



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

14 September 2015

**FINANCE BUSINESS ACT DIRECTION**

**No. 01 of 2015**

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES  
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 a loan to value (LTV) ratio in respect of loans and advances 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 ratio      2.1 Commencing 15<sup>th</sup> September 2015, LFCs shall not grant loans and advances for the purpose of purchase or utilization of a motor vehicle, in excess of 70 per cent of the value of such vehicle (LTV ratio of 70%).  
  
2.2 An LFC shall not grant loans and advances for purchase or utilization of motor vehicles other than loans and advances granted in accordance with section 2.1 above.
3. Interpretations      3.1 In these Directions,
  - a. Loans and advances shall include finance leases, hire purchase facilities and other loans and advances granted for the purpose of purchase or utilization of motor vehicles.
  - b. The value of the motor vehicle shall be the market value obtained from a professional valuer at the time of granting loans and advances as per the prevailing practice.

**Arjuna Mahendran**  
*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*