

**CONSUMER CREDIT IN MALAYSIA:  
IS THERE A NEED FOR A SINGLE STATUTE**

By

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## **ABSTRACT**

The purpose of this research is to analyse the effectiveness of the Moneylenders Act 1951, Pawnbrokers Act 1972 and Hire-Purchase Act 1967 in regulating credit transactions in Malaysia and compare them with the Consumer Credit Act 2006 of the United Kingdom and also the Credit Contracts and Consumer Finance Act 2003 of New Zealand. Analysis and comparative studies are made to make a proposition on whether there is a need for a single and codified Act to govern all types of credit transactions in Malaysia. In doing so, recent amendments that have been made to the Moneylenders Act 1951, Pawnbrokers Act 1972 and Hire-Purchase Act 1967 are taken into account to assess whether the need, if any, for a single law governing credit transactions in Malaysia is still valid. The outcome of this study shows that the laws governing credit transactions have many weaknesses which place consumers at a disadvantage position. Despite the recent amendments that have been made to these statutes, they are still unable to give adequate protections to consumers as effective as the Consumer Credit Act 2006 of the United Kingdom or the Credit Contracts and Consumer Finance Act 2003 of New Zealand. Thus, in this research it is strongly recommended that the steps taken by the United Kingdom and New Zealand in enacting a single and codified Act to govern all types of credit transactions should be followed by Malaysia.

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# CHAPTER ONE

## INTRODUCTION

### 1.0 Background

A consumer credit agreement is an agreement between an individual (the debtor) and any other person (the creditor) by which the creditor provides the debtor with credit of any amount.<sup>1</sup> Such transactions include cash loans, bank overdrafts, credit sales and conditional sales.

In Malaysia, the practice of providing credit transactions to the consumers is widespread. The cost of living is increasing every year in which it affects certain sections of the society especially the lower and middle classes of the society. For example, they have no other choice but to enter into hire-purchase transactions in order to buy motorcars or motorcycles. Some of them who are in desperate need to have money will even seek financial help from the moneylenders or pawnbrokers. These credit transactions do help the lenders at some point, but there are many lenders who take advantage of the borrowers to gain profit more than what they are entitled to. So, the consumer credit laws have to be effective in giving adequate protections to these consumers.

However, the existing laws governing credit transactions in Malaysia have so many weaknesses which place the consumers in a disadvantage position. In contrast, consumer credit transactions have been effectively governed in the United Kingdom and New Zealand. The United Kingdom has the Consumer Credit Act 2006 while New Zealand has the Credit Contracts and Consumer Finance Act 2003 to provide adequate protections to consumers in credit transactions.

Thus, this research will analyse these laws and compare them with the Moneylenders Act 1951, Pawnbrokers Act 197 and Hire-Purchase Act 1967 in order to highlight whether there is a need for a single and codified Act to be enacted to govern all credit transactions in Malaysia. The proposal to make a single and codified Act to govern all matters in credit transactions involving the consumers is not new in Malaysia and has already been made several years ago. However, the proposal was made before the statutes regulating credit transactions were amended. Since then, there have been several amendments made to these statutes. Thus, this research aims to look at the existing statutes as amended, to determine whether

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<sup>1</sup> Section 6 of Consumer Credit Act 2006.