

Title: CUSTOMER PROTECTION IN MORTGAGE FINANCING INDUSTRY IN KENYA

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ABSTRACT

Consumer protection is an especially important instrument in creating long-term banking relationships. These relationships influence uptake of banking products such as mortgages especially if they are built on trust and confidence. The real estate industry in Kenya has been growing over the past few years and since mortgage financing is the primary way of financing real estate in developing countries such as Kenya, uptake of mortgages should be increasing as well. Despite this fact, uptake of mortgages is very low in Kenya compared to other banking products.

This study sought to evaluate consumer protection within the mortgage financing industry and establish whether consumer protection practices are being applied in the Kenyan context or not. The study tested various opinions of different bank customers derived through the use of questionnaires. The opinions of the customers on different factors affecting mortgage uptake were subjected to Wilcoxon Signed Test to test how much significant each of the factor was. A conclusion was reached that high interest rates leading to unaffordable mortgage prices was the fundamental factor affecting low uptake of mortgages. It was also established that there was information asymmetry in the mortgage financing industry since potential customers did not feel confident in the information being provided to them by mortgage financing industries.