Margaret answers your question of the week!

Hi, I'm Margaret McReedy. I have been working in the Financial Service Industry for 15 years. I have had a variety of roles in the Industry and see things from both our customer's and our organisation's perspective.

My current role as Customer Relations Manager, has given me an insight of what our customers expect and need from our organisation. When you deal with your customers, I'm sure that you encounter situations when you need help or when certain issues arise.

Please write to me and I will endeavour to answer your questions.

This week’s question is from Hans Van Weller – Teller at VFS.

Dear Margaret, I have been with VFS for a year and a half and I am currently learning about loans. Recently we had a customer who wanted the proceeds of their loan deposited into an account. The loan was for the purchase of a second-hand car and the loans officer advised the customer that a cheque would need to be issued to the seller of the car.

I’m still a bit confused about why this customer just couldn’t have the money deposited into their account.

Margaret’s reply:

Hans, thanks for your question, you’ve raised an interesting issue.

It might surprise you to know how many customers do not use the money they receive from a loan for the purpose they have stated.

Let’s look at the example you provided. Your customer has signed the declaration on the application that the purpose of the loan is for the purchase of a second-hand car. But what if that customer was a gambler and really intended to use the money to gamble. There is a real possibility that the customer could default on the loan and VFS would lose money.

Most financial organisations trust their customers when they say the loan is for a specific purpose. Having said this it is good risk management practice to safeguard against the possibility of fraud.

It is for this reason that organisations like VFS develop policies that require loan proceeds to be disbursed in a manner that meets with the purpose of the loan.

This type of policy protects both the organisation and the customer.