



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 January 2017

FINANCE BUSINESS ACT DIRECTION

No. 01 of 2017

**LOAN TO VALUE RATIOS FOR CREDIT FACILITIES
IN RESPECT OF MOTOR VEHICLES**

Issued under section 12 of the Finance Business Act, No. 42 of 2011.

The Monetary Board issues Directions as follows for the implementation of Loan to Value (LTV) ratios in respect of credit facilities granted by Licensed Finance Companies (LFCs) for the purpose of purchase or utilization of motor vehicles.

1. Empowerment under the Finance Business Act 1.1 In terms of section 12 of the Finance Business Act, the Board may give directions to finance companies or to any group or category of finance companies regarding the manner in which any aspect of the business and corporate affairs of such finance companies are to be conducted.

2. Maximum LTV ratios 2.1 Commencing 16 January 2017, credit facilities granted by every LFC for the purpose of purchase or utilisation of vehicles shall not exceed the following percentages of the market value of such vehicles.
 - (i) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;
 - (a) 90 per cent for commercial vehicles (lorries and heavy vehicles);
 - (b) 50 per cent for motor cars, sports utility vehicles (SUVs) and vans;
 - (c) 25 per cent for three wheelers; and
 - (d) 70 per cent for any other vehicles.
 - (ii) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for not less than one year after the first registration.

3. Exemptions from the Maximum LTV ratios 3.1 The limits in Direction 2 above will not be applicable to credit facilities granted to any company engaged in tourism and/or transportation for purchase of vehicle fleets to be utilized for their core business operations, provided that such vehicles financed shall



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

13 January 2017

FINANCE BUSINESS ACT DIRECTION

No. 01 of 2017

not be transferred to any person or entity within one year from the date of the first registration.

- 3.2 LFCs shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.
4. Other credit facilities for vehicles
- 4.1 An LFC shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.
5. Interpretations
- 5.1 In these Directions:
- (i) Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilization of vehicles.
- (ii) The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting credit facilities as per the prevailing practice.
6. Revocation of previous Directions
- 6.1 The following Directions are hereby revoked:
- (i) The Finance Companies (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 01 of 2015.
- (ii) The Finance Companies (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 02 of 2015.

Dr. Indrajit Coomaraswamy
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*