2.1 Service providers must manage credit risks without creating excessive burdens on customers. This means refraining from requiring excessive collateral, guarantees, or additional insurance beyond what is necessary to mitigate risk.

<u>Example of credit risk management without creating excessive burdens on customers:</u>

- If the service provider determines that the customer has the ability to repay the debt and possesses collateral of sufficient quality and value to cover the debt burden, the service provider must not require additional guarantors.
- When offering customers life insurance to mitigate additional risks, such as life insurance to cover credit line, service providers must consider the financial burden incurred for customers to ensure it is not so high that the customer is unable to repay.
- Service providers must not force customers to obtain additional non-life insurance unnecessarily, such as when customers already have non-life insurance before refinancing, service providers must not force the customers to obtain new insurance.

1.2.2 Service providers must assess collateral values appropriately and reflect their true values.

1.2.3 Once the debtor has fully repaid the debt, service providers must return the collateral, including any registration documents or other evidence received by the service providers as collateral for debt repayment, such as vehicle registration documents received by the service providers as collateral for title loans, to the debtor within 10 business days. For refinancing cases, the service providers must complete the collateral withdrawal process within 15 business days unless the debtor requests it to be done later, or if it is impossible to contact the debtor, or if legal proceedings are underway.

1.3 Determination of contract terms

1.3.1 Services providers must determine contract terms that are fair to customers, using easily understandable language and avoiding terms beneficial to the service providers but may lead to detriment or loss for the customers, such as granting the service provider the right to cancel the contract without reasonable cause or prior notice, or limiting the service provider's liability for breaches of contract.

1.3.2 Service providers must not accumulate the interest, service charges, penalties, and expenses despite being paid and reasonable to the loan outstanding balance to recalculate the interest and penalties for all types of retail lending products, including overdraft accounts. This is because compound interest calculations are complex and may burden debtors if they are unable to repay the debt.

1.3.3 Service providers must not require immediate credit utilisation upon approval as a condition for **revolving loan** products. Customers must have the right to choose the timing of credit utilisation according to their needs. However, if the service provider wishes to offer products with conditions requiring immediate credit utilisation to meet the needs of certain customer segments, they must offer similar products with options for customers to choose the timing of credit utilisation and must offer those products simultaneously, as well as provide accurate and complete information to enable customers to compare their options.

1.3.4 In cases where service providers exercise legal rights to deduct money from deposit accounts to repay debts in instances of debtor default, the service providers must leave sufficient money in the debtor’s deposit account to ensure the debtor's livelihood, unless the service provider holds the debtor's deposit account as collateral, or the debtor has consented to automatic account deduction once the credit repayment is due.

Attachment 2

Advertisement

Service providers must create and control advertisements with content that is "accurate, comprehensive, and clear" "allows for comparison of terms, interest rates, and various fees," and "does not encourage excessive borrowing." This is to ensure that customers receive and understand necessary information from advertisements sufficiently to make informed decisions and promote financial discipline

2.1 Advertisements must be "accurate, comprehensive and clear".

Advertisements must provide essential **and clear** information that is easy to understand, without distortion or misinterpretation of key content. **The consumer must be able to see or hear such information clearly. For example,** the font size must be legible, and the reading speed must be equivalent to other contents that are important terms and conditions in the advertisement.

In cases where service providers advertise using interest rates or fees to attract customers, the service providers must present the important terms and conditions of the credit product related to such information, completely and clearly, in the same advertising medium; for example, presenting the terms and conditions under which customers will receive special interest rates or the duration of fee exemptions. However, for other terms and conditions, the service provider may inform customers to seek additional details from other channels, such as the service provider's website or contact number for further information.

<u>Example of advertisements that **do not comply with the regulations**:</u>

- Presenting important terms and conditions but unclearly, such as using small fonts making it difficult to read or speaking too quickly to comprehend.
- Offering an interest rate of 0.5% per year for 50 days without presenting the important condition that it only applies to the first spending amount.
- Offering a 0% interest rate without specifying that it is applicable only when the customer pays the full amount by the due date.
- Stating that annual fees are waived but failing to mention that it applies only to the first year's fees.

2.2 Advertisements must allow for "comparison of terms, interest rates, and various fees".

The advertisement must clearly present information about interest rates and assumptions for interest calculations of the credit product to provide customers with complete and sufficient information and allow customers to compare across other credit products**.**

2.2.1 The advertisment must present the effective **interest** rate of the credit product in a range of the minimum and maximum interest rates (excluding temporary special rates), clearly in the same advertisement medium. Such interest rates must adhere to the terms and conditions of the product programme and the guidelines for interest ceiling calculations, inclusive of any expenses incurred to obtain the credit, as specified in the relevant regulations or laws.

In cases where the credit specifies interest rates as follows, the service provider must present the following additional information:

(1) For loans with interest rates tied to a reference floating rate (floating rate), such as the Minimum Retail Rate (MRR), **the advertisement must clearly disclose the assumptions used in interest rate calculations. This includes the range between the minimum and maximum interest rate (excluding temporary special rates) derived from the referenced annual floating rate,** and the reference interest rate and its effective date, as well as a warning **phrases** stating "Floating interest rates are subject to change, either increasing or decreasing."

(2) For loans with step-up interest rates, such as residential mortgage loans, the advertisement must present the range between the minimum and maximum interest rates (excluding temporary special rates) of the annual effective interest rate throughout the contract term, along with assumptions and examples of interest **rate** calculations. Service providers may present detailed assumptions and examples of interest rate calculations through alternative channels, without the necessity of including them in the same advertisement, such as their website or contact phone number for additional information. However, service providers must clearly notify customers of these alternative channels and ensure easy access to the information.

(3) For loans with step-up floating interest rates, the advertisement must present additional information as specified in (1) and (2).

In cases of credit cards and personal loans that advertise installment payments at 0% interest rate throughout the repayment period, such as installment payments for goods at 0% interest rate for 24 months, the advertisement must present additional information as specified in Clause 2.3.3.

Examples of interest rate presentation

- **For fixed-rate credit products:** Interest rate ranges from 9.99% to 25%.
- **For credit products with floating interest rates:** Interest rate ranges from 6% to 10%.

  **** Assumptions for calculations are based on the MRR-1% - MRR+3%*** *and MRR interest rate as of 2nd August 2024 = 7%. Floating interest rates are subject to change, either increasing or decreasing.*
- **For credit products with step-up interest rates:** Interest rate ranges from 11.3% to 18.4%*.

  **Additional calculation details are available on the website www............com*

  Example of the presentation of detailed assumptions and calculation example on the website:

  Interest rate for credit products with a 30,000-baht credit limit and a contract term of 4 years.

	Month 1-12	Month 13-24	Month 25-48	*Effective Interest Rate throughout the Contract Term*
Contract with the lowest interest rate	9%	12%	15%	**11.3%**
Contract with the highest interest rate	18%	21%	24%	**18.4%**

- **For residential mortgage loans with step-up floating interest rates:** Interest rate ranges from 5.9% to 7.5%*.

  ** Assumptions for calculations are based on the MRR as of 2nd August 2024, which is 7%. "Floating interest rates are subject to change, either increasing or decreasing." Further calculation details can be found on the website www............com.*

Example of the presentation of detailed assumptions and calculation example on the website:

Interest rate for a residential mortgage loan with a 3-million-baht credit limit and a contract term of 10 years. MRR as of 2nd August 2024 = 7%.

	Month 1-6	Month 7-12	Month 13-24	*Effective Interest Rate throughout the Contract Term*
Contract with the lowest interest rate	3%	MRR-2% = 5%	MRR-1% = 6%	**5.9%**
Contract with the highest interest rate	3%	MRR-1% = 6%	MRR+1% = 8%	**7.5%**

"Floating interest rates are subject to change, either increasing or decreasing."

For cases where advertising is solely through audio, such as radio broadcasts or podcasts, service providers may reference detailed assumptions and calculation examples from other sources, such as their website.

Advertising in which the service providers use a single advertisment to promote multiple loan products, the Bank of Thailand encourages service providers to clearly display the range between the minimum nd maximum interest rates for each product. Especially, in cases when the interest rates for each loan product vary significantly.

2.2.2 Advertising with installment payment information to attract customers: Service providers must present complete assumptions for calculating such information to ensure customers understand the key aspects of the advertised credit products. At minimum, they must present principal amount, interest rate, total interest over the contract term, installment amounts consistent with the contract, and the total repayment period, clearly in the same advertisement medium.

2.3 Advertisement must "not encourage excessive borrowing."

Service providers must conduct marketing activities responsibly and support the cultivation of customers' financial discipline by encouraging customers to consider the necessity of borrowing and their affordability, as well as fostering financial discipline and appropriate consumption values.

2.3.1 Advertising, product naming, **and marketing activities, including the use of phrase that represent the identity of the service providers' business,** must not encourage excessive borrowing or create the impression that the lending by the service provider does not primarily take into consideration customers' affordability or their debt repayment history. Furthermore, they must not lead to an understanding that the credit approval process of the service provider is not thorough.

Examples of advertisements with **wordings that do not comply with the regulations**:

- Supporting excessive borrowing, for example, "You must have it, if you want it," "No matter how much you shop, you'll stay as rich as ever," "Contact us if you have high taste." "Have or open a credit line, ready to shop multiple brands." **"High society lifestyle first, pay installments later." "Luxury lifestyle first, pay installments later." "Get a rich look first, pay installments later."**
- Implying that affordability may not be considered, such as "Anyone can borrow", "No credit check, still eligible for loans", "No check", "No bureau check", "No credit bureau check". **"Even on the bureau blacklist, still qualify for a loan."**
- Implying that borrowing does not require careful consideration and potentially promoting excessive borrowing, for example, "Borrowing money made easy", "Easy loans", "Easy approval". **"Just carry the vehicle registration book, and receive a lump sum of money back home." "Simply having a car qualifies you for a loan" "Receive cash immediately"**

Examples of advertisements with **images that do not comply with the regulations**:

- Supporting excessive borrowing includes, for example, **images depicting spending that does not align with the maximum credit line of the advertised product** such as photos displaying amounts of money inconsistent with the advertised credit products, **or images showing that being in debt requires no careful consideration which is considered as promotion of excessive borrowing** such as the photos displaying numerous branded shopping bags.

2.3.2 Service providers are prohibited from conducting **marketing** activities that offer rewards or gifts before credit approval, without the necessity for customers to undergo affordability assessment. Such practices aim to stimulate or hasten decision-making in credit application, for example, "Simply apply and receive a travel bag immediately."

2.3.3 Service providers must display a warning stating "Borrow when necessary and within your means" in all advertisements to nudge appropriate borrowing behaviour. **The customers must be able to see or hear the information clearly.** Apart from that, service providers may present additional warnings or recommendations regarding the credit product to promote good financial discipline. For example, a reminder about the consequence of continuing to pay the minimum repayment amount that could result in customers paying significantly higher total interest over the contract term and taking a long period to repay the debt in full. Except for the following cases, warnings must follow the requirements.

(1) For credit card products, a warning should be displayed stating, "Use when necessary and pay back full amount on time to avoid interest charges (showing the range between the minimum and maximum effective interest rates)."

(2) For personal loans under supervision advertised with installment with interest rate of 0% of total spending amount until the entire repayment is complete, such as installment plans with 0% interest for 24 months, a warning should be shown that "Borrow when necessary and pay back on time to avoid interest charges (showing the range between the minimum and maximum effective interest rates)."

<u>Examples of interest rate presentation with warnings</u> - For credit card: “Use when necessary and pay back full amount on time to avoid 9 - 16 % interest rate.” - For personal loans under supervision advertised with installment with interest rate of 0% of total spending amount until the entire repayment is complete: “Borrow when necessary and pay back on time to avoid 12.99 - 25 % interest rate”

2.4 In cases where small-sized advertisements with limitation to present clear and complete product information in a single advertisement, such as unclear text due to the size, service providers may present information as specified by the regulations on their website or other channels linked from such advertisements. For example, by presenting information according to the regulations on the next page of the website when clicking on a small-sized image.

2.5 For items used by employees in their work and gifts distributed to customers by service providers for marketing purposes, which can attract or encourage the use of service providers' credit products, and which are considered as advertising, if customers have the right to choose how to use such items without receiving compensation, service providers can consider displaying information in accordance with Section 2.2.1 as appropriate. Additionally, to comply with Section 2.3.3, service providers can display only a warning stating "Borrow when necessary and within your means." For credit card products, the warning should state, "Use when necessary and ensure repayment." The text size of the warning must be clearly visible.

2.6 Service providers must have policies, processes for consideration and approval, work systems, and personnel responsible for control, oversight, and audit (3 lines of defense), to ensure that advertising and marketing activities comply with the regulations; for example, by communicating to relevant personnel to ensure their understanding and compliance to the regulations and possibly, testing comprehension by using draft advertisements with a sample group to verify their **clarity and** accuracy.

In addition, service providers must have policies to control sales staff or credit product representatives, as well as oversee marketing activities with business partners such as the joint marketing activities between the service provider and retail stores. Such policies must be in accordance with the criteria outlined in attachment 2 of this notification.

Attachment 3

Sales Process

Service providers must ensure that customers receive complete, accurate, and unbiased information necessary for making well-informed decisions, offered products in a manner that aligns with customers' objectives or financial needs and refraining from encouraging excessive borrowing.

3.1 Credit product offering

Service providers must have processes in place to ensure that customers are presented with product options, either through explanation, notification, or provision of documents completely containing key product information as follows:

3.1.1 Service providers must offer credit products that align with the customer's objectives or the nature of their financial needs. For example, whether the customer seeks funds for consumption or business undertaking, or whether they prefer credit for short-term or long-term liquidity. In cases where there is more than one credit product suitable for the customer, service providers must offer alternatives and provide key information to enable customers to compare and select suitable credit product.

<u>Examples of offerings that align with the customer's objectives or the nature of their financial needs</u>

Customer's Need	Type of Product Recommended
Temporary liquidity	Revolving loan such as cash card
Purchase of durable goods such as air conditioner and refrigerator	Installment loan
Loan for business operation with potential to apply for SMEs credit	SME credit with interest rate lower than personal loan
Loan for professional purposes without potential to apply for SMEs credit but with qualifications to apply for personal loan (P-loan) with the purpose of undertaking business, and nano finance.	P-loan with lower interest rate, which offers lower interest rates, does not solely offer nano finance, which has higher interest rates, as the only type of credit to allow customers to choose the most suitable credit option.

3.1.2 Service providers must offer without encouraging customers to incur excessive debt and must provide additional information to enable customers to make informed decisions when selecting credit products, be aware of the debt burden that may arise, be able to plan debt repayments appropriately, and understand the importance of timely payments. This includes:

(1) Warning and notifying the annual effective interest rates of the credit products in a range between the minimum and maximum interest rates as specified in Attachment 2, Clause 2.2.1 and 2.3.3, aligned with the characteristics of each type of credit.

(2) Notifying the debt repayment methods before the due date, whether in full or in part, and the application of debt repayment order when customers pay more than the scheduled installment. For example, in cases where customers make payments exceeding the scheduled installment, service providers will apply the excess to reduce the remaining principal.

(3) Notifying the consequences of defaulting on debt payments, including at least the following information:

(3.1) The potential increase in interest charges during default or late payment penalties, as well as any applicable fees such as debt collection charges.

(3.2) Debt offsetting against deposit accounts (if applicable)

(3.3) Debt transfer

(3.4) Contract cancellation

(3.5) Legal actions such as lawsuits, legal execution, asset seizure, or repossession of vehicles under hire purchase/leasing agreements.

(4) Service providers should provide information that supports customers in gaining knowledge and fostering good financial discipline.

<u>Examples of encouraged actions</u>

- Service providers should advise customers to sign up for automatic direct debit services for installment payments to promote convenience and encourage timely debt repayment and should inform customers about the precautions associated with such automatic debit transactions, such as ensuring funds are available in the account before the scheduled payment.

- In the case of installment loans, service providers should inform that opting for longer repayment periods will result in higher total interest charges throughout the contract terms.
- For revolving loans that allow minimum repayments, service providers should notify that consistently making only minimum repayments will lead to higher total interest charges throughout the contract terms and prolonged full repayment periods.

Examples of **non-compliance with the regulations**

- Offering credit products with incomplete information and repayment terms, such as service providers failing to clearly inform debtors that there may be additional charges in the final installment of the contract, or service providers not providing clear information that the terms requiring debtors to pay equal installments every month throughout the contract term may come with a one-time extra charge on top of the installments due to changes in floating interest rates during the entire contract period.
- Offering credit products and personal credit line, such as cash card, in addition to credit card products to customers who have no intention of using such credit, particularly to customer groups at risk of overindebtedness, such as those with limited financial knowledge or no experience in using credit products.

(5) Service providers must offer products with information on various repayment methods and borrowing costs to ensure that debtors have sufficient information to make decisions on their suitable choices**, adhering to forthcoming guidelines from the Bank of Thailand**.

3.2 Notification of rights and responsibilities of guarantors in credit products

Service providers must inform guarantors of their rights and scope of responsibilities according to the contract and relevant laws before the guarantor signs the agreement.

3.3 Establishment of remuneration structure

Service providers must establish a remuneration structure that includes individual or group key performance indicators (KPIs) and incentive rewards, as well as warning and penalty measures, considering responsible lending for all levels of employees involved in customer service, including managers responsible for oversight, especially offerings that do not encourage excessive borrowing.

Attachment 4

Consideration of Affordability

Service providers must assess customers' affordability by considering all debt burdens and ensuring that the residual income after deducting all debt repayment obligations is sufficient for customers' livelihoods using the best effort of the service providers.

4.1 Assessment of customers' affordability

Service providers must assess the affordability of customers, including joint debtors (if applicable), both in the process of approving new loans and increasing credit line. This assessment must not consider the preferential right in the application of debt repayment proceeds and must not consider the amount that will be obtained for debt repayment from seizure of collateral or other secured assets. Service providers must consider the total debt burden, including current and upcoming debt obligations, in comparison to income from various sources. **If customers do not have a regular income, service providers can consider future cash flows that customers are expected to receive as potential sources of income.** Such consideration must be evaluated by reliable methods and reasonable assumptions specified in the service provider's credit approval policy. This consideration aims to determine if customers have sufficient income to repay debts and have residual income adequate for their livelihoods after deducting all debt obligations by using the best effort of the service providers. Service providers can use the Debt Service Ratio (DSR) as a key factor in credit approval consideration. This paragraph does not apply to the following cases:

(1) For digital personal loans, service providers must consider affordability following the regulations on digital personal loans.

(2) For loans where customers intend to utilise cash flow generated from assets or collateral as a source for debt repayment, for example, loans secured by inherited pensions, **loans secured by cash such as deposits, and loans secured by liquid financial collaterals such as gold, saving certificate, debt securities, equity securities and unit trusts investing in securities eligible as financial collaterals,** service providers should consider such cash flows as **sources of income for debt repayment.**

(3) For reverse mortgage, service providers must comply with the Bank of Thailand's Regulations on Reverse Mortgage.

(4) For debt consolidation loans (which combine more than 1 account) and refinance loans provided to debtors under conditions that ensure the total debt burden and installment payments do not exceed the amounts stated in the original credit approval agreement, while also offering better repayment terms, such as lower interest rates, as well as new loans granted to existing debtors in addition to current loans under conditions that the combined debt burden of the new loans and any outstanding debts remains within the initially approved credit line, and that installment payments do not exceed the amount specified in the original credit approval, service providers can use the debtor's original information or other information reflecting their repayment capability, such as past payment histories and monthly installment rates, rather than considering income and total debt burden when assess customers' affordability for these three types of loans.

(5) Loans currently underwritten with the practice of considering the guarantors' income for loan approval include loans originated from hire-purchase or leasing, loans secured by a car registration book, housing loans where foreigners who are the debtor's spouses primarily make the installment payments, and any other loans that may be designated by the Bank of Thailand in the future. Service providers may approve these loans by considering the guarantor's income as part of the debtor's income, in accordance with their policies. Nevertheless, these guarantors must be relatives, spouses, or individuals living together as husband and wife with the debtor, in circumstances recognised by family members or outsiders as having such status. Furthermore, the service provider should ensure that these guarantors will be jointly responsible for repaying the debt with the debtor.

In this regard, for loans with individuals acting as guarantors, service providers should consider the guarantor's affordability in cases where the debtor is unable to repay the debt and the service provider exercises the right to demand repayment from the guarantor, the guarantor will not incur debt beyond their affordability.

<u>Examples of current debt burden consideration</u> - Information of the debtor's debt burden in the credit bureau information. - Information of debt burden with employers and cooperatives as shown in payslips. - Other debt burden information as available to the service provider, such as cooperative or Credit Union debts not shown in payslips, debts with service providers not reflected in the credit bureau information, informal debts.
<u>Examples of consideration of affordability</u> - In cases where customers would like a credit product with insurance and wish to include the insurance premiums as part of the credit line, service providers must discuss with the customers and incorporate insurance into the debt repayment plan consideration, taking into account the existing installment obligations agreed upon initially, as well as instances where insurance fees are charged during the loan repayment period. - Service providers must assess loans with repayment periods suitable for the duration in which customers will have income to repay the debt.

4.2 Notification of reasons for loan denial

In cases where loan applicants wish to know the reason for loan denial, service providers should explain the reasons for the loan denial to the applicant through regular channels of communication that the service providers use to contact customers, or through other channels as requested by the customer, such as telephone, mail, email, SMS, mobile application installed on the device, and LINE official account. The explanation must include the key factors used in the loan approval process, such as affordability, repayment history, in order to promote better financial discipline among customers or to encourage changes in behaviour to become eligible for a loan. However, the service providers are not required to provide a reason for denying a loan if doing so would violate the specific laws.

Examples of notification of reasons for loan denial

For loan denial resulting from a single factor:

- Regarding your loan application, we have carefully considered it and found that you do not meet the specified criteria. This decision is primarily due to a high debt service ratio.
- Regarding your loan application, we are unable to process your request as the required documentation has not been submitted in full. Therefore, we are unable to assess your ability to repay the loan.

For loan denial resulting from multiple factors:

- Regarding your loan application, we have carefully considered it and found that you do not meet the specified criteria. This decision is based on various factors such as high debt service ratio and a history of payment delinquencies.

Attachment 5

Promotion of financial discipline and management during indebtedness

Service providers must provide key information and warnings that debtors should be aware of, including creating tools to support nudging debtor behavior, to encourage debtors to improve financial discipline and manage debt for their own benefit.

5.1 Reminding debtors about debt repayment

Service providers must remind debtors of debt repayments to encourage debtors' financial discipline and enable them to plan their finances and settle debts on time through channels specified by the customers, such as billing statements, email, SMS, mobile application, LINE Official Account, or other channels in the following cases:

5.1.1 Reminding debtors prior to debt repayment due date

(1) Service providers must remind debtors to make debt repayments before the due date, with the discretion to selectively alert high-risk or high default risk debtor groups as deemed appropriate. This entails establishing a clear and rationale written notification policy. Such notifications should occur separately from invoices or collection notices, such as billing statements. Grouping of debtors with high risk or high default risk should adhere to the notification policy set by the service provider.

(2) Service providers must notify debtors who have loan with minimum payment conditions, about the disadvantages of failing to make full debt repayment, as well as the benefits of paying more than the minimum payment amount set by the service providers prior to the due date. This communication aims to nudge debtors to aware of the incurred costs and motivate them to repay debts as much as possible to reduce long-term interest burdens. To provide this information, service providers must include either details of the repayment period, installments, and total interest burden for the entire contract as outlined in Section 5.2, or deliver the following statement to customers: "Paying only the minimum amount results in high interest expenses and leads to long-term debt. By paying more than the minimum, you can reduce interest costs and pay off all debts faster." Such notifications can be made alongside invoices or collection notices, and must be communicated through at least one channel that the

customers have chosen to receive news, such as invoices, mobile applications or LINE Official Account. In addition, the Bank of Thailand encourage service providers to use channels consistent with customers' information-receiving behavior.

5.1.2 Reminding debtors when there will be an increase in installment amounts or interest rates

Service providers must notify debtors when there will be an increase in installment amounts or interest rates from the previous period. For example, for credit products with teaser rates that are about to adjust to regular rates or for step-up payment credit products where installment amounts are about to increase. However, exceptions apply to the following credit products:

(1) Floating rate loans: In cases where the interest rates are set to increase, service providers should inform debtors promptly about such changes, albeit after the fact.

(2) Credit cards and personal loans under supervision: If these products offer special interest rates for a certain period, service providers should clearly notify the debtor about any impending increase in installment amounts or interest rates for each period, from the date the debtor starts using the product with such special interest rates instead.

5.2 Provision of information on debt repayment schemes and cost of borrowing

Service providers must provide information regarding various debt repayment schemes and borrowing costs for each type of loan with different repayment structure, including installment loans, loans with minimum payment conditions, and overdrafts. This information must cover repayment periods, installments, and interest burden over the entire contract. The goal is to promote financial literacy and to nudge debtor behavior towards an awareness of the incurred costs as well as motivate increased debt repayment in line with the debtor's ability. This approach will help reduce long-term interest burdens on debtors. **To provide such information, service providers must communicate through the channels they use for important announcements at least once a quarter, such as infographics on social media, signs, or brochures at branch offices.**

Example of information on debt repayment schemes and borrowing cost for different repayment structure.

Installment loan

Installment loan

such as housing loan, car loan

Which option should I choose? **"Choose shorter installments to significantly reduce the interest expenses."**

Installment loan: Principle: 15,000 Baht Interest rate: 25% (per year)

Examples of options	Option 1 **Short installments**	Option 2 **Medium installments**	Option 3 **Long installments**
Length of debt (month)	24	36	48
Installment amount (Baht)	800	600	500
All interest burdens (Baht)	4,000	6,500 **Additional interest 2,500 Baht,** Compared to option 1	9,000 **Additional interest 5,000 Baht,** Compared to option 1
All payments throughout the contract = principle+ all interest burdens (Baht)	19,000 = 15,000 + 4,000	21,500 = 15,000 + 6,500	24,000 = 15,000 + 9,000

Note: Choose an option that you are confident you can pay to avoid debt default. Customers can pay more than the specified installment to close the debt faster and reduce future interest burdens. For additional details, contact us at 02-xxx-xxxx.

Note for hire purchase loans: Choose an option that you are confident you can pay to avoid debt default. Customers can close debts before the contract is due. For additional details, contact us at 02-xxx-xxxx.

Loans with minimum payment conditions

Revolving loan

such as credit card, cash card

Do you know? **"Pay a little extra to significantly reduce the interest expenses."**

Cash card: Outstanding balance: 15,000 Baht Interest rate: 25% (per year)

("The minimum payment is 3% of the outstanding balance, with a floor of 100 Baht, and no further credit line withdrawals are allowed.")

Examples of options	Option 1 **Pay all debts**	Option 2 **Pay more than the minimum payment**	Option 3 **Pay the minimum payment consistently throughout the contract.**
Amount to be paid per installment (Baht)	15,300	600	450 (First month)
Payback period (Month)	1	36	221 (18 years)
All interest burdens (Baht)	300	6,500 **Additional interest 6,200 Baht,** Compared to option 1	28,000 **Additional interest 27,700 Baht,** Compared to option 1
All payments throughout the contract = principle+ all interest burdens (Baht)	15,300 = 15,000 + 300	21,500 = 15,000 + 6,500	43,000 = 15,000 + 28,000

"Paying only the minimum amount result in high interest expenses and leading to long-term debt. By paying more than the minimum, you can reduce interest costs and pay off all debts faster."

In addition, the Bank of Thailand encourages service providers to enhance financial literacy such as emergency savings, retirement savings, appropriate levels of indebtedness, and debt restructuring based on the discretion of each service

provider. Moreover, service providers should also encourage debtors to make payments beyond the installments specified in the contract if they have the financial capacity to do so. For example, creating infographics to promote additional payments beyond personal loan installments if there is extra capacity, advising debtors that any additional extra income received could be allocated towards paying more than the monthly installment for housing loans, thus reducing the principal and interest payments.

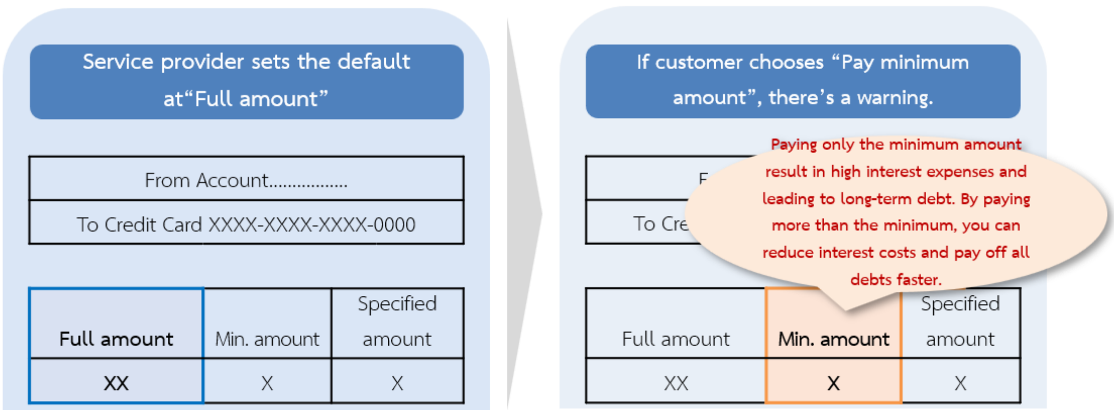
5.3 Default settings on mobile applications

Service providers offering credit repayment services for loans **with minimum payment conditions** through the service providers' mobile applications should implement the following:

5.3.1 If the service provider's mobile application allows default settings for debt repayment, it should be set to full repayment by default.

5.3.2 Additional warnings should be displayed if the debtor chooses not to repay the full amount to inform them of potential negative consequences. At minimum, service providers should warn debtors about the increased interest burden and the extended repayment period. **They should also inform the benefits of paying more than the minimum amount set by the service providers, which can reduce interest burden in the future and help customers pay off debt faster. For example, the statement: "Paying only the minimum amount result in high interest expenses and leading to long-term debt. By paying more than the minimum, you can reduce interest costs and pay off all debts faster."**

Example of default setting for full repayment amount on mobile application

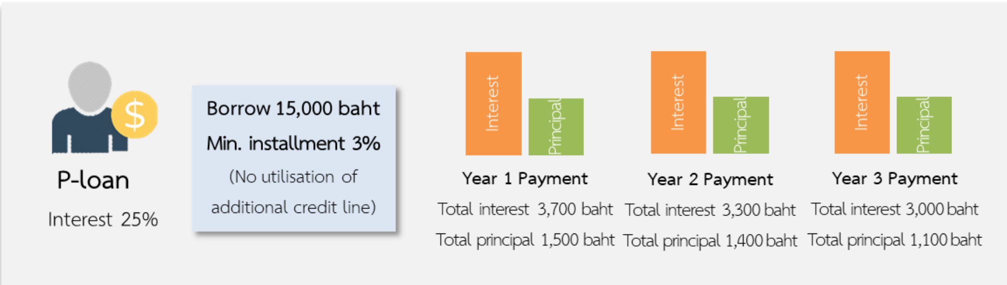


Attachment 6

Assistance to debtors with persistent debts

Service providers must inform debtors of the negative consequences of persistent debt and provide standardised assistance to help debtors see a suitable path to debt resolution.

Debtors with persistent debts (Persistent Debt: PD) are debtors of personal loan under supervision, excluding title loans and digital personal loans, **with minimum payment conditions,** who are currently **not overdue in principal or interest for more than 90 days or 3 months from the due date** and have paid more interest than principal over an extended period. This occurs with debtors whose repayment terms specify minimal monthly amounts (e.g. paying only minimum amounts or interest).



6.1 Classification of debtors with persistent debt

6.1.1 Debtors with general persistent debts (general PD) are debtors who have paid more total interest than total principal over the past 3 years but less than 5 years.

6.1.2 Debtors with severe persistent debts (severe PD) are debtors who have paid more total interest than total principal over the past 5 years and who fall into the following categories:

(1) Debtors of financial institutions or personal loans under supervision operators, which are companies within a financial business group of financial institutions, with a monthly income of less than 20,000 baht.

(2) Debtors of personal loans under supervision operators, which are not companies within a financial business group of financial institutions, with a monthly income of less than 10,000 baht.

6.2 Assessment of debtors with persistent debts

6.2.1 To ensure that service providers are informed about the debt status of each debtor account, service providers must assess debtors on an account-by-account basis at least twice a year **for the entire duration that the debtor remains indebted to them.** Service providers must use the interest and principal data of each debtors' account to calculate the total interest and total principal of each account as follows:

(1) For the assessment period in June, use data from 30 June of the assessment year in the past 3 and 4 years for debtor with general persistent debt assessment and past 5 years for debtor with severe persistent debt assessment.

(2) For the assessment period in December, use data from 31 December of the assessment year in the past 3 and 4 years for debtor with general persistent debt assessment and past 5 years for debtor with severe persistent debt assessment.

<u>Example of debtor with general persistent debt calculation</u>

Mr. A, the debtor, **who are currently not overdue in principal or interest for more than 90 days or 3 months from the due date**, and has a personal loan under supervision with minimum payment conditions, of 15,000 baht, and an annual interest rate of 25%. The minimum payment requirement is at 3% of the outstanding balance (assuming no additional credit line is utilised).

Number of months (past data from June 2024)	**1**	**2**	**3**	**4**	**5**	**...**	36	Total
Installment (baht)	450	1,000	425	420	420		310	**14,000**
Principal reduction (baht)	135	690	130	130	130		95	**5,000**
Interest reduction (baht)	315	310	295	290	290		215	**9,000**

This debtor has started experiencing persistent debt, as over the past 3 years (past data from June 2024), the debtor has paid a total of 9,000 Baht in cumulative interest and 5,000 Baht in cumulative principal.

6.2.2 If debtors wish to verify their own status, service providers must be able to provide them with the latest assessment results.

6.3 Assistance for debtors starting to experience general PD

6.3.1 Service providers must notify each debtor of the sign of persistent debt at least once a year by February, using assessment data from December of the previous year for such notification. Each debtor must receive notification of the sign of persistent debt no less than 3 times per account. Notifications must be delivered through at least one communication channel utilised by the service providers to deliver key information such as mail, email, SMS, mobile application, or LINE Official Account, along with debtors' key information, including at least:

(1) The principal and interest amounts the debtor has paid during the period falling under general PD

(2) Messages or communications aimed at nudging debtors to settle their debts more quickly and;

(3) Contact channels for the service providers to provide debt counseling.

Furthermore, in cases where debtors notify that they no longer wish to receive notifications, service providers may terminate the notification.

<u>**Example of notification of debtors with general persistent debts using information of each debtor**</u>

"Please be informed that over the past 3 years, you have paid a total interest of XX baht and total principal of XX baht for cash card, which may result in your total interest burden exceeding total principal and prolonging your debt repayment period (data as of xx/xx/xx). You can increase your monthly payments to reduce interest burdens and expedite debt repayment. For debt counseling assistance, please call 0-2xxx-xxxx."

6.3.2 In cases where debtors with general PD wish to expedite debt repayment, service providers must provide appropriate assistance to the debtors.

6.4 Assistance for debtors with severe PD

6.4.1 Service providers must notify each debtor of the sign of persistent debt at least once a year within August, using assessment data of June of the same year or within February, using assessment data of December of the previous year, whichever is applicable. Each debtor must receive notification of the sign of persistent debt no less than 3 times per account. Notifications must be delivered through at least the following channels: (1) mail or email together with (2) SMS or communication channel utilised by the service providers to deliver key information, such as mobile application or LINE Official Account, along with debtors' key information, including at least:

(1) Assistance on debtors experiencing persistent debts to change contract terms, as specified in Clause 6.4.2, along with the service provider's contact channels for debt counseling and;

(2) Total remaining debt burden, principal, and interest amounts paid by the debtor during the past 5 years.

(3) Potential consequences of not paying the full amount or consistently paying only the minimum amount of debt

(4) For mail and email communications, service provider **must specify** the eligibility criteria for debtors who **are not overdue in principal or interest for more than 90 days or 3 months from the due date** at the time of application for persistent debt relief programme **and throughout the completion of the relevant contracts related to the change in conditions.** Additionally, service providers must outline their notification policy, such as the frequency of notifications.

Nevertheless, if the debtor does not respond to the assistance offer when initially notified by service providers, the debtors still retain the right to enrolled in the persistent debt relief programme if they remain debtors with persistent debt and wish to join the assistance programme later time.

However, if a debtor refuses to be contacted for notifications, preventing the service provider from notifying through the specified channels in this Clause, the service provider shall consider adjusting the communication channels suitable for each debtor. Notifications must be delivered through at least two different channels and at least one channel must deliver complete information as specified in Clause 6.4.1 (1) – (4), unless the service provider can only communicate with the debtor through one channel, in which case the service provider must provide complete information as specified in Clause 6.4.1 (1) – (4).

Furthermore, in cases where debtors indicate that they no longer wish to receive notifications or enroll in a persistent debt relief programme, service providers may terminate the notification.

<u>Example of notification to debtors through regular channels of communication that the service providers use to contact debtors, using information of each debtor</u>.

"XXX Bank invites you to join the Persistent Debt Relief Programme. Under the new contract, your annual interest rate will be reduced from XX% to no more than 15%, which may lowered installment, and you can pay off debt within 7 years. You received this message because you have paid more interest than principal over the past 5 years (total interest XX Baht, total principal XX Baht, remaining debts XX Baht, card number XX, information as of XX/XX/XX). If you do not increase your monthly payments, it will take a long time to pay off your debt, and the total interest burden for entire contract may exceed the principal amount."

If you are interested in joining the programme please contact the Debt Resolution Center of XXX Bank, call 0-2xxx-xxxx.

<u>Example of notification of debtors with severe persistent debts through mail or email using information of each debtor</u>

"XXX Bank invites you to join the Persistent Debt Relief Programme. Under the new contract, your annual interest rate will be reduced from XX% to no more than 15%, which may lowered installment, and you can pay off debt within 7 years. You received this message because you have paid more interest than

principal over the past 5 years (total interest XX Baht, total principal XX Baht, remaining debts XX Baht, card number XX, information as of XX/XX/XX). If you do not increase your monthly payments, it will take a long time to pay off your debt, and the total interest burden for entire contract may exceed the principal amount.” **If you are interested in joining the programme please contact the Debt Resolution Center of XXX Bank, call 0-2xxx-xxxx.** ***Note: You must not be overdue in principal or interest for more than 90 days or 3 months from the due date at the time of application for the programme and throughout the completion of the relevant contracts related to the change conditions. You will be notified if you are identified as experiencing persistent debt, no more than 3 times per account.”***

6.4.2 Service providers must offer assistance to **all** debtors with severe PD, which includes **debtors with severe PD** who have previously undergone pre-emptive debt restructuring (pre-emptive DR) from the service providers but later turn into debtors with severe PD. The debtors have the option to enroll in the debt relief programme (opt-in) to modify contract terms by converting the credit to an installment loan. The conditions are as follows:

(1) The effective interest rate specified in the term change contract must not exceed 15% per year.

(2) The repayment period of the term change contract must not exceed **7 years**.

(3) The repayment terms specified must align with the debtor's affordability. In cases where the installment amounts remain unchanged from the previous terms, the service provider may utilise existing debtor information to assess affordability.

6.4.3 Service providers can specify conditions for credit line usage for debtors enrolled in the persistent debt relief programme, according to the policies and risk appetite of each service provider.

6.4.4 In cases where debtors wish to exit the persistent debt relief programme, service providers must fully inform the debtor of their rights before exiting the programme, stating that such account of the debtor will no longer be eligible for re-entry into the programme specified in Clause 6.4.2 (1 right / 1 account). However, debtors can contact the service provider to negotiate and request for debt restructuring to align with their affordability.

6.4.5 Regardless of whether opening new credit lines for debtors who have exited the persistent debt relief program, or reinstating credit lines for debtors who have fully repaid their debts under the program, service providers must assess the eligibility of debtors with persistent debts for such credit line, on an account-by-account basis, as if granting new credit.

Moreover, in cases where the debtor's account falls under both general PD and severe PD categories, service providers should assist the debtor according to Clause 6.4. However, if the service provider has already provided assistance to the debtor under the persistent debt relief programme, it is considered that the service provider has already assisted the debtor in **debt restructuring according to Section 7.2.1 (1).**

Attachment 7

Assistance to debtors with debt repayment difficulties

Service providers must offer debt restructuring options that align with the debtor's affordability promptly, beginning from the onset of signs that the debtor is experiencing repayment difficulties, through to the point of default. This particularly applies before legal proceedings, debt transfer, contract cancellation, or asset seizure.

7.1 Determination of debt restructuring policy and approach

7.1.1 Service providers must clearly define policies and approaches for debt restructuring in written form. These policies and approaches must cover approaches for considering debt restructuring with repayment terms that align with the debtor's affordability and consider the residual income after deducting all debt repayments that are sufficient to sustain the debtor's livelihood using the service provider's best effort as well as ensure that debtors facing repayment difficulties are not aggravated.

7.1.2 Service providers must provide key information regarding debt restructuring to the debtor to enable debtors to make informed decisions suitable for their situation by notifying debt resolution options including programmes that have the characteristics of debt resolution, such as debt clinic programmes, along with key information such as interest rates, repayment periods, details of terms and conditions change, as well as the pros and cons of each option and the consequences of default, including at least interest charges, penalties or fees arising from default, savings account offsetting (if applicable), debt transfers, contract cancellations , and legal proceedings.

Moreover, service providers must have a robust process to ensure debtors are presented with debt restructuring options, explained, or notified, or receive all documents of key information.

7.1.3 Service providers must provide easily accessible and sufficient communication channels and personnel for providing accurate, appropriate, and beneficial debt counseling and resolution to debtors. Service providers must communicate policies and approaches for assisting debtors comprehensively to employees to enable debtors to efficiently request advice or assistance for debt restructuring. Additionally, they must support debtors in promptly contacting service providers when facing repayment difficulties at the onset to find mutually acceptable solutions. Service providers may employ nudges in messages to prompt debtors to contact service providers.

<u>**Example of notification to motivate debtors to do debt restructuring and contact their creditor**</u>

If you are facing debt problems and struggling to make payments,
let's team up to find a solution to help you move forward.
The bank offers assistance options, such as reducing installment payments and extending the payment period.
Contact us quickly to restructure your debt and negotiate for a repayment plan that fit your financial capacity.
The sooner you reach out, the faster you can solve your debt problem.
For more information call 02-xxx-xxxx.

7.1.4 Service providers must not charge fees for debt restructuring, except when it is necessary that the service provider arrange for an additional collateral appraisal. In such cases, the data from the collateral appraisal must be used to determine the conditions for debt restructuring. Fees must be reasonable, fair, non-repetitive, and reflect the actual costs incurred. Moreover, they should not transfer or impose an unreasonable burden on debtors, taking into account the debtor's affordability.

In this regard, service providers must clearly inform debtors about such fee charges in the debt restructuring process, such as when the debt restructuring plan requires collateral appraisal, for which debtors are required to pay fees.

7.2 Approaches for debtor assistance

7.2.1 Service providers must closely monitor the status of **each debtors' account.** When debtors begin to show signs of repayment difficulties, either through the service provider's own data tracking or information provided by debtors themselves or the situation indicating that debtors are facing repayment difficulties, service providers must offer debt restructuring options that align with affordability by considering the debtor's residual income after deducting all debt repayments using the service providers' best effort to ensure that debtors have sufficient cash flow for daily living expenses or ongoing business operations. **Service providers can verbally inquire about debtors' affordability, as well as their incomes and expenses, to determine whether debtors have residual income to sustain their lives, instead of relying solely on paper-based evidences**. **Unless**, in case the debtor has no income to repay the debt, service providers must offer maximum assistance to debtors using their best effort and propose debt restructuring options aligned with the debtor's future cash flow estimates, primarily taking into account the benefits the debtor will receive. In implementing debt restructuring, service providers must:

(1) Service providers must offer debt restructuring options to **debtors who are not overdue in principal or interest for more than 90 days or 3 months from the due date (pre-emptive DR)**, at least once when the debtor starts to show signs of repayment difficulties in order to ensure that the debtor can repay the debt. When proposing such debt restructuring options, debtors must be given sufficient time to consider the debt restructuring plan **and complete the relevant contracts related to debt restructure, before being overdue in principal or interest for more than 90 days or 3 months from the due date.**

Except for the transfer of debtors, whose principal or interest payments are not overdue more than 90 days or 3 months from the due date to other service providers under this notification, who are not asset management companies according to the law on asset management companies.

(2) Service providers must promptly offer debt restructuring options to **debtors who are overdue in principal or interest for more than 90 days or 3 months from the due date (TDR)**, including cases where the debtor has been written off, at least once before the service providers transfer the debt, cancel the contract, or seize assets, and initiate legal proceedings. This includes enforcing collateral, selling, accepting transfers, or any other actions to use registered vehicles as collateral for debt repayment, filing lawsuits, and resolving disputes before filing legal actions related to dispute resolution, **except in the following cases.**

(2.1) The transfer of debtors to other service providers under this notification, who are not asset management companies according to the law on asset management companies.

(2.2) Cancellation of contracts where the cancellation notice is issued during the same period that the principal or interest is overdue by more than 90 days or 3 months from the payment due date. For example, loans from hire purchase, credit cards, overdrafts. However, when the contract is cancelled, service providers must still offer debt restructuring to the debtor according to Section 7.2.1 (2).

7.2.2 Service providers must not transfer **non-performing debt to other entities that are not classified as service providers specified in this notification or to asset management companies according to the law on asset management companies,** before the due date of 60 days from the date the service providers propose debt restructuring terms to debtors, to allow debtors sufficient time to consider the debt restructuring plan.

7.2.3 In the case of hire purchase and leasing, service providers must not cancel contracts or sell hire-purchased or leased assets before the due date of 15 days from the date the service providers propose debt restructuring plans to debtors, to allow debtors sufficient time to consider the debt restructuring plan.

7.2.4 In cases where service providers have contacted the debtor to offer debt restructuring **according to Section 7.2.1 (1) or 7.2.1 (2)**, using the service provider's best effort, but is unable to contact the debtor or receive a response from the debtor or the debtor has rejected the debt restructuring terms that align with their affordability, service providers may proceed according to the terms of the contract and approaches outlined in the service provider's policy.

7.2.5 In cases where the debtor has debt burden in more than one account with the service provider or has debt burden with other creditors, the service provider should carry out debt restructuring by considering the debtor's affordability that covers all the debtor's debt burden in order to ensure a sustainable debt restructuring. In some cases, it may be necessary to carry out debt restructuring for other credit lines to ensure that the debtor maintains an adequate cash flow for debt repayment and living expenses.

Furthermore, service providers should participate in programmes with characteristics of debt resolution of multiple creditors simultaneously to sustainably support debt resolution for debtors such as participating in debt clinics.

Examples of debt restructuring that does not comply with the regulations

- Debt restructuring by setting debt repayment periods or high installment amounts that are not aligned with the debtor's income, resulting in the debtor's inability to repay the debt.
- Debt restructuring by specifying conditions requiring debtors to settle all outstanding debts or fees before debt restructuring while in reality, the debtor is unable to settle such debts or fees.

Example of debt restructuring that align with affordability

Service providers can adopt the following debtor assistance as deemed appropriate, taking into account the financial situation of each debtor.

- Debt restructuring by adjusting the installment payments in the initial period to align with declining affordability due to reduced income and determining step-up installment payments in the next phase to reflect the debtor's expected income recovery to reflect the debtor's potential income recovery and provide an opportunity for debtors to repay their debts once again.
- If the debtor can comply with the terms of the debt restructuring, the service provider may consider reducing fees, penalties, or past due interest for the debtor.
- In converting revolving loans which have high interest rates to installment loans which have lower interest rates, the service provider may consider retaining some portion of the credit line for the debtor to utilise when necessary.
- Adjusting the debt repayment order to reduce partial principal before interest to encourage debtors to consistently repay their debts.

7.2.6 In cases where the debtor is unable to comply with the terms of the debt restructuring agreement due to unforeseen events occurring after the debt restructuring, such as illness, accidents, unemployment, the service provider should provide an opportunity to the debtor in attempting to resume debt repayment according to the conditions. In this regard, legal proceedings, debt transfer, contract cancellation, or asset seizure should be considered as a last resort after providing the debtor with assistance through other means, such as when the debtor has consistently repaid more than 70% of the principal. In such cases, the service provider should offer the opportunity for debt restructuring and postpone the seizure of assets belonging to the debtor.

7.2.7 In cases where the **debtor's collateralised assets under credit contract, hire purchased or leasing agreement** have been sold in auction and there remains outstanding debt that the debtor must repay additionally and the service provider is entitled to receive payment for that debt, the service provider must offer terms for the repayment of such outstanding debt that align with the debtor's affordability, unless the service provider has contacted the debtor to offer **the repayment terms** using the service provider’s best effort, but is unable to contact the debtor or receive a response from the debtor, or the debtor has rejected the **repayment terms** that align with their affordability, the service provider may proceed according to the terms of the contract and approaches outlined in the service provider's policy.

7.3 Debt collection approach

7.3.1 In debt collection, service providers must conduct debt collection activities with fairness to debtors. This includes providing debt burden information to debtors with details about the amount and duration of overdue debts, fees, or any expenses associated with debt collection (if applicable), as well as contact phone numbers for debt repayment. Additionally, they should offer channels for seeking advice on debt repayment issues and resolving debt problems. If service providers assign business partners to conduct debt collection on their behalf, they must supervise and be responsible for the operations of the business partners, including subcontractors, as if they were conducting the operations themselves. Furthermore, they should ensure that the remuneration structure, including remuneration based on individual or group key performance indicators (KPIs) and incentive rewards does not encourage inappropriate debt collection practices, especially debt collection behavior.

7.3.2 Service providers must demand payment from the debtor before demanding payment from the guarantor, except in cases where the debtor has been declared bankrupt by the court or is not found anywhere, or if the guarantor, who is a juristic person, has consented to be jointly liable together with the debtor as joint debtors.

Attachment 8

Legal proceedings and debt transfers to other creditors

Service providers must ensure that debtors are fully informed of their rights and essential information when legal proceedings are initiated, should debtors inquire. Moreover, debtors should be provided with opportunities to resolve debt issues, including offering suitable repayment terms after debt transfer.

8.1 Legal proceedings

8.1.1 Service providers must oversee and ensure proper conduct throughout the process of pre-litigation dispute resolution, litigation proceedings, legal execution against debtors, including repossession of assets that have been hire-purchased or sold and leased back, in accordance with relevant legal procedures and the policies set by the service providers, and strict adherence to professional ethics and moral principles. In cases where service providers assign business partners to act on their behalf in legal proceedings, the service providers must oversee and take responsibility for the operations of the business partners, including subcontractors, as if they were conducting the operations themselves. Additionally, they should ensure that the remuneration structure, including individual or group KPIs and incentive rewards, does not encourage inappropriate conduct.

8.1.2 In cases where the debtor seeks information regarding their legal proceedings, service providers should provide such information to debtors. For example, the debt burden related to the litigation, the amount already paid, and the outstanding debt (principal, interest, penalties), legal rights and duties, legal outcomes, the exercise of legal rights in court, and negotiation channels. This information can be notified verbally or summarized in a document, as appropriate.

8.1.3 In cases where the debtor is undergoing legal proceedings, service providers should provide debtors with opportunities to resolve debt issues in a way that is appropriate and in line with their affordability, with a focus on the debtor's benefits. Additionally, service providers should support debtors in going to the court to allow debtors to exercise debtors' right to request resolution and resolve their debt problems sustainably. Furthermore, service providers must ensure that employees or business partners acting on their behalf do not provide information in a manner that discourages debtors to go to court.

Example of encouraging debtors in going to court

Communication should aim to nudge debtors towards recognising the benefits of going to court. Service providers can consider appropriate channels for providing information to debtors.

What should you do during litigation proceedings?

Debtors have the right to request debt resolution with the creditor.

Not going to court may lead to negative consequences

such as the court judging according to the creditor’s offer which the debtor is unable to repay.

Example of appropriate resolution

- Service providers should offer debtors who are in the process of litigation the opportunity to negotiate alternative repayment terms beyond those initially proposed by the service provider's legal counsel. This is to consider debtors' benefits and their affordability.
- Service providers should provide debtors who have been legally adjudicated the opportunity to negotiate repayment terms if there are valid reasons why they cannot comply with the court judgment. For example, considering restructuring the repayment schedule to installment payments to allow debtors the opportunity to repay the debt according to the court judgment.
- Service providers should provide debtors who have had their assets seized to negotiate debt repayment to minimise the need for asset liquidation.

8.2 Purchasing or accepting transfer of NPLs and debts written off by other creditors

8.2.1 Service providers that purchase debt or accept debt transfer must consider repayment terms of debtors that align with the debtor's affordability and consider residual income after deducting all debt repayment obligations, ensuring it is sufficient for the debtor's livelihood using the service provider’s best effort. Except in cases where debtors lack income to repay debts, service providers must consider providing assistance to debtors using the service provider’s best effort. The service provider can use future cash flow estimates of debtors to propose repayment terms. This includes cases where the debtor's **collateralised assets under credit contract, hire purchased or leasing agreement** have been sold in auction, and there remains additional debt for which the debtor is liable because the service provider reserves the right to recover the outstanding debt in such cases.

In case where service providers that purchase debt or accept debt transfer have contacted the debtor to offer debt restructuring using the service provider's best effort, but is unable to contact the debtor or receive a response from the debtor or the debtor has rejected the debt restructuring terms that align with their affordability, the service providers may proceed according to the terms of the contract and guidelines outlined in the service providers' policy.

<u>Examples of consideration of debt repayment terms that does not comply with the regulations</u> - Demanding full repayment from debtors without considering adjusting repayment terms to align with the debtor's affordability.
<u>Examples of consideration of debt repayment terms that aligns with affordability</u> - Considering debt repayment terms by adjusting installment amounts initially to a lower level commensurate with the declining affordability due to significantly reduced income, and determining step-up installment payments in the next phase to reflect the debtor's expected income recovery, providing an opportunity for debtors to recover and repay their debts once again. - Modifying the debt repayment order to reduce partial principal before interest to incentivise continuous debt repayment from debtors.

8.2.2 Service providers that purchase debt or accept debt transfer must provide information regarding upcoming payments or collection, such as installment amounts, outstanding debt, interest, interest charges or penalties incurred during late payments, and related fees in order to ensure that debtors are informed in advance of their due dates. Additionally, they should notify debtors of the consequences of late or partial payments. For the initial notification of upcoming payments or collections after purchasing debt or accepting debt transfer, service providers that purchase debt or accept debt transfer must notify debtors of the transfer and debt burden information unless such information has already been provided to debtors.

Attachment 9

Scope of Compliance with the Regulations of Each Type of Service Provider

<table>
<tr><th rowspan="2">Type of service provider</th><th colspan="3">Credit product</th></tr>
<tr><th>Retail lending</th><th>SME lending</th><th>Other credit products</th></tr>
<tr><td>1. Financial institutions</td><td rowspan="2">Comply with the entire regulation</td><td rowspan="2">Comply with the regulations specified in Attachment 7 and 8.
Service providers are encouraged to comply with other regulations specified in this Notification as appropriate.</td><td rowspan="4">Service providers are encouraged to comply with the regulations specified in this Notification as appropriate.</td></tr>
<tr><td>2. Companies within financial business groups</td></tr>
<tr><td>3. Non-financial institution companies
- Credit card
- Personal loan under supervision
- Title loan
- Digital personal loan
- Nano finance under supervision</td><td>Comply with the entire regulation</td><td>Comply with the regulations specified in Attachment 7 and 8.
Service providers are encouraged to comply with other regulations specified in this Notification as appropriate.</td></tr>
<tr><td>4. Asset management companies according to the law on asset management company</td><td colspan="2">Comply with the regulations specified in Clause 7.3 of Attachment 7 and Attachment 8
Service providers are encouraged to comply with other regulations specified in this Notification as appropriate.</td></tr>
</table>