Ugandans play cat and mouse games over online loans

Ugandans are increasingly diverting mobile money transactions to other lines, or initiating withdrawals directly from accounts of senders, in order to evade or defer payment of loans picked from telecoms and other online creditors to fix quick liquidity needs.

BY MONITOR TEAM

"Don't send to this number. Let me give you another one."

This refrain, in common use in Uganda, underlines the cat-and-mouse game that mobile money subscribers play to defer or evade paying money they borrow from digital lenders.

Officials hail the onboarding of 51 million Ugandans – majority previously under-banked or unbanked – onto mobile money services, as evidence of deepening financial inclusion of the poor and the informal sector.

According to Bank of Uganda, some 156.5 million mobile money transactions worth Shs3.3 trillion were conducted in the year to June 2025, up from 40.1 million transactions worth Shs1.66 trillion in the preceding 12 months.

Despite these gains, linked in part to the proliferation of smartphones and Internet penetration, banks, individual creditors and economists warn that thousands of borrowers remain in default, risking their future eligibility for loans.

"It has become a norm for people to borrow using mobile [money platforms] and then refuse to pay and start receiving money on the alternative lines where they don't have a debt," Uganda Bankers' Association Executive Director Wilbrod Owor said in an interview for this article.

He added: "We have what we call Credit Reference Bureaus (CRB), where we send all information of these defaulters as bad debtors, and this will affect them in the future when seeking loans from other institutions…"

The CRB is a BoU-licensed mechanism for collecting, storing, and sharing borrowers' credit profiles from regulated financial institutions.

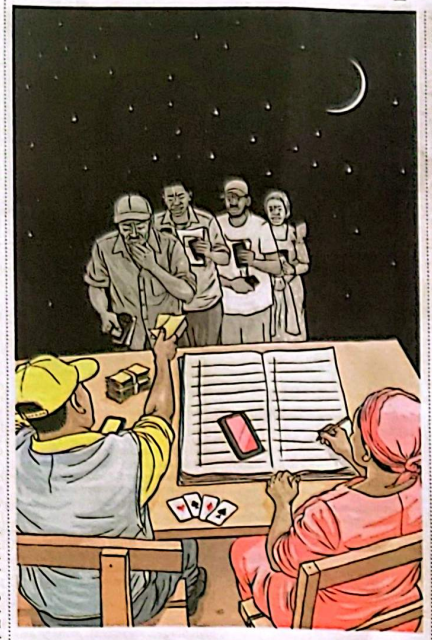
There are several dozens of online, individual and group lenders across the country that are more attractive than traditional banks for borrowers to pick cash to fix short-term liquidity needs.

From suited corporates, politicians and civil servants to struggling students, farmers and menial workers, unpaid loans have turned mobile money transactions in the country into a dicey affair.

The credits appear cheap and are advertised online, through unsolicited short-text messages sent on cellphones and or direct telephone calls, as well as posters pasted on street utility poles.

This proliferation of loan information, netting both rural and urban populations, has meant lenders easily disburse cash to takers on their mobile money-enabled SIM cards.

Where banks would ask for physical collateral, such as land titles, some lenders confiscate a borrower's national identity card, which is against the law.



Ugandans are defaulting on loans, evading repayment, and even switching phone lines and identities to avoid collectors. ILLUSTRATION/CHRIS OGON

Allure

The allure of minimal collateral and prompt disbursement has backfired for many a borrower in rapid debt piles on the back of high interest and short repayment period, leading in some cases to doubling of due amounts within weeks or months.

This is when the cat-and-mouse game between telecoms or digital lenders and the borrowers starts.

Because deductions for loans picked using a mobile money-enabled SIM card are automated, borrowers avoid paying by ditching encumbered lines or providing alternatives – sometimes of friends, relatives and workmates – on which money due to them can be deposited.

In other instances, they ask to initiate withdrawal from a sender's account.

This fear of losing new money to service old debt is what has granted currency to the phrase: "don't send to this number". In short, the lenders will automatically deduct it, leaving the would-be cash recipient empty-handed.

Such is the dilemma in which Sam (not his real name) is entangled. He borrowed Shs80,000 from MTN's MoKash in February. He hoped to pay within a week. It's now one month and some days, but Sam has barely repaid half of the money.

Just like Sam, many Ugandans are caught in a cycle of debt, often due to high-interest mobile loans. With mobile money services like MTN Mokash and Airtel Money, it's easy to access quick cash, but repayment can be a different story.

Despite these concerns, MTN said its broader interest is to contribute to a more inclusive financial system, where digital credit supports both personal and business growth in a sustainable manner.

Responsible borrowing

Ms Patricia Nabasirye, the manager of corporate and regulatory affairs, said they support their customers to develop a responsible borrowing and repayment culture and build stronger financial profiles over time to enjoy greater choice and accessibility to digital financial products.

"MTN Mobile Money Uganda works in partnership with licensed financial institutions to offer accessible digital loan services to customers," she wrote in reply to our inquiries, adding, "These partner institutions apply established credit assessment models to determine appropriate loan limits based on customer activity and usage pattern."

Nonetheless, the consequences of defaulting on digital loans are severe: restricted or blocked phone lines, damaged credit scores, and even blacklisting for further borrowing.

Sadly, the borrowing frenzy sweeping Uganda is alarming. From money lenders to telecom companies and mobile apps, the temptation of easy cash is proving too great for many. But beneath the surface, a debt crisis is brewing.

Unsolicited messages offering school fees loans, home appliances, and phones are flooding phones. Telecom companies promise quick loans, but at a steep price – high interest rates that snowball into unmanageable debt. The consequences are dire.

Ugandans, including respected professionals, are defaulting on loans, evading repayment, and even switching phone lines and identities to avoid collectors.

"If you borrow, you must pay back," Airtel Uganda spokesperson David Birungi noted, citing the old rule of money.

There are other far-reaching consequences, including an indebted family head failing to provide for the household, frayed relations with creditors, friends and work-mates and mental stress.

The accusations against both online and in-person lenders, which are also captured in the BoU Integrated Annual Report, include personal data misuse, predatory interests and aggressive debt collection methods — some of which border on illegalities and subject borrowers to public ridicule.

Jane, not real name, is a journalist based in eastern city of Jinja and knows this struggle first-hand. In November 2025, she took a loan of Shs2 million from UNIFI – a financial institution – hoping to make ends meet. But the interest, Shs190,000, was steep.

"I had no choice. It was either I take the loan or go hungry," says Jane. "I am struggling with this loan, yet I still have other debts I have not cleared. The salary I earn is not enough to meet my basic needs and support my children."

Jane's story is not unique. Many Ugandans, including journalists and teachers are turning to loans to survive. The economic hardship is biting, and the pressure is mounting.

Bosco Matovu, a boda boda rider in Jinja Northern Division, Jinja City, admits he now owns six MTN SIM cards, all accumulated due to debts from online loans.

"They lure you in with small loans, then trap you," Matovu says. "They tell you 'repay on time, and they increase your limit'. Miss a payment, and you're in trouble – warnings, restricted phone lines, and damaged credit scores."

But Dorothy Lenia, a resident of Olokofuku Cell in Arua City, knows the drill. She blocks unsolicited messages offering school fees loans and home appliances without a second thought.

"I've seen what they do to people," she says, shaking her head. Her friend fell victim, borrowing Shs80,000 from a loan company, only to face relentless pressure.

"They threatened to blackmail her, sending messages to her contacts saying she owed money," Ms Lenia recounts.

William Kyabande, a boda boda rider from Buikwe District, knows the risks of quick online loans. The boda boda rider in Njeru Municipality saw his financial reputation take a hit after defaulting on a loan.

"Once you're in their system, it's hard to get out," Mr Kyabande said. It's a risk many Ugandans can't afford to take.

Melvin Nasasira, a resident of Mbarara City, said when a government cannot finance its own budget without borrowing, and debt servicing eats up 37 percent of that budget, it's a stark message to its people: you're on your own.

"And Ugandans, being resourceful, have taken matters into their own hands. They're turning to loan apps, telecom credit lines, and money lenders, not because they're reckless, but because the formal economy wasn't designed for them in the first place," he says.

Nasasira's words echo a harsh truth: the system is not working for many Ugandans. As long as debt servicing takes priority, will there be enough left for schools, roads, and opportunities in the digital ecosystem, with some economic players warning that mass defaulting poses risks for the country's financial stability and personal finance management.

Not enough money

Joseph Okwakol, a teacher in Malera Sub-county in Bukedea District, is in a similar boat of want. His Shs400,000 monthly salary has turned loans into his lifeline.

"With four children in secondary school, I need Shs2m – that's [an equivalent gross] five months' salary," he says.

So, Okwakol takes out multiple loans from Village Savings and Loan Association (VSLA) groups, the lesser evil compared to banks and digital creditors.

Mr Naboth Arinaitwe, another resident, has seen friends and acquaintances borrow money, only to vanish when repayment time comes.

"They've got excuses, always," he says, shaking his head.

It's a familiar story in Uganda, where financial discipline is a luxury few can afford. People borrow to survive, but paying back is another story. Arinaitwe's experience is a testament to this culture of non-repayment.

Deus Gumisiriza's story is a harsh reminder of the struggles Ugandans face with debt. The boda boda rider in Mbarara City took a Shs5m loan from a certain businessman, paying in instalments until he hit a rough patch.

In just three months, the debt ballooned, forcing Gumisiriza to sell his properties to clear it.

"It's true Ugandans have faced issues with debts, and I think it's the government to blame. The government should regulate financial institutions which give loans with high interest. And these [lenders] have taken away most of people's properties," he says.

Regulation

Mr Dunstan Anguzu wants online loan companies to be regulated or shut down, saying they are exploiting Ugandans with exorbitant interest rates.

"It's the government letting them operate, making money off people's misery," he says.

Mr Anguzu thinks it's unfair, and many agree. These companies are lending at sky-high rates, trapping borrowers in debt cycles.

Rather than blame the owners of money picked as loan voluntarily, economist Jonah Kiberu of Gateway Research Centre Uganda advises Ugandans not to borrow to bankroll pleasure.

That, he said, is "where the problem starts". Individuals borrowing more than expected income is a mistake because loans must be repaid, he argued.

Mr Kiberu proposes that telecoms should develop and issue virtual financial cards, which are linked to the Credit Reference Bureau database, so that the eligibility of prospective borrowers is auto-checked against existing debt profiles.

But not all is gloom. The BoU report for the year to June 2025 shows that borrowers in many cases are keeping up with loan obligations despite skyrocketing transaction volumes and values.

The doubling of loan value from Shs1.66 trillion to Shs3.5 trillion in one year signals both opportunity and risk, which demands close monitoring to prevent systemic risks.

Lenders such as MTN Mobile Money and Airtel Money, among others, are leading the digital tracking and financial inclusion revolution by leveraging data analytics and mobile platforms to reach millions previously excluded from formal credit systems.

Airtel Uganda's Birungi said the company does not directly offer these loans, but acts as a platform.

He added: "…the [digital credit products] industry has evolved, the KYC (Know Your Customer) system has improved, and integrations with Credit Reference Bureau (Licensed by BoU) is almost complete. Additionally, mobile loans are backed by regulated financial institutions. The mobile phones are simply a distribution channel."

The more than 150 million mobile transactions in digital lending alone, according to experts, suggests that digital credit has moved from a niche fintech service to a mainstream financial instrument.

Compiled by Bill Okatch, Busein Samilu, Tausi Nakato, Felix Ainobyoona, Julius Byamukama, Jovita Kyarisiima, Felix Warom Okello, Clement Aluma, Denis Edema & Simon Peter Emwamu

Mistakes and solutions

Mistake	Solution
Acting rich	Adjust the lifestyle
Impulsive expenditure	Draw budget to prioritise spending.
Saving after spending	Save before spending
Failure to invest, hoping to accumulate big capital.	Start investing with whatever money and compound
Over borrowing	Don't borrow without clear repayment plan.
Limited or not capital accumulation.	Join a savings' group
Enlisting children at expensive schools.	Enroll learners to affordable schools.
Being selective with jobs when unemployed.	Stop under-looking jobs

HOW TO MANAGE PERSONAL FINANCES

Economists and financial advisors interviewed for this article said many Ugandans have a flaw of holding out as rich when poor. As a result, they end up trapped in debt because they spend more than they earn, save after spending, over-borrow, and easily give out money to relatives and friends.

"Good financial management is about smoothing consumption, automating good behaviour, managing risk, and respecting compounding, said Richard Ssempala, a Makerere University lecturer and doctoral scholar at Osaka Metropolitan University in Japan.

Most personal finance mistakes, he said, arise from individuals overestimating future income, underestimating risk, and allowing short-term incentives to dominate long-term outcomes.

Dr Jonah Kiberu, an economist from Gateway Research Centre Uganda, in a separate interview, said the greatest mistake that mainly young Ugandans make is a profligate and show off lifestyle unsupported with own income.

"For example, why would one live in Shs700,000 apartment when earning Shs1m [monthly]? You must stop acting rich when you are poor," he said, warning that spendthrifts end up in debt.

The solution, according to him, is for people to live within their means and, for boys still searching for soulmates, "don't take girls to expensive places just to please them".

Earlier, Mr John Walugembe, the founder and executive director of the Federation of Small and Medium-sized Enterprises (FSMEs), urged Ugandans to avoid unnecessary expenditures, among them, parties, weddings, expensive clothing, and cars.

"All this is because the majority of Ugandans operate without a proper budget because if people had a running budget, the spending would be slow and productive," he added.

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- .Makindye Branch – Makindye Mobutu Road, Opposite KCCA Offices
- Kawempe Branch – Kawempe Plaza, Ku Taano, Next to Benzina Petrol Station
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FUNDING OPPORTUNITY ANNOUNCEMENT

As part of the PEPFAR Uganda initiative supporting HIV Epidemic Control, the U.S. Department of Defense HIV/AIDS Prevention Program (DHAPP) in Uganda is inviting qualified organizations to apply for funding.

DHAPP collaborates with foreign military programs and partners—including local and international NGOs and faith-based organizations—to implement effective HIV prevention, care, and treatment programs.

A customized approach is required to support militaries in developing and implementing HIV/AIDS programs capable of achieving shared epidemic control goals.

Who Should Apply:
Eligible organizations with experience in HIV/AIDS programming, particularly those capable of designing tailored, military-focused interventions.

Application Details:
Interested applicants are encouraged to review the Uganda-specific funding opportunity and submit proposals aligned with strategic approaches for HIV epidemic control.

How to Apply:
Visit: **www.Grants.gov**
Search Opportunity Number: **W81XWH-22-DHAPP**
Or access directly: **https://www.grants.gov/search-results-detail/343653**

Deadline:
Applications must be submitted by **12:00 PM (EST) on May 15, 2026.**
Late submissions will not be considered.

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