

Look before you leap into debts

Seek financial advice first before taking on new loans, says AKPK

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PETALING JAYA: The public should seek advice before making new financial commitments to avoid financial distress later, says the Credit Counselling and Debt Management Agency (AKPK).

Its head of corporate communication's Sazlin Zainal Abidin said society needed to stop having the view that people should seek help from institutions like AKPK only when they were already drowning in debt.

"We observe that people come to AKPK when they are already in great financial distress; some when they are about to be declared bankrupt.

"This should not be the way. The public should approach AKPK even prior to taking any new loans. Then we will help them to look at their overall financial situation and advise them accordingly.

"Our services to individuals are free of charge and without the use of any third-party agents," she told *The Star*.

Sazlin said 85% of those who reached the end of AKPK's Debt Management Programme (DMP) successfully regained control of their finances.

"DMP has a maximum tenure of 10 years, so of about 358,000 of those who are in the programme, 80,800 have reached the end stage of the programme, and from that number, 85% of them have settled their debts.

"About 31% of the 80,800 have opted to withdraw from the programme as they feel that their

finances are stable enough to make repayments directly to the banks, so they decided to discontinue the programme with us," she added.

Most of the DMP applicants are aged between 30 and 40 (41.5%), followed by those between 40 and 50 (28.3%), 20 to 30 years old (13.5%) and 50 to 60 years old (13%).

The common reasons that lead to people participating in this programme are: having to cope with the high cost of living (36.9%); poor financial planning (36%); failure or slowdown in business activities

(11.6%); loss of job, retrenchment or loss of breadwinner (8.9%); high medical expenses (5.3%); and others (1.3%).

However, there is a small percentage of those who were unable to complete the programme due to job disruption, especially during the pandemic.

Since its inception in 2006 until February this year, more than 1.2 million individuals have received AKPK's advisory services.

A total of RM2.1bil in outstanding debts had been settled since then.

18 people declared bankrupt on a daily basis

PETALING JAYA: A staggering 18 people were declared bankrupt every day in the first five months of 2022, the Insolvency Department has revealed.

Its data, posted on its website, showed that between January and May, 2,694 persons were declared bankrupt, bringing the number of bankruptcies in the country to 274,628.

Nearly 60% of those who were declared

almost 8% are in the RM500,000 to RM999,999 bracket, and about 5% have debts of over a RM1mil.

Selangor has the highest number of bankruptcies, with 72,608 cases up until May 2022, followed by the Federal Territories (46,876) and Johor (32,441) cases.

Commenting on the data, consumer financial expert Prof Dr Mohamad Ezli Sabri

The number of bankruptcy cases (from 2018 to April 2022)

By age group	Year					Total	%
	2018	2019	2020	2021	2022		
Under 25 years	139	54	21	20	5	239	0.52
25-34 years old	4,139	2,603	1,741	1,060	370	9,913	21.49
35-44 years old	5,958	4,574	3,150	2,535	996	17,213	37.31
45-54 years old	4,022	3,087	2,211	1,802	806	11,928	25.86
55 years old and above	2,106	1,707	1,204	1,116	503	6,636	14.38
No information	118	26	24	21	14	203	0.44
TOTAL	16,482	12,051	8,351	6,554	2,694	46,132	100
By gender							
Male	11,760	8,923	6,116	4,874	1,980	33,353	72.95
Female	4,722	3,128	2,227	1,671	709	12,457	27.00
No information	0	0	8	9	5	22	0.05

Nearly 60% of those who were declared bankrupt from 2018 until May this year were between 25 and 44 years old.

Another alarming fact is that more than 200 of those declared bankrupt since 2018 were aged 25 or younger.

Almost half of the 46,132 persons declared bankrupt from 2018 until May this year were dragged down by personal loans, with other reasons including vehicle hire purchases, business loans, and outstanding credit card payments.

"The number of petitions (by debtors and creditors) filed every day in 2022 is 17.

"The number of cases registered every day in 2022 stands at 18," the department said.

However, the number of bankruptcies in the country has steadily decreased from over 16,000 cases per year in 2018 to about 6,500 cases last year.

The significant reduction could be attributed to the amendment to the Insolvency Act on Sept 20, 2020 that increased the bankruptcy threshold from RM50,000 to RM100,000.

Over 58% of those who were declared bankrupt in 2018 until May this year owed sums ranging from RM100,000 to RM499,999, while

financial expert Prof Dr Mohamad Fazli Sabri said having 18 people declared bankrupt every day was alarming even though the number might be far lower than previous years.

"If we multiply 18 by 365 days, we will have close to 6,600 cases a year. Although the numbers might be lower than the previous year, we need to remember that the threshold for bankruptcies was RM30,000 before it was increased to RM50,000, and now RM100,000," he said.

"So we cannot be making an apple-to-apple comparison between this year and the previous years, but having 18 individuals declared bankrupt every day is something that we should be concerned about."

Fazli, who is also the dean of the Human Ecology Faculty at Universiti Putra Malaysia, advised the public to seek help from professionals prior to making any new loan commitments.

"The fact that many of them fall into bankruptcy due to personal loans is something that is worrying because we have no idea why they have taken loans; they could have spent the money on something that was not a necessity.

"But it is also possible that these people are

TOTAL	16,482	12,051	8,351	6,554	2,694	46,132	100
Factors leading to bankruptcy							
Personal loan	4,636	5,706	4,457	3,267	1,268	19,334	41.91
Purchase vehicle	3,392	1,543	1,006	690	212	6,843	14.83
Business loan	1,424	1,846	1,223	1,202	547	6,242	13.53
Housing loan	1,982	1,138	583	459	259	4,381	9.58
Credit card	1,811	880	600	438	121	3,850	8.35
Others	1,770	425	91	126	92	2,504	5.43
Corporate guarantor	626	221	114	118	67	1,146	2.48
Income tax debt	275	261	158	147	72	913	1.98
Social guarantor	540	15	2	0	0	557	1.21
EPF contributions	0	0	105	92	52	249	0.54
Scholarships/study loans	26	16	12	15	4	73	0.16
TOTAL	16,482	12,051	8,351	6,554	2,694	46,132	100

Source: Malaysian Department of Insolvency.

TheStargraphics

taking loans to pay their debts. They should have sought advice from the experts, for example, the Credit Counselling and Debt Management Agency (AKPK)," he added.

Echoing his concern was SME committee chairman of the Associated Chinese Chambers of Commerce and Industry of Malaysia, Koong Lin Loong, who believes many plunged into

bankruptcy due to a lack of financial management.

"Having 18 falling into bankruptcy daily is a scary thing. Imagine tomorrow, there will be another batch, and then the day after.

"So, I think it is important to stress the importance of individual financial planning," Koong said.

A nightmare when you end up being declared a bankrupt

PETALING JAYA: Zura was declared a bankrupt with a massive debt of about a million ringgit when she was only 24.

She and her husband, who was her fiance then, were co-directors of a music recording company belonging to their friend who, unbeknown to them, had applied for loans under the company's name.

The loans were not repaid and the company was insolvent a few years later.

Zura, 41, fell into depression when she couldn't service her debts.

The mother of three tried to sustain her family by running a small online shopping business and she attended entrepreneurship workshops.

Participants were offered loans and grants but she couldn't qualify due to her status as a bankrupt.

"Each time I see 'non-bankrupt status' as a requirement for anything, I would go home and feel like banging my head on the wall," said Zura, who had to seek psychiatric treatment.

She couldn't open her own savings account or her children's and she couldn't buy a house.

Zura credits her family and friends for being her source of strength from when she was at the lowest point in her life until she was able to resolve her bankruptcy issue in 2019.

"In 2016, I got an idea to open a birthday party business and received

an offer from my supplier in 2018 to purchase their shop," she said, adding that her mother helped to pay the deposit.

"Now, 13 years and five lawyers later, I am debt-free and I'm opening my second shop soon this month," said Zura.

Meanwhile, Ila, 49, said she was declared a bankrupt due to her then-husband's failure to plan their expenses.

"I earn around RM1,200 per month and I bought a house in 2001 with my then-husband, which we paid about RM500 monthly.

"My ex, who is a lorry driver, also bought a car and I was named as his guarantor. I told him that our incomes couldn't sustain buying a

car. But he ignored my advice.

"After a few months, our house was auctioned when we failed to service the loans. There was still a balance of RM49,000 that we needed to pay."

Ila, who is a factory worker, said the couple received a letter from the court over the failure to service the loan balance.

"But my ex-husband ignored the letter. He said: 'We are not going to die, a lot of people have debts like us.'"

Nevertheless, Ila was declared a bankrupt in 2007 and since then she could only depend on her family's sympathy to get by with her two children.

"After my husband and I divorced,

I wanted to buy a car. My sister lent me her Proton Persona and I chipped in to pay her car loan. Later, I managed to buy my own car with my sister's help," she said.

Ila, who is still listed as a bankrupt, advised people to be prudent in their spending.

"Manage your earnings carefully, think about your future and avoid creating debts that you can't afford to pay and always remember to service your loans," Ila said.



'Worrying' number of shuttered companies: See page 7