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## **Fact Sheet**

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### **Joint Loan Accounts**

#### **Meaning of joint & several liability**

When 2 or more persons borrow from the credit union, each one of them owes the credit union the full amount of the loan. This means that, if the co-borrowers default on the loan, the credit union can sue any one of the co-borrowers for the outstanding balance of the loan. The credit union does not have to sue all co-borrowers. This would be unusual and would probably only happen if the other co-borrower were bankrupt, dead or couldn't be found.

The co-borrower who is sued if the loan is in default has a right of contribution from the other co-borrowers for their share of the outstanding loan balance.

#### **Limiting liability on a joint continuing credit loan**

If the loan is an overdraft, a credit card or an equity home loan with a credit limit, any co-borrower can ask the credit union to reduce the credit limit to the then current outstanding balance of the account.

There are 2 options:

- lower the credit limit to a nominated amount which has to be the then current balance of the account or more; or
- lower the credit limit to the daily outstanding balance of the account, meaning that there is no credit limit left and repayments, by reducing the account balance, reduce the credit limit to that balance automatically.

#### **Limiting liability on a joint fully drawn home, car or personal loan**

Once the loan is fully drawn, there is nothing further a co-borrower can do to limit their liability.

However if a re-draw facility is attached to the loan, any co-borrower can cancel the re-draw at any time.

Any co-borrower can also cancel the 'either/or' authority to authorise re-draws, requiring all co-borrowers to sign.