

**ILLEGAL MONEYLENDING ACTIVITIES IN MALAYSIA:  
A STUDY ON THE EFFECTIVENESS OF LAW ENFORCEMENT**

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## **ABSTRACT**

The study of this research is focused on the effectiveness of the enforcement that is carried out by the government to curb the activities of illegal moneylender. Looking into the current situation, the illegal moneylenders have become more merciless and intimidating. A lot of victims have been harassed by the illegal moneylenders. Not only that, there are some that commit suicide due to the fact that they had been mentally tortured by this illegal moneylenders. The issue of illegal moneylenders has more or less caught the attention of the government to overcome this situation. In order to overcome the activities of illegal moneylenders, the Royal Malaysian Police and the Ministry of Housing and Local Government have been working hand in hand. Among the enforcement activities that had been carried out by government include the creation of public awareness; continuous monitoring of the activities carried out by the legal moneylenders and investigates the report made by the public. However, the enforcement done is still not effective enough since the cases of illegal moneylender is still on the rise from 2005 till Jun 2007. The weaknesses and the problems of the enforcement that lead to the ineffectiveness of the enforcement are identified. It was found out that the major problem that leads to the ineffectiveness of the enforcement is the limitation to act under the Moneylenders Act 1951. In addition to that, shortage of the employee and lack of evidence has also contributed to the problem. Among the suggestion to improve the enforcement is by amending the Act and improving the current enforcement.

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## CHAPTER ONE: INTRODUCTION

### 1.0 INTRODUCTION

The lack of time and the modern lifestyle have definitely given a vast opportunity for moneylenders to provide quick loan. This change has also witnessed a high increase in dealing with illegal moneylenders. These illegal moneylenders or loan sharks always take advantage on people who are desperate for financial help. However, consumers who lack the knowledge on the financial market fall easy prey to these illegal moneylenders.<sup>1</sup>

Recently, the death of three boys, allegedly from consuming bleach and inhaling cooking gas at a Desa Sri Putri, Salak Selatan, Kuala Lumpur touched the hearts of many parties including the Malaysian government.<sup>2</sup> This sorrowful tragedy actually started from the loan sharks which had been harassing their family over the past few days before they were found dead. The innocent boys had to accept their tragic fate which they never deserved. Pertaining to this serious matter, it has opened the eyes of many parties to take some actions in order to curb these cruel activities of loan sharks.

Basically, in discussing the problems of the existence of loan sharks, it must be realized that, these loan sharks are also moneylenders. Who are the moneylenders and are they any different with illegal moneylenders? According to Oxford Advanced Learner's Dictionary,<sup>3</sup> a money lender is a person whose business is lending money, usually at a very high rate. Beside, the legal meaning of money lender might be found in s.2 of Moneylenders Act 1951 (Amendment 2003) as "*includes every person whose business is that of money lending or who carries on or advertises or announces himself or hold himself out in any way as carrying on that business whether or not that person also possess or earns property or money derived from sources other than the lending of money and whether or not that person carries on the business as a principal or as an agent*".

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<sup>1</sup> Aisha Cristal, "Be Aware of Illegal Moneylenders", <[http://pr-gb.com/index.php?option=com\\_content&task=view&id=2504](http://pr-gb.com/index.php?option=com_content&task=view&id=2504)> (12/07/07)

<sup>2</sup> "Tindakan Tegas Terhadap Ah Long", Utusan Malaysia, 2<sup>nd</sup> December 2006

<sup>3</sup> Oxford Advanced Learner's Dictionary, 6<sup>th</sup> ed., (2000) at 758