



LOAN AGREEMENT

UNTIL DEBT DO US PART: WHEN “SUPPORT” BECOMES LIABILITY FOR WOMEN

“**S**he told me she just needed a small loan to cover urgent hospital bills. I signed as her guarantor, thinking it was a short-term favour. Later on, I received a letter demanding full repayment, yet I never even received a single shilling.”

Stories like this are more common than many people realise.

Across Kenya and beyond, women frequently step forward to support the financial ambitions or emergencies of those close to them. Whether assisting a spouse starting a business, helping a sibling secure financing, or backing a friend’s entrepreneurial venture, women often play a quiet but significant role in enabling access to credit.

Loan guarantees are a standard feature of commercial lending. Financial institutions often require borrowers to provide guarantors as a way of reducing lending risk. In many cases, those guarantors are frequently close family members or trusted friends.

What begins as an act of goodwill can quickly transform into a binding financial obligation.

While guarantees are often signed as a gesture of trust or encouragement, they carry legal consequences that are not always fully understood at the time of signing.

The Guarantee: More Than a Signature

In law, a guarantee is an undertaking to answer for another person’s debt or the performance of another’s obligation.

To many guarantors, signing the document feels like a simple formality, a symbolic show of support for someone they trust.



Legally, however, a guarantee is far more than that. It creates a binding contract with the lender, under which the guarantor undertakes to repay the debt if the borrower fails to do so.

By signing a guarantee, the guarantor assumes an independent legal obligation to the lender. This obligation may be enforced even where the guarantor never received any benefit from the loan.

When Support Turns into Liability

For most guarantors, the arrangement remains invisible as long as the borrower meets their repayments. It is only when circumstances change and repayment becomes difficult that the true weight of the obligation becomes clear.

Once the borrower defaults, the guarantor's position changes from that of a supportive participant in the borrowing arrangement to a party who may be held legally responsible for the debt. The lender may then pursue recovery measures such as filing legal proceedings against both the borrower and the guarantor, attaching movable assets, or initiating garnishee proceedings against bank accounts.

Where the loan is secured, the lender may also proceed to enforce the security over the charged property.

At that stage, what once appeared to be a simple act of support becomes a matter of legal liability.

A Particular Vulnerability for Women

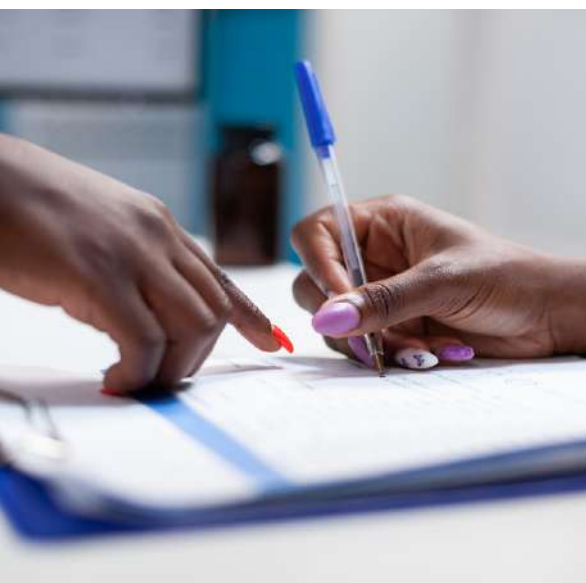
While the legal consequences of a guarantee apply equally for everyone, the circumstances that leads to signing one often do not.

Women may face particular vulnerability in these arrangements because the dynamics that turn support into liability are frequently rooted in societal roles and expectations.

Guarantees are often given within personal relationships where emotional trust outweighs financial scrutiny. Requests to “just sign as a guarantor” are frequently framed as acts of solidarity, loyalty, or family support.

For women, refusing such a request from a spouse, child, or close friend can feel uncomfortable. Emotional pressure may override the caution that would otherwise accompany a significant financial commitment.

What began as an act of support can quickly evolve into a complex intersection of financial liability, legal enforcement, and strained personal relationships.



Conclusion

Guarantees remain an important tool in facilitating access to credit, particularly for small businesses and entrepreneurial ventures. However, they should never be treated as a mere formality.

For any woman considering backing a loved one's loan, the decision requires more than goodwill. It is essential to step back from the emotion of the request and examine the practical realities. Do you fully understand the extent of the financial obligation you are considering? Have you honestly assessed the borrower's capacity to repay, not just today, but in the face of unexpected challenges?

Are you clear on the scope and duration of the guarantee? Most critically, have you considered the legal consequences that may arise if default occurs, and how that might affect your own assets, peace of mind, and relationship with the borrower?

As we observe International Women's Day, conversations about financial empowerment should extend beyond access to economic opportunities.

It is not just about earning and saving. It is about making informed legal decisions that protect your future.



HOW WE CAN HELP?

As financial relationships increasingly intersect with personal ones, the importance of legal advice, both before entering guarantee arrangements and during enforcement, continues to grow.

The Debt Recovery Restructuring and Insolvency team at CM Advocates LLP prides itself in having a wide variety of resources, skills, and experience on recovery of debts, enforcement of guarantees, Realization of charged securities, Hire Purchase Debts and Asset Repossession.

We are practical and innovative in our approach and offer quick turnaround timelines. We will be delighted to receive your feedback and inquiries and offer our services in this and any other of our practice areas.

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