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IT is most unfair to expect consumers to sign a contract which gives the other party the absolute discretion to vary any of the terms already agreed upon.

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Yet, this is what consumers are subjected to when they sign their housing loan agreements with the banks. The loan documentation always provides for the bank the freedom to vary its interest rate at any time. The borrower has no say on this change in the interest rate, which could be a higher rate.

Some of the provisions pertaining to interest rates which can be found in loan documentation are:

"As specified in item 3 of this Letter of Offer subject always to the absolute discretion of the bank to carry the rate from time to time whether by varying the bank's base Lending Rate (BLR) and/or the margin or spread above the BLR or otherwise or pursuant to item 14(d) of the Letter of Offer ."

- "...impose additional conditions, amend any terms and conditions governing the bills facilities and revise/vary the interest rates and other charges from time to time at the banks' absolute discretion."

Such terms are often not highlighted to borrowers, who are under the impression that the only way that interest rates could vary is if the base lending rate is changed.

Since the interest rate is the very core of the agreement, the bank should not be allowed to change it at its discretion.

Giving one party the right to unilaterally change the terms of the agreement is generally not tolerated in any contract.

Yet, borrowers have been putting up with his unfair situation for years because Bank Negara has yet to put a stop to it.

Will Bank Negara finally act to protect borrowers?

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