



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பினாங்கு பயனரிடடாளர் சங்கம்

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Press Statement

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Consumers must take moratorium deadline seriously

The Consumers' Association of Penang (CAP) warns consumers not to take the issue of moratorium offered by banks lightly. According to Bank Negara Malaysia, any appeal for extension after the current six-month period will be based on the restructuring of the loan on a case-to-case basis by the respective banks.

We urge consumers who really need to restructure their loan to approach their respective banks soonest possible to renegotiate their loans before the moratorium deadline on 30 September. Consumers are advised not to wait until the last minute to appeal. The reason is, immediately after the deadline, any non-payment of loan will be considered as a default in payment and it starts to accrue interest rate which can be exceedingly painful.

Consumers who have a number of loans with more than one bank or having pay-cut and facing difficulties in servicing the loans can consult the Credit Counselling and Debt Management Agency (AKPK). The agency can counsel, or if required, restructure multiple loans of a borrower so as to safeguard the person's financial well-being.

We welcome Bank Negara Malaysia's lowering interest rates by 0.25 percentage points, from 2% to an annual rate of 1.75%. The lowering of interest rate for housing loans should benefit those in the Bottom 40 (B40) and M2 category of Middle 40 (M40) group. The people in B40 and M40 needed much help because the government had recently raised the B40 category to a maximum family income of RM4,849 from RM4,360.

The government also divided the M40 group into four categories from M1 to M4. The M2 category of the M40 group earns between RM5,880 and RM7,099.

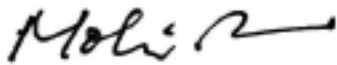
The reduction of interest rate will help to lessen the financial burden of consumers who are paying off their housing loans. However, we do not agree that the interest reduction be taken to push for house purchase. Although the encouragement of consumers to take the lower interest rates to acquire homes will help the developers, the move will expose financial institutions and consumers to greater risks in uncertain times like this.

Rather than selling the housing units, developers should seriously consider renting out the unsold units or taking the rent-to-own approach to significantly reduce the overhang. It will be much safer for all parties concerned: the developer, the bank, and the tenant. Developers are able to reduce the overhang of properties by renting them out; consumers are not committed to a hefty loan while their current employment is full of uncertainties; and the banks do not have to take on increased risks giving out housing loans.

The government should introduce a Residential Tenancy Act to provide legal protection for both the

landlord and tenants. In many cases, landlords encounter problems with tenants who did not pay rent for months yet refusing to move out, or those who damaged the property. To the tenants, they do not want rental to be increased ad hoc or having their lease terminated abruptly. We recommend the establishment of a Tribunal to handle tenancy disputes in every state after the introduction of the Residential Tenancy Act. This approach gives confidence to people to rent out their premises while potential tenants know that it would not be so easy for house owners to terminate their lease at their whims and fancies unless the tenants violated their tenancy agreement.

We reiterate our call to consumers who are currently on moratorium to renegotiate with their banks soonest possible. If they have problems in financing their loans, they should consult the AKPK without waiting till their financial problems spiral out of control. Rather than having banks giving out loans for people to buy houses, developers should on the contrary rent out their unsold units or offer them on a rent-to-buy basis. In this way, financial risks to the banks and consumers are significantly reduced. There is also a desperate need to introduce a Residential Tenancy Act to protect both the house owner and the tenant.



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