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## Loan defaulters put on notice as banks now call in auctioneers

► Such move spells doom to borrowers whose collateral may be repossessed by the lenders.

► CBK report says 84 per cent of credit officers will be going after this lot of borrowers in the third quarter of the year.

GRAHAM KAJIWA, NAIROBI

**B**anks are planning to go hard on individual Kenyans who have taken personal loans but are now finding it difficult to service their facilities.

The financial institutions have devoted huge resources, including boosting their loan recovery personnel and having auctioneers at close bay to recover the money advanced as personal and household loans.

Non-Performing Loans (NPLs) by this category of borrowers are expected to rise on persistent Covid-19 woes. A new report by the Central Bank of Kenya (CBK) shows lenders have prioritised personal and household loans in their recovery plans to protect their asset portfolio.

Of the eight economic sectors in the Credit Survey Report for June 2021 published by CBK, 84 per cent of credit officers will be going after this lot of borrowers in the third quarter of the year.

Such news spells doom to borrowers. It means the majority of them, if they do not renegotiate with the banks or pay up as stipulated, will be handed over to auctioneers or have their assets used as collateral repossessed.

With the tough economic times occasioned by Covid-19 that saw individuals losing their source of income or shrinking, this resolve by the banks will see borrowers hit hard financially.

The Credit Survey Report shows that for this quarter ended September 30, 2021 banks expect to intensify their credit recovery in the eight economic sectors where personal and household loans lead with 84 per cent.

They are followed by building and construction (79 per cent), real estate (76 per cent), transport and communications (74 per cent) and trade (74 per cent). "The intensified recovery efforts are aimed at improving the overall quality of the asset portfolio," the report reads.

"The sectors with the expected increase in NPLs are personal and household, real estate, tourism and trade," says the report. "The expected increase in NPLs is mainly due to a challenging business environment as a result of Covid-19."

The recovery efforts in the rest of the sectors, namely mining and quarrying, energy and water, and financial services, will remain the same at 55, 54 and 54 per cent respectively.

In March last year, at the onset of the Covid-19 threat, CBK asked banks to be lenient on borrowers who had difficulties in repaying their loans.<sup>11</sup> The directive affected loans that were eligible for



CBK Governor Patrick Njoroge says household debt has risen to unsustainable levels. [file, Standard]

# 84%

**BANKING**

CREDIT officers who will be going after borrowers who have defaulted in the third quarter of the year.

repayment by March 2, 2020.

But even with these resolved efforts to recover their money, banks are not as optimistic due to the slowed economic growth. The CBK report had 38 per cent of respondents made up of senior credit officers indicating that NPLs are likely to fall in the third quarter of this year owing to enhanced recovery efforts by most banks.

CBK Governor Patrick Njoroge last month warned that household debt has risen to unsustainable levels, compounded by the economic effects of Covid-19. "We are concerned that there is a ballooning of debt in the private sector. We are not talking corporates, we are talking households." [gkajlwa@standardmedia.co.ke](mailto:gkajlwa@standardmedia.co.ke)

### REAL ESTATE

## Centum sells out Sh1.5b Kilifi homes

More than 300 home buyers have received keys to their houses from Vipingo Development Ltd (VDL), a subsidiary of Centum Investment, following the completion of Phase One of the Palm Ridge Estate in Kilifi County.

The Sh1.5 billion housing estate comprises 330 units of one, two and three-bedroom four-storey apartments priced at Sh2.5 million, Sh3.5 million and Sh4.6 million respectively.

It marks the second major residential estate development by VDL – increasing to about 400 the number of homeowners within the 10,000-acre master-planned development consisting of residential, commercial, school and industrial districts.

The Awali Estate maisonettes are priced at Sh13 million each. It was the first VDL housing project to be completed and handed over to owners last year. "We're consolidating our reputation as a developer that completes projects on time, on budget and that is why investors are trusting us with their money," said VDL managing director Ken Mbae.

The 1255 Palm Ridge estate is a gated community on 10 acres. Phase Two of the Palm Ridge comprising 110 apartment units is nearing completion. [Correspondent]

### APPOINTMENT

## Sacco regulatory board confirms CEO



The Sacco Societies Regulatory Authority (Sasra) board has confirmed Peter Njuguna as chief executive.

Mr Njuguna had been acting CEO since April 2021. Before joining Sasra in 2010, Njuguna worked with the World Council of Credit Unions' in Kenya, developing the management and technical capacity of Saccos.

Sasra Chairman John Munnuve said Njuguna's appointment is part of a broader strengthening of the regulator's operational and service excellence. [Correspondent]