

Places of worship, not financial institutions

NCCS general-secretary says churches should not give out loans to individuals

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SINGAPORE — Churches should not give out loans to individuals.

The general-secretary of the National Council of Churches in Singapore (NCCS) says so because they are places of worship and not financial institutions.

But some do anyway.

Giving out loans was an area for improvement highlighted by the Commissioner of Charities (COC) two years ago, in a “health check” of seven large charities here including City Harvest Church, which is currently involved in a probe by the COC and the Commercial Affairs Department.

In that review, the COC had observed that some loans were extended to related parties without documented approval of their boards, and there was no policy on the granting of loans to subsidiaries and related parties.

The Commissioner called for the charities — without naming specific organisations — to seek “proper approval for all loans”, to monitor the outcome of the projects that loans are used for, and ensure the money is repaid on schedule.

Corporate governance experts and observers are divided on whether churches and religious charities should even give out loans. It is not common practice for churches to give out loans, said Mr Lim K Tham, general-secretary of the NCCS.

“Churches are primarily worshipping communities, not set up to provide loans of any sort,” he said. “Indeed, some churches have very strict rules about not giving any

CITY HARVEST ONE CHURCH THAT GIVES LOANS

City Harvest Church is among churches here that gives loans to members and other entities.

According to its last annual report for the financial year ended October 2009, a total of \$175,636 had been lent to members.

Of this sum, \$58,172 was due within the next 12 months. The rest had no definite repayment term. The church said in the report that loans were made to members who were needy.

Loans totalling \$98,600 were also made to City College Holdings Ltd, a Malaysia-incorporated Bible college called Life College, as well as the Research Centre on Leadership, a company incorporated here that provides management training and business advisory services.

The loan to the latter bears a 3 per cent interest rate per year; other loans made in the last financial year were interest-free.

During the same period, the church’s income was \$41 million — mostly from tithes and offerings — while its expenditure was almost \$40 million.

Entities that have received City Harvest’s loans in previous financial years include the City Harvest Community Services Association (\$400,000 in 2005) to finance its move to larger premises, and the Business Breakthrough Group (\$72,246 from 2005 to June 2007). The latter is a not-for-profit outreach and support group set up by some members of the church catering to the business community, according to the annual reports.

loans to individuals at all.”

However, loans are sometimes given to sister congregations to finance development projects like the acquisition of a new building, Mr Lim said.

Finance don Gao Huasheng of Nanyang Technological University said loans are typically to help members in financial difficulty. Sometimes, churches also give pastors loans to help with home mortgages.

But loans may cause legal concerns and tax implications, Assistant Professor Gao said. If a church loan comes with interest charged, for instance, the church may be considered as using tax-exempt funds for non-tax exempt purposes.

Giving money, rather than lending, can be a better choice if churches decide to help someone financially, he said.

Current guidelines do not dictate the types of loans that charities may give out, focusing instead on the need for proper authorisation and disclosure of loans.

According to the Code of Governance for charities, loans or donations made by the charity should be approved by the Board.

And according to the National Council of Social Service’s Guide on Internal Controls for Charities in Singapore, loans and donations should be strictly administered and fully disclosed. Loans to board members should also not be allowed.

Member of Parliament Seah Kian Peng, who chairs the Government Parliamentary Committee for Community Development, Youth and Sports, said: “Whether religious organisations should extend loans, that’s something that each organisation needs to decide.”

Other governance-related issues include what the recipient organisations’ nature of business are, the charities’ relationship with the recipients, and who the ultimate beneficiaries of the loans are, said corporate governance expert Leong Kwong Sin of the Singapore Management University.

It is not known if the seven charities reviewed by the COC in 2008 have implemented measures to improve governance, as their progress reports to the COC were not made public.

COC, which will release its latest annual report within the next month, declined to say if its recommendations have been taken up by the charities, referring Mediacorp to the respective charities instead.

City Harvest Church did not respond to media queries about the church’s standard procedure for approving loans.

Other institutions authorised to give loans include licensed banks, moneylenders, and cooperatives.

Banks come under the purview of the Monetary Authority of Singapore, while the Ministry of Law oversees moneylenders. Cooperatives, which can lend money and take deposits, are regulated by the Ministry of Community Development, Youth and Sports.