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PROCEDURE FOR THE REPAYMENT OF CONSUMER LOANS ISSUED BY COMMERCIAL BANKS TO YOUNG FAMILIES

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Abstract. This article examines the economic content and essence of consumer credit, its role in improving the standard of living of the population, its importance in the modern economy, and its impact on young families. It highlights the role of consumer loans in expanding the population’s ability to purchase long-term goods and services, stimulating consumer demand, and increasing economic activity. In addition, the advantages of consumer lending, its impact on improving public welfare, and priority directions for improving the crediting system are analyzed.

Keywords: consumer credit, lending system, public welfare, consumer demand, banking services, financial resources, standard of living, credit market.

Introduction. The provision of preferential consumer loans to young families is regulated by the Law of the Republic of Uzbekistan “On Consumer Credit,” the Civil Code, and the Central Bank Regulation registered by the Ministry of Justice on July 18, 2007, under No. 1697, titled “Regulation on the Procedure for Providing Preferential Loans to Young Families by Commercial Banks,” as well as by the procedures of commercial banks’ credit policies regarding the allocation of consumer loans to individuals.

Consumer loans for young families are provided on a contractual basis to individuals who are registered at their permanent place of residence, are under the age of 30, and are entering into their first official marriage. These consumer loans are issued to young families in an amount of up to 200 (two hundred) times the minimum wage.

Young families may purchase various types of household goods within the established limits through a single loan account.

The issuance of consumer loans is carried out by transferring funds from the borrower’s personal loan account, according to their instruction, to the seller’s demand deposit account in a non-cash form, based on invoices, shipping documents, and other supporting documentation.

The disbursement of consumer loans in cash form is prohibited. Consumer loans are provided exclusively for the purchase of goods produced within the Republic of Uzbekistan. Loans are not granted for the purchase of imported goods.

The maximum interest rate on consumer loans is set at no more than the Central Bank refinancing rate (10%) per annum.[1] In addition, the annual interest rate for each client may be determined individually by the branch credit committee and the head office credit committee,

depending on the level of loan security, the client's positive credit history, solvency, and the amount of savings deposited in the bank's cash reserve.

The borrower is required to deposit at least 10% of the requested loan amount in cash into a special savings deposit account.

The funds held in the borrower's special savings deposit account are subject to an annual interest payment of 3 (three) percent.

If the borrower is employed at a corporate client (an economic entity), at least 10% of the requested loan amount may be transferred by the employer organization.

If the employer contributes an initial payment of not less than 10% of the loan amount, no interest is charged on that sum.

The borrower is not entitled to withdraw funds from the special savings deposit account until all outstanding loan obligations have been fully repaid.

In accordance with the terms of the contract, the bank maintains a loan account, as well as a demand deposit account for recording incoming funds from the borrower intended for loan repayment and interest settlement. In addition, an individual receiving a consumer loan may transfer their monthly salary (income) to a plastic card, and use the funds on that card to repay the loan.

The borrower must submit the documents specified in the bank's credit policy for issuing consumer loans to individuals when applying for a loan.

After all required documents have been submitted, the bank evaluates the client's solvency within three working days and considers the loan application. If additional verification of the submitted information is necessary, the review period may be extended by the bank.

The credit department officer analyzes the documents and submits their conclusion to the bank branch credit committee for review.

After a positive decision by the credit committee, a loan agreement is concluded between the bank and the borrower in two copies. One copy is given to the borrower, and the other is kept by the bank. Each copy has equal legal force. The loan agreement becomes effective only after the collateral specified in the bank's credit policy for issuing consumer loans to individuals has been fully formalized.

During the process of formalizing the credit agreement, depending on the type of collateral being obtained, a corresponding agreement is also concluded simultaneously (such as a pledge agreement, securities agreement, or others). The valuation and formalization of the collateral, as well as the registration of the pledge agreement, are carried out by notary offices in accordance with the current legislation.

After the credit agreement is concluded and the documents specified in the relevant procedure are submitted by the borrower to the bank, within three banking working days, 100% of the loan amount corresponding to the credit object is transferred to the seller's bank account.

After the purchase of the credit object, the borrower is obliged to submit all relevant service and purchase confirmation documents (invoices, delivery notes, etc.) to the bank within five banking working days.

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