

Management of Credit Facilities in Current Accounts

Introduction

1. Under the authority granted me by Section 5(c1) of the Banking Ordinance, 1941, after consulting with the Advisory Committee and with the approval of the Governor, I hereby promulgate the following directives:

Definitions

2. “**Current account**”—including revolving credit account.

Approved Credit Facility

3. If a customer applies for credit in a current account and the banking corporation accedes to the request, the banking corporation must meet the following conditions:
 - (a) (1) The total current-account credit facility that is approved for and agreed upon with the customer shall be determined on the basis of a documented analysis of the customer’s credit needs, attached to the credit application, for the approval of the credit officer who is authorized to approve the permissible credit ceiling in the customer’s current account.
 - (2) The banking corporation may establish different threshold sums for different customer groups. General criteria for said sums shall be established for the documented analysis of credit needs, as set forth in Subsection (1) above.
 - (b) Among the other details required by law, the credit facility agreement shall list the principles established in this directive, including the sides’ undertaking to be meticulous about debiting the current account only within the approved credit facility and in avoidance of overruns, and shall spell out the significance of this commitment.
 - (c) The above notwithstanding, the banking corporation may unilaterally make a credit facility available to a customer who has a credit facility arrangement, provided that the customer is not charged a fee for the provision of the additional facility. The banking corporation shall record this facility in its computerized systems, and shall notify the customer of the amount and terms

of the facility—including its expiry date—close to the time the decision is made to allocate it. The interest rate for said unilateral facility shall not exceed the rate set for the most recent credit facility that was agreed upon in writing with the customer.

The banking corporation may also provide a unilateral credit facility for a type of customer that is specified explicitly and in advance in the procedures of the banking corporation, subject to the terms set forth above.

Management of Credit Facility

4. A banking corporation shall not allow the creation of a debit balance in the current account that exceeds the credit facility approved and agreed upon as set forth in Section (3) above, except in the following cases and under the following conditions:
 - (a) The customer has asked the banking corporation to honor a specific charge - If a customer requests the banking corporation to honor a specific debit due to which an overrun of the credit facility is projected, the banking corporation is permitted, at its discretion, to honor the request. However, if the overrun that is approved exceeds one business day, then a facility—albeit temporary—that is compatible with the level of credit requested shall be established and agreed to in advance and in writing. “In this Section, “a customer’s request to honor a specific debit”—includes via providing a payment instruction by the customer or a request for payment by authorization to debit an account that was provide by the customer.”
 - (b) Unilateral creation of a credit facility as in Section 3(c) above - In cases where the overrun is discovered after it was created, e.g., in the course of Masav or clearing house activity, the banking corporation may create the said credit facility with retroactive value date.
 - (c) Inability to prevent overrun—In cases where the banking corporation is unable to prevent an overrun, the banking corporation shall inform the customer that he must act immediately to eliminate the overrun in the account and must desist from making further charges to the account that, if honored, will create or exacerbate an overrun of the facility established for him.
5. Repealed.

6. Repealed.

7. Repealed.

Restricting amounts

8. A banking corporation is allowed not to implement the requirements of this Directive in instances of overruns not exceeding NIS 2,000 for “credit to private individuals”, and not exceeding NIS 5,000 for “commercial credit”, as defined in the Reporting to the Public Directives, provided they do not last a long period of time.

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Updates

Circular 06 no.	Version	Details	Date
2159	1	Original directive	Feb. 8, 2005
2176	2	Update	Dec. 26, 2005
2181	3	Update	Jan. 22, 2006
2198	4	Update	Dec. 17, 2006
2259	5	Update	Feb. 18, 2010
2444	6	Update	Nov. 25, 2014
2636	7	Update	December 30, 2020