



## Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பினாங்கு பயனீட்டாளர் சங்கம்

Websites:  
[www.consumer.org.my](http://www.consumer.org.my)

10 Jalan Masjid Negeri, 11600 Pulau Pinang, Malaysia  
Tel: 604-8299511 Fax: 604-8298109  
email: [consumerofpenang@gmail.com](mailto:consumerofpenang@gmail.com)

**Press Statement**

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### **Banks should put peoples' welfare before profits**

The Consumers Association of Penang (CAP) calls on Bank Negara Malaysia (BNM) to ensure that banks do not impose any interest charges/profit on hire-purchase loans and fixed-rate Islamic financing of the B40 and M20 groups for the six-month moratorium period. Interest charges have already been calculated upfront in the loans.

These are extraordinary times. Many from these two groups have lost their jobs, wages reduced or unable to pursue their small businesses. They are suffering grave hardship and, therefore, to burden them with additional interest could lead to their financial ruin, marriage break-ups, and, in extreme cases, suicide. This is the time banks must put peoples' welfare before profits.

Flip-flops, within 24-hours, by BNM and Association of Banks Malaysia (ABM) on these issues have caused confusion and given the impression that the authorities have not thought through the policies needed to handle this extraordinary situation.

It was reported on 30 April that interest/profit would be imposed on hire-purchase loans and fixed-rate Islamic financing during the 6-month moratorium, effective from 1 April. What it meant was, if a person opted for the moratorium, he still has to pay the interest after the moratorium period is over.

However, the next day, BNM clarified that the moratorium is not automatically applied to all concerned. This contradicted the FAQs posted by BNM and many banks on 30 April that that the 6-month moratorium will not incur interest charges. On 3 May, despite the interest-waiver stated in its FAQ, BNM claimed that it had "from the very beginning indicated that there will be accrued interest or profit with regard to the six-month moratorium".

While BNM has been struggling to explain their position, the Minister of Finance (MoF) said that there are banks that offered loan moratorium without charging accrued interest or compounded interest on the loans.

Therefore, we call on all the financial institutions to waive interest/profit on hire-purchase loans and fixed-rate Islamic financial products.

**MOHIDEEN ABDUL KADER**  
**President**  
**Consumers Association of Penang**