

The Star (16/7/2022) Page 4

Bank Negara: Bankruptcy cases declining

Action a last resort for financial institutions

FINANCE

"To declare someone bankrupt is not an easy thing."

Tan Sri Nor Shamsiah Mohd Yunus

PETALING JAYA: The issue of bankruptcy is often touted as synonymous with circumstances relating to worsening finances, says Bank Negara governor Tan Sri Nor Shamsiah Mohd Yunus.

The governor was responding to the recent statement by the Malaysian Consumer and Borrower Solutions Association linking the increase in the overnight policy rate or OPR with the trend of bankruptcy.

The governor said in a statement yesterday that when viewed in terms of trends and updates from selected banks and non-bank institutions (providers of hire purchase services), the trend of bankruptcy cases for individuals has been declining since 2016.

This includes the time when the OPR increased in 2018.

The number of youths (individuals under the age of 35) who are bankrupt also showed a similar declining trend, accounting for 14% of the total bankruptcy cases between January and May 2022 (average 2017-2019: 24.9%).

To declare someone bankrupt is not an easy thing. Many procedures need to be followed by financial institutions or other creditors, Nor Shamsiah said.

Bankruptcy action is the last resort by the financial institutions, after all other efforts have been made to recover loans from borrowers, she elaborated.

In accordance with the Principles of Fair Treatment of Financial Consumers and Practices Responsible Financing issued by Bank Negara, financial institutions are required to ensure that borrowers facing difficulties in repaying loans are treated fairly and given due consideration before any bankruptcy action is taken.

She advised borrowers who have difficulty in making loan repayments to contact the respective financial institution prior to the loan becoming a non-performing loan to avoid a bankruptcy petition being filed.

This allows financial institutions to offer an appropriate loan repayment package to the borrower to assist them when facing financial difficulties.

Bank Negara also found that borrowers have gradually withdrawn from the loan repayment assistance programme, and the banking system loan repayment trends have also recorded an improvement in the first quarter of 2022, where this trend has increased to an average of 92% of the level of loan repayment before the pandemic (first quarter 2020).

Borrowers can also seek advice from the Credit Counselling and Debt Management Agency or AKPK to be considered under the Credit Management Programme or PPK.

This programme can help them to restructuring existing loans and so on, enabling the borrower to continue repaying their loans.

This can prevent legal action such as bankruptcy or property auctions from being taken against them if the borrower fails to proceed with the loan repayment.

Since its inception in 2006, AKPK has provided advisory services to 1.2 million borrowers.

Of that number, 360,095 borrowers have been assisted under the PPK.

For further questions or to get AKPK services, the public can browse the AKPK website at www.akpk.org.my or make an appointment via <https://services.akpk.org.my/MY/>.

Nor Shamsiah added that Bank Negara also worked closely with other partners and agencies through the Financial Education Network to intensify efforts to increase financial literacy among individuals so that they can make financial decisions based on sufficient information while fostering a responsible borrower attitude.

This is very important to further strengthen the sound financial system and maintain credit flows to the economy, she said.

In addition to financial institutions, bankruptcy action is also taken by other creditors outside the jurisdiction of Bank Negara, such as creditors and suppliers, she said.

In this regard, the ministries and agencies involved are actively working to ensure the borrower/debtor receives fair and responsible treatment through the enactment of the Consumer Credit Act or AKP and the establishment of a Consumer Credit Monitoring Board under the Finance Ministry, as well as the setting of standards and uniform guidelines relating to the Principles of Fair Service to Consumer Finance and Responsible Financing Practices.