



E-NEWSLETTER

DEALING WITH LOAN REJECTION



Have you ever been denied loan by a bank for reasons you could not understand? Financial institutions globally have become more stringent with granting credits following the economic meltdown of 2008 and the situation is not different in Nigeria.

Since the recession, we have witnessed increased efforts from the Central Bank of Nigeria and other stakeholders in the financial sector towards reducing bad debts and at the same time increase credit penetration in the country. We have the Credit Bureaus licensed in 2009 and the establishment of a Collateral Registry is almost completed.

In the light of the introduction of these credit infrastructure to reduce information asymmetry, it is no longer business as usual by lenders as they have all moved to take advantage of their availability to enhance their credit application review process.

Dealing with a loan rejection would be effective if the right means are deployed accordingly. You want to know why your application was denied, and what you can do to prevent future occurrences? Here are common reasons for your application to be rejected:

- * Poor credit history
- * Too many existing loans
- * Insufficient income
- * Loan guarantor to someone who didn't pay up
- * Job instability
- * Incorrect and inconsistent information
- * Dubious or unacceptable loan purpose
- * Low value of secured assets
- * If your loan application has been rejected before

However, you can be proactive enough to avoid these stated reasons. And if your application has already been rejected, you can restore the situation by taking to the following advice:

Verify the loan requirements: Most individuals apply for loans after listening to radio adverts or because their friends just got that same loan. You

should check what the lender requires before applying. Make a checklist of the verified requirements. If still unsure you have met all of them, you should call the credit institution. Importantly, find out the minimum income requirement since this may change with different individuals due to earning power, employment status, current credit status etc.

Apply for only acceptable purposes: Lenders usually list out purposes a loan can be granted for, and there are more restrictions on secured loan types than any other. Any suspicion of dubiousness always leads to rejection.

Consider the employment requirements: Many lenders these days require that borrowers earn a certain minimum amount as salary and/or occupy a certain level of employment. Also, you may be required to provide a reference from your employer or the lender contacts the employer themselves. You should be proactive enough to pre-inform your employers when such need arises.

Reduce your existing loans: Creditors are required by law to lend responsibly, part of which is to ensure that their borrower is not over-indebted. There is need to pay off small loans and as well consolidate others, to reduce proliferation of your debt obligations before applying for new ones.

Value your collateral: Ascertain the value of your collateral and check if it is sufficient for what your lender is requesting. A professional can be reliable in this regard.

Verify your credit status: Information sharing in Nigeria is still at the developmental stage and errors are bound to be made. Request for your credit report to check if your repayments are up-to-date and no errors exist before applying for a loan.

Verify your details: Double-check your information before submitting your application. Ensure there is consistency to avoid being discredited.