



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பினாங்கு பயனீட்டாளர் சங்கம்

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Letter to the Editor

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Long awaited Consumer Credit Act

The Consumers' Association of Penang (CAP) welcomes the statement by the BNM Governor, Datuk Nor Shamsiah Mohd Yunus, that a Consumer Credit Act could finally be part of our Malaysian legislation starting sometime next year.

CAP has been championing the implementation of a comprehensive Consumer Credit Act close to two decades now. In the year 2004 CAP published a memorandum on the need for a Consumer Credit Act focusing on problem areas in transactions such as Hire Purchase, money lending, credit sales (e.g. Courts Malaysia, Singer, etc), pawn broking, cooperative loans, credit cards and personal loans).

The main idea of a Consumer Credit Act should be that it encompasses all areas of consumer credit and it must be directed towards consumer protection. This is what we advocated in our memorandum.

Over the years there have also been certain initiatives by the Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) to engage with NGOs on this matter. One such engagement session that CAP attended was held in 2011; but ultimately it did not bear any tangible results on enacting a Consumer Credit Act.

However in April of this year we attended another engagement session with KPDNHEP to discuss suggestions for the proposed Consumer Credit Act which was very promising.

Our continued research on the matter has shown that many countries that have Consumer Credit Acts are very specific with provisions that truly protect consumers. We hope that Malaysia's Consumer Credit Act will mirror that and not just be used to consolidate all the existing provisions under the various acts that deal with borrowing/lending as some of these provisions can be very vague.

A few suggestions we have that we would like to briefly mention include:

- > having a cooling off period for all types of loan,
- > lending facilities should give detailed loan accounts that the layman can understand,
- > have provisions that stop consumers from losing out when collateral or repossessed goods have been auctioned,
- > get rid of flat rate method of interest calculation,
- > include credit reporting agencies in the Consumer Credit Act,
- > make early loan repayment worthwhile for consumers,
- > have heavier penalties for banks and repossessioners that do not follow the law in the process of repossessing motor vehicles.

Being an association geared towards aiding people with consumer problems, we have received our fair share of borrowing/lending oriented complaints which include: banks and reposessor circumventing the law in repossession of motor vehicles in Hire Purchase transaction, bankers selling investment linked insurance without explaining that the bulk of the money (usually taken from FDs) will be used for the insurance part, unwittingly borrowing from Ah Longs believing that they are licensed money lenders, not being able to pay off loans according to schedule because of skewed interest rate calculations and so much more.

The current lack of proper legislation to deal with consumer credit issues has caused low income earners to be exploited by “sharks”.

As such, we iterate our hope that the statement by the BNM Governor will be given legal force and that come next year our consumers will finally be properly protected when they must resort to borrowing from lending institutions.

Mohideen Abdul Kader
Acting President
Consumers Association of Penang