

Spend more than you earn? Paying only 5% of your credit card bill? At your wit's end with financial woes? Turn to AKPK, a credit counselling and debt management agency which helps debtors get back on their feet and on track with their life.

At 28, Dr Azam Rahman (not his real name) seemed to have it all: two flashy cars, a beautiful home and a flourishing career. Earning a minimum of RM7,000 a month, Azam thought he was on his way to financial freedom. He renovated his mother's house, wore expensive clothing and lived an extravagant life. But his expenses were beyond his income and before long he was living on credit.

Without realising it, he was tangled in a maze of debt, owing creditors RM400,000 on housing loans, hire purchase loans and credit card debts. Stuck, Dr Azam approached the Credit Counselling and Debt Management Agency (AKPK) for help.

He was advised to sell his house and one of his cars; saving him 45% of his monthly loan repayment.

Dr Azam is just one of many who have approached AKPK, a wholly owned subsidiary of Bank Negara set up to provide financial counselling and debt management services to individuals at no cost. AKPK has nine branches in the country, three of them opening recently in Ipoh, Malacca and Kuantan.

We want to ensure that households continue to be resilient by providing an avenue for individuals to seek advice and assistance in managing credit. We also are promoting a robust banking sector by facilitating debt repayment efforts. This means that banks won't have high incidences of non-performing loans,

says Mohamed Akwal Sultan, the CEO of AKPK or *Agensi Kaunselling dan Pengurusan Kredit*.

As of September 2007, total household debts stood at RM351 billion with non-performing-loans (NPL) amounting to RM20.9 billion.

It's a win-win situation for all and banks face fewer problems of hassling customers for payment,

adds Mohamed Akwal.

Since starting its operations in April 2006, more than 42,000 individuals have sought the services of AKPK in one way or another. On average, AKPK receives 2,500 queries and cases a month.

People come to us when they are no longer able to manage their debts. They get into financial trouble because of poor financial planning, wrong investments, ignorance and lack of financial discipline to live within their means,

says Mohamed Akwal.

The first step to financial well being is counselling; open to all individuals. Most of the counsellors are former Bank Negara employees or those with a background in the finance industry.

Anyone can come to us to for help to draw up a budget or to seek advice on which type of loan to obtain. We give any advice on financial management except on investments,

he says.

If counselling does not help and the debt problems are chronic, individuals can enrol in the Debt Management Programme (DMP), where a personalised debt repayment programme is designed to provide eligible individuals with solutions to their financial woes, as in the case of Dr Azam.

If an individual is in debt because of medical reasons for instance, we can ask the banks not to charge any interest on loans. However, if the individual abused a credit card at a karaoke or to buy things then the rate will be higher,

he says.

We have no legal powers, but we are helping out the borrower and bank so that both parties can come up with a compromise. So far, the banks have agreed with the proposals we put forward,

he adds.

There are certain criteria that must be fulfilled by the individual before they can qualify for the DMP. The individual cannot be a bankrupt, is not under advanced legal action and has no debt exposure of more than RM2 million. To date, AKPK has assisted an individual with a debt of RM1.2million. The average debt size managed by AKPK is

RM150,000. But for AKPK to assist an individual, the net disposable income must be positive. We can't proceed if the disposable income is negative, says Mohamed Akwal. The individual must also not have taken loans from institutions not regulated by Bank Negara. This means individuals who have taken government loans such as PTPTN study loans or from loan sharks are not eligible for DMP, although they can still seek counselling. So far, more than 7,000 individuals have enrolled in DMP; they lost control on usage of their credit cards, and suffered health problems, death of a breadwinner, loss of employment and failure in business. Whatever the reason, Mohamed Akwal says, the individual should inform the bank if he is in financial trouble and need some leeway on payment. You need to tell the bank that you have a problem but a lot of people are not doing this. If you have a debt, it is common sense to ask the person lending you money to give you a breather. Generally, banks are understanding although some make it tough for their customers. AKPK negotiates on the individual's behalf and makes proposals to the financial providers. For example, someone has a credit card debt of RM10,000 and they relate their problems to the bank, asking for an extension. The banks will usually give them six months for them to pay up. But when they come to us (depending on their disposable income), we might be able to stretch this period to a maximum of 10 years, says Mohamed Akwal. While under DMP, individuals have to make a serious commitment and sacrifices such as giving up all their credit cards. Some want to keep one credit card but we don't allow it, he adds. The AKPK also conducts checks with banks and the Central Credit Reference Information System (CCRIS) for any outstanding loan. The minute they come to us, all banks or financial institution will know. Chances are they won't be able to get a new loan again until they exit DMP, said Mohamed Akwal. Individuals in the programme will then make a monthly payment to AKPK who redistributes payments to the banks involved. According to Mohamed Akwal, among the signs that a person is in financial difficulty are: living from paycheck to paycheck, taking cash advances from his credit card to meet expenses and paying only the minimum 5% of credit card bills. Since prevention is better than cure, AKPK's biggest role is providing financial education. The agency gives talks to corporations, government departments and even the latest batch of national service trainees. The training for the last batch of NS trainees was a resounding success; JKLN (National Service Department) requested us to extend our training from half a day to a full day session, said Mohamed Akwal. He also considers the fact that seven public universities have agreed to incorporate personal financial management into the entrepreneurial development module as a big achievement for the agency. It will be beneficial for the students. We will warn them of the pitfalls and what to look out for, says Mohamed Akwal who plans introduce the module to private universities too. A common misconception is that the AKPK is a credit company but Akwal makes it clear that they facilitate individual's debt management. People should not expect miracles. We are just helping them get back on their feet and on track with their life, he says. For more information, log on to www.akpk.org.my

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