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KUALA LUMPUR: There are about 3,250 licensed moneylenders in the country that are regulated by the Government to keep borrowing rates low.

It is a struggling industry, said Malaysian Punjabi Licensed Money Lenders Association president Beant Singh, adding that loan sharks had increasingly become the preferred choice for Malaysians to get quick cash despite knowing they could probably get into deeper trouble.

Most borrowers go to loan sharks after being rejected by banks and licensed moneylenders due to bad credit ratings, he said.

Mostly, they are involved in gambling and want easy access to loans without thinking about the rates, he said.

Some licensed moneylenders, he said, were approached by loan defaulters to pay back their debts to loan sharks.

Obviously, those people will be turned away.

The more legitimate borrowers are people who are short of cash and need funds to pay for their weddings, credit cards or car instalments, said Beant.

But even then, licensed moneylenders face problems getting their money back.

Licensed moneylenders are regulated under the Moneylenders Act and Pawnbrokers Act.

They are only allowed to set rates of up to 18% per annum for borrowers without collateral and 12% per annum for those with collateral.

Loan repayment tenures can be up to 20 years.

Licensed moneylenders are not allowed to engage debt collectors and have to take their defaulters to court, which is a lengthy and financially draining process for the moneylenders, he added.

The risk is very high for us. But loan sharks just need to advertise on a pole.

We have to interview the person and check with CTOS (a credit reporting agency.) If we think they can't pay back, we will turn them away.

We usually never go above RM10,000.

Even then also, some don't pay back, he said.

Beant said some loan sharks had been advertising on the streets, claiming that they were licensed moneylenders.

Borrowers can check the legitimacy of a moneylending company with a list on the Urban Wellbeing, Housing and Local Government Ministry website.

National Consumer Complaints Centre legal and policy senior manager Shabana Naseer advised borrowers to do thorough checks on a moneylender before asking for a loan.

From our perspective, we want to educate consumers to assess their financial capability before borrowing or taking any loan.

Taking a loan beyond their means would jeopardise their financial strength in the future. Our focus should be in creating a society with strong financial literacy, she said in an interview.

But if a person is simply in need of a loan, Shabana warned borrowers to never sign any blank documents as it could be misused.

Those who have been harassed by moneylenders are asked to direct their complaints to myaduan@nccc.org.my or 03-7877 9000.