

LEGAL ASPECT OF CREDIT CARDS IN MALAYSIA

- A REVIEW -

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ABSTRACT

" Who knows when he openeth the stopple, what may be in the bottle ? Hath not a snail, a spider, yea, a newt been found there ? "

By: Ben Jonson

(Bartholomew Fair)

The writer's objective in producing this project paper is to analyse the law relating to consumer credit transaction, since this area of law is new to us.

In this work, among other things, this paper traces the history of credit card and its development together with the present law as it stand in Malaysia. It also discusses the mechanics of different types of credit cards. In connection with this, the meaning and nature of credit card transaction between the parties are also being emphasized. Contractual relationship between the parties under the Common Law and Malaysia are also included. In addition, the legal liabilities of the parties in their different contractual relationship is also discussed. Because these traditional contract laws do not give adequate protection to the cardholder (unauthorised use of credit card) in all cases, a chapter on this has been included. This project paper is concluded with some recommendations, as to how the problem can be solved so as to fit the position in Malaysia.

CONTENTS

Abstract

Acknowledgement

List of Statutes

CHAPTER 1 :

BACKGROUND

- (1) Historical and Development of Credit Card 1
- (2) The Present Law 6

CHAPTER 2 :

NATURE OF CREDIT TRANSACTIONS

- (1) The Meaning of Credit Card 13
- (2) Difference between Credit Card and Charge Card 14
- (3) Nature of Transaction 15

CHAPTER 3 :

CONTRACTUAL RELATIONSHIP BETWEEN THE PARTIES

- (1) Position at Common Law 22
- (2) In Malaysia 24

CHAPTER 4 :

LEGAL LIABILITY IN THE DIFFERENT CONTRACTUAL RELATIONSHIP

- (1) The Cardholder's Liability to the Card Issuer 27

(2) Liability of supplier against the Card Holder	.....	28
(3) The Merchant's Rights against the Card Issuer	.....	31
(4) The Merchant's Rights against the Card Holder	.....	32
CHAPTER 5 :		
UNAUTHORISED USE OF CREDIT CARDS	.....	33
CHAPTER 6 :		
CONCLUSION	.....	40
APPENDIX		
BIBLIOGRAPHY		

CHAPTER 1 : BACKGROUND

(1) Historical and Development of Credit Card

The first credit card was introduced into the United States by the Provident Group in 1880.¹ It was the earliest 'check trading' scheme. Under the scheme, customers were issued with voucher which they could use at shops on the approved list and payment for the vouchers was made on a weekly instalment basis to the Provident Clothing representative who called at the customer's house. It was the forerunner of credit cards in two respects, in that payment was made by a voucher and the customer enjoyed the benefit of revolving credit.

Sometime before 1920, in the United States, there approved the credit coin which was to be the harbinger of the credit card as we know it today.² Apparently, retail department stores were the first to issue credit coins. The main purpose was simply to stimulate sales by encouraging credit purchases. A secondary motive was to provide easy identification for preferred customers when they made credit transactions. In its infant years, the customer generally paid no fee for the privilege of purchasing goods on credit.

1. F. Snushall, Credit Cards in Credit Management hand book at p. 2

2. See Goldring, Goldsworthy and Levine in Consumer Credit at p. 476