

### What is involved in claiming a banker's guarantee?

If you are the beneficiary of a banker's guarantee taken up by the Respondent pursuant to a court order, you should receive the guarantee from the Respondent within one month of the Court order.

You can make a claim on the banker's guarantee only when there is a subsequent default.

As you take steps to claim on the banker's guarantee, you should continue to file a complaint against the subsequent default in maintenance payments, to ensure continuous payment of maintenance after the monies from the banker's guarantee are exhausted.

### What happens when the maintenance recipient claims on the banker's guarantee when a default has not occurred?

The banker's guarantee is meant as security against future defaults in maintenance. The maintenance recipient should not make a claim against it if no default has occurred. If, however, the maintenance recipient does make a claim, the amount withdrawn from the guarantee will be used to pay for future maintenance payments. The maintenance recipient's premature claim against the banker's guarantee should also be brought to the court's attention in any future enforcement applications.

**Example:** Person A has to pay Person B \$500 in maintenance monthly. Person A has been paying maintenance regularly, but Person B claims \$1500 from the guarantee in January 2011 even though Person A has not defaulted in payment. As there is no maintenance owed, this amount withdrawn will pay for the maintenance for the next 3 months, i.e. Person A does not have to pay maintenance to Person B for the months of February 2011 to April 2011.

### What happens if a maintenance recipient claims on the banker's guarantee upon a default but the monies paid out under the guarantee is more than the maintenance arrears?

The excess amount withdrawn from the guarantee by the maintenance recipient will be used to pay for future maintenance payments.

**Example:** Person A has to pay Person B \$500 in maintenance monthly. Person A did not pay maintenance for the month of January 2011. Person B is owed \$500 of maintenance but claims \$1500 from the guarantee in January 2011. As Person B has claimed an excess of \$1000, this excess amount withdrawn will pay for the next 2 months of maintenance, i.e. Person A does not have to pay maintenance to Person B for the months of February 2011 and March 2011.



# Order to Furnish a Banker's Guarantee



# What is an order to furnish a banker's guarantee?

This is an order made against a person who has defaulted on his/her maintenance payments. The order requires the defaulter (i.e. Respondent) to set aside a sum of money to be kept in a bank, as a security against future maintenance defaults. The recipient of the maintenance order (or Complainant) will be the beneficiary of the guarantee, and he/she can activate the banker's guarantee to receive the sum of money if there is a subsequent default.

## Who can order a banker's guarantee?

An order to provide a banker's guarantee may be made by the Family Court under Section 71 of the Women's Charter, against persons who have defaulted on maintenance payments under a maintenance order. Complainants may make a request for the order for the Courts' consideration during court proceedings.

A person who defaults on maintenance payment but has since paid his outstanding arrears may still be ordered to provide a banker's guarantee. A defaulter who has provided a banker's guarantee should continue paying maintenance regularly.

## What is involved in an order to furnish a banker's guarantee?

If you have been ordered by the Court to furnish a banker's guarantee, please note the following steps:

### Step 1: Issuance of Court Order

The banker's guarantee should be of up to 3 months of maintenance payments, or as the Court prescribes. The guarantee shall be valid for up to 3 years from the date the guarantee is made.

### Step 2: Furnishing a Banker's Guarantee

You may approach one of the following banks to arrange a banker's:

- Development Bank of Singapore (DBS);
  - Oversea-Chinese Banking Corporation (OCBC) Limited;
- or
- United Overseas Bank Limited (UOB)

You **MUST** bring along the court order instructing you to set up the banker's guarantee.

The terms and conditions of the banks vary, including the minimum administrative fee (at least \$100 per year) that the bank will charge per year for a banker's guarantee. Should you have any doubt, you may enquire with the respective banks.

At the bank, you should ask to set up a banker's guarantee for the amount and validity period as instructed in the court order, and state the maintenance recipient's name (with NRIC number and address) as the beneficiary of the guarantee. In doing so, you should take note of the minimum fixed deposit required by the respective banks for setting up a banker's guarantee.

## Step 3: Handing over the guarantee to the beneficiary

Once the banker's guarantee is obtained, it must be handed to the maintenance recipient. You must give the banker's guarantee to the maintenance recipient within a month of the court order being made.

If a future default on maintenance occurs after a banker's guarantee has been set up, the maintenance recipient can approach the bank to claim on the guaranteed sum.

**What is the minimum fixed deposit required by the banks for a banker's guarantee, their administrative fees and what are their contact numbers?**

#### DBS

Minimum amount required to start a fixed deposit for Banker's Guarantee: \$1,000  
\$100 per annum (p.a.) or 1% p.a. (whichever is higher)  
For enquiries, please call: 1800 111 1111

#### OCBC

Minimum amount required to start a fixed deposit for Banker's Guarantee: \$5,000.  
\$150 or 1.5% p.a. (whichever is higher)  
For enquiries, please call: 1800 438 3333

#### UOB

Minimum amount required to start a fixed deposit for Banker's Guarantee: \$5,000.  
\$100 p.a. or 1% p.a. (whichever is higher)  
For enquiries, please call: 1800 222 2121

(Note that the rates are correct as at 1 June 2011, and may be changed by the banks in future. Individuals may wish to check with the respective banks on the latest rates.)

**What happens if the Respondent does not set up the banker's guarantee ordered by the court?**

A failure to set up the guarantee is considered a breach of the court order. To avoid action being taken against him/her, the Respondent should comply with the court order.