New Straits Times : 3 December 2006 There are among them, the unscrupulous and the unlicensed. Their numbers are growing and so too, the complaints against them. No wonder there is a growing call for the pawnbroking industry to be further regulated.

TWO years ago in Bidor, S. Susi pawned a family heirloom worth about RM10,000. The 40-year-old housewife was devastated when the pawnshop was robbed. It was bad enough that a family heirloom was lost, but the compensation offered was only 25 per cent of the loan the pawnshop had given her.

"It was so unfair that the pawnbroker was only required to pay me 25 per cent of the RM4,000 loan I took," she said.

Eventually, Susi received RM5,000 (RM4,000 pawnbroker's loan plus RM1,000 insurance payout) for her jewellery.

While Susi's ire was understandable, nothing can be done because it is what the law provided.

Her only resort is to file a suit against the pawnshop operator and hope the magistrate hearing the case sympathises with her.

Many people have become "victims" of this provision in the Pawnbrokers Act, 1972, saying it makes the poor poorer while the pawnbroking business flourishes.

"We received at least one complaint every day about (conventional) pawnshop operators last year," said National Consumer Complaints Centre's (NCCC) Darshan Singh.

"And this is despite many people not knowing about us."

From 194 pawnshops nationwide in 1985, the figure has risen to 234 today. And the Housing and Local Government Ministry continues to receive hundreds of applications for licences.

The fact that it costs RM48,000 for a two-year licence in the city has not deterred many pawnshop applicants.

A licence in a state capital costs RM43,000, in municipalities (RM36,000) and in a district (RM24,000).

Some were even prepared to pay up to RM100,000 for a one-year licence in the states.

Although there are no official statistics, estimates show that as of August 2004, the conventional pawnbroking industry had given out RM1.2 billion in loans, double the amount three years earlier.

The number of borrowers on its register was a staggering 1.5 million.

The Islamic pawnbroking industry, introduced 14 years ago, has surpassed the conventional one because of its low interest rates, or none at all.

(In 2003, Islamic pawnshops, which number about 800 in the country, had given out RM1.3 billion in loans to 1.38 million people).

Darshan said pawnbrokers were openly flouting the law, like failing to buy insurance for items pawned, not sending notices to the owners of the pawned items before auctioning them, and not carrying out the auction exercise as required under the law.

This is not taking into account the operations of unlicensed pawnbrokers. And since many who patronise pawnshops are from the lower income group and not highly educated, they are ignorant of their rights and cannot afford to seek legal redress.

(A study done by the University of Malaya shows that 82.4 per cent of pawnshop clients earned less than RM500 per month, while 61.3 per cent only had primary education).

"Already they have no money for their daily needs, what makes you think they would take court action," said Darshan.

Universiti Kebangsaan Malaysia's Prof Abdul Ghafar Ismail said the regulators were only interested in regulating the institution but not the activities of the pawnshops.

"Enforcement is severely lacking. There are hardly any surprise checks against alleged mismanagement or abuse of law," said Abdul Ghafar.

He added that checking the ledgers and transactions on the spot was important to counter claims that some licensed pawnbrokers charged more than two per cent interest per month.

Kolej University Sains dan Teknologi Malaysia's Dr Nur Azura Sanusi said she had stumbled upon several unlicensed pawnshops recently while conducting a survey on the industry.

"We knew they were illegal because their names were not on

the official list we got from the ministry.

"There were also goldsmith shops buying pawn tickets from the customers despite not being licensed to do so."

(The pawnbroking industry, previously under the jurisdiction of the state governments, came under the Housing and Local Government Ministry in January 2004).

Nur Azura, who lectures in Management and Economics, said since the Islamic pawnbroking industry was gaining prominence, the authorities may want to look at how it worked.

"Apart from the low interest charged, customers receive a loan of up to 75 per cent of the value of the item pledged. Under the conventional system, they only get about 60 per cent."

Nur Azura said if someone pawned gold, the loan should complement its market value and not based on the whims and fancies of the pawnbroker.

To protect the layman, Darshan said new provisions should be incorporated into the Act.

"It is always the pawnshop operator who decides how much he will give for a chain worth RM1,000.

"The lower he gives, the better for him because if the chain is stolen, he only has to pay 25 per cent of the loan he gave out."

Ghafar suggested that since the Islamic system was becoming increasingly popular, the government should review the present Act and incorporate some Islamic provisions for uniformity.

"Under the Al-Murtahin concept, for example, people would be paid the current value for any lost or damaged jewellery that they had pawned. I don&#65533;t see why this cannot be considered."

Federation of Malaysian Consumer Associations president N. Marimuthu remembers following his parents to the pawnshop when he was young.

"They provided help when we needed them," he said. "But the time has come to amend the law (to protect the customers)."