Cedric Babu's widow sues KCB over home foreclosure

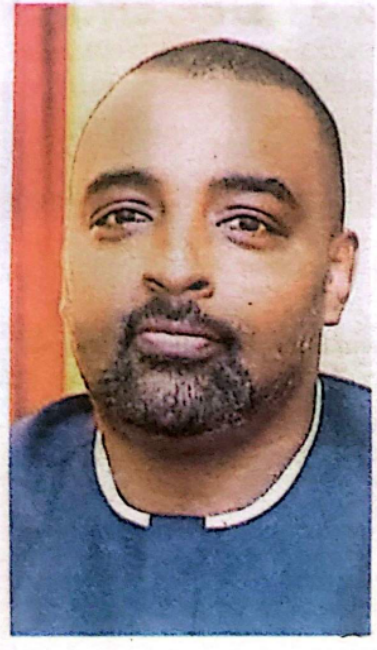
The plaintiffs say after Cedric's death, they discovered that the mortgage protection insurance policy had lapsed and had not been renewed by the bank.

BY JULIE KIGONGO & FREDERIC MUSISI

The administrators of the estate of the late Cedric Ndilima Babu have dragged Kenya Commercial Bank (KCB) Uganda Ltd to the High Court Commercial Division, accusing the bank of failing to renew a mortgage protection insurance policy that would have cleared a $182,710 (Shs640m) outstanding balance off a $200,000 (Shs704m) mortgage.

The suit, filed by Olive Zaitun Kigongo and Alison Gallagher (widow) as administrators of the estate, arises from a mortgage facility issued in June 2023 to enable Babu purchase a condominium unit in Kololo, Kampala.

The plaintiffs contend that under the facility agreement, KCB undertook to ensure renewal of all relevant insurance policies through its bancassurance arrangement.



Cedric Babu, deceased.

According to the plaint, the mortgage was secured on Condominium Unit 2 at Plot 1, Fumu Lane, Kololo, with Babu contributing $125,000 towards the purchase price.

The bank disbursed $200,000 after Babu complied with conditions precedent, including taking out a group mortgage protection insurance policy issued through the bank's bancassurance channel.

Argument.

If the defendant had renewed the policy as required and obliged, the mortgage loan would have been fully extinguished by the insurer upon the borrower's unexpected and unfortunate death- Plaintiffs - Olive Zaitun Kigongo and Alison Gallagher (widow)

The plaintiffs state that Clause 7.17 of the facility letter required that "all insurance renewals shall be placed through the KCB Bancassurance" and provided that where a borrower failed to renew a policy within seven days of expiry, "the bank shall automatically renew the insurance policies at the borrower's cost."

They argue that this clause imposed a contractual obligation on the bank to ensure continuous cover.

Court documents show that the policy was initially issued in November 2023, after the bank allegedly delayed loan disbursement pending issuance of the cover.

The bank, acting as a bancassurance agent, provided a prorated premium to align policy renewals to August each year.

Babu continued servicing the mortgage and related insurance payments until April 2025, when he suffered a sudden cardiac illness while in Kigali, Rwanda, and died on May 31, 2025.

The plaintiffs say after his death, they discovered that the mortgage protection insurance policy had lapsed and the bank had not been renewed it.

They further allege that the bank later informed them it had sought an ex-gratia settlement from a private insurance company, but the insurer rejected the request because the policy had expired.

"The defendant informed the plaintiffs that the ex-gratia payment had been rejected by Jubilee Insurance due to the expiry of the policy two years prior," the plaint states.

Following the rejection, the bank issued demand and default notices in October 2025, declaring its intention to foreclose on the Kololo property to recover the outstanding loan balance.

The plaintiffs argue that the threatened foreclosure is unlawful because the loss of insurance coverage resulted from the bank's negligence.

"If the defendant had renewed the policy as required and obliged, the mortgage loan would have been fully extinguished by the insurer upon the borrower's unexpected and unfortunate death," the plaintiffs state, adding that the policy benefits included full repayment of the outstanding loan and additional funeral and critical illness benefits.

They are seeking declarations that the bank breached the contract and was negligent, an injunction to stop foreclosure, an order writing off the outstanding loan, return of the property title, damages, and costs.

In its written statement of defence, KCB denies liability and argues that the primary obligation to maintain and renew the insurance rested with the deceased borrower.

The bank contends that while it had a discretionary right to renew the policy at the borrower's cost, failure to exercise that discretion did not amount to a breach.

"The deceased failed to provide funds for or renew the Group Mortgage Protection Policy since the 16th of August 2024 until his demise," the bank states, adding that the policy had lapsed before Babu's illness and death.

KCB further argues that its attempt to secure an ex-gratia payment from the insurer was a gesture of goodwill and not an admission of fault. It maintains that it is lawfully entitled to foreclose after the estate failed to clear arrears and an outstanding balance of about $182,710.

The bank has also filed a counterclaim seeking recovery of the outstanding loan amount, interest, damages, and an order allowing sale of the mortgaged property and vacant possession.

Hearing of issuance of injunction is set for next week on Monday.

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