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Letter to the Editor

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GoPinjam can set a dangerous precedence in personal loans and debts

The Consumers Association of Penang (CAP) is shocked by the announcement that Touch 'n Go is collaborating with CIMB Bank Bhd in producing a personal loan product available through Touch 'Go eWallet, regardless of the interest rate.

The introduction of easy personal loans promotes debt dependency culture to Malaysians who desire to spend what they do not have. With easy availability of loans, people tend to spend more than they can afford and if they find difficulty in settling their debt, it can trigger or aggravate conditions such as anxiety, depression, and stress.

Many Malaysians are known to be poor in financial literacy and by giving them easy access to easy personal loans is not helping them. It is clear how Malaysians likely spend their money if they have access to it. Not many heed Warren Buffett's advice: "Do not save what is left after spending, but spend what is left after saving".

When the Employees Provident Fund (EPF) allowed its contributors to withdraw under the i-Sinar scheme in 2021, many of those withdrew their money to invest in high-risk stocks, gold and cryptocurrencies or otherwise go on shopping sprees. It would have been different if they had used the money to reduce their loans as paying off loans will help to reduce compounding interest or buying necessities for the family.

Among the terms and conditions of GoPinjam which is of concern is the minimum salary of RM800 to qualify for a loan. With such a low salary that is insufficient to see him through for an entire month, how much loan can the person take and how could the person service it if the loan is approved.

According to GoPinjam's information, the flat interest rate charge ranges from 8 per cent to 36 per cent. Even if the amount borrowed is used for investment, it does not make sense either because generally a desirable return on investment (ROI) with risks is about 10 per cent and that EPF is about 6 per cent.

It is surprising how Bank Negara Malaysia (BNM) can allow GoPinjam to operate because by legalising such easy personal loans, BNM has set a dangerous precedent for other banks to follow by teaming up with other e-wallet operators.

CAP urges BNM to seriously reconsider its decision about GoPinjam's operation as it will benefit only Touch 'n Go and CIMB but not the consumers. Considering the fact that the loans amount ranging between RM100 and RM10,000 with tenures between one week and a year, it is likely that GoPinjam is targeting the B40 to lower M40 groups who are most vulnerable to debt.

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