



It's everywhere: A man walking past stickers and posters advertising easy and quick cash in Petaling Jaya.

Not falling into the debt trap

Many in town are gearing up for World Cup mania – but some are getting ready for the betting mania, too.

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THESE days, you can't go around town without being assaulted by World Cup paraphernalia as the fever for the ultimate football tournament hots up. But look carefully amidst the colourful flags, stickers and posters that have sprung up, and you will see notices offering easy and quick cash.

There are even those which are offering loans to those who are blacklisted by financial institutions.

And although it may be difficult to tell whether the easy loan notices are offered by banks and legal moneylenders or illegal loan sharks, what is clear is that they are out to take advantage of the biggest party coming to town to sell their "product".

As MCA Public Services and Complaints Department head Datuk Michael Chong has ceaselessly highlighted, debts caused by sports betting usually spike during big sports tournaments.

This is affirmed by the police whose statistics in 2008 showed that up to 80% of debtors were regular bettors on the various sports, especially European League football games.

"There are many who seek the services of

Ah Longs as a result of gambling debts, especially in football and horse race betting. The number will surely jump during this World Cup season," warns Chong, adding that this usually involves bettors who play with higher stakes with online and illegal bookies; some gambling up to RM100,000 per game.

Proceed with caution

Malaysian Licensed Moneylenders Association (Milma) president R. C. Veeraseelan cautions borrowers not to be drawn in by the sweet promises of these easy loans.

"If anything sounds too good to be true, usually they are. So, the public should not be duped by these offers, much less be tempted by the notion that you can use the loans to win more money.

"Anyway, we have asked our members not to advertise using stickers or posters on public property to set us – the legal moneylenders – apart from illegal moneylenders, so I can confidently say that the notices for loans you see around town are not from legal moneylenders," says Veeraseelan.

A check with a few banks around town, meanwhile, indicates that this "mode of

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Some important advice when taking a loan:

- > Have a clear purpose for your borrowings, the loans should be for productive purposes
- > Make sure you understand the difference between needs and wants
- > Try paying a higher down payment if possible to save on rates and lower amount to be borrowed
- > Make sure that you have the repayment capacity for the whole tenure of the loan
- > Ensure that your total monthly loans repayment should not exceed 40% of gross monthly income
- > Ensure you have a good track record i.e pay your loans promptly to have a good Central Credit Reference Information System (CCRIS) record.

What to do when in debt:

- > Restructure repayment schedule with lower installment and/or reduced rates
- > Pay off the highest interest-charged loans
- > Look for ways to increase income via part-time jobs
- > Reduce expenses and review spending habits
- > Practise a prudent lifestyle
- > Plan ahead on spending especially for festive celebrations
- > Adhere to your budget

Source: AKPK



STOCK GRAPHICS © 2010

Take out loans based on specific needs, says AKPK

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advertising" is not one that is practised by most banks. An officer, who declines to be named, shares: "It is true that the competition to sell personal loans is higher now, but putting stickers or posters on public walls is defacing public property, so most banks, if not all, will refrain from that kind of advertising."

"It is bad for the bank's reputation anyway," she says. National Credit Counselling and Debt Management Agency (AKPK) corporate affairs and communications senior manager Devinder Singh also advises those who need to take out loans to borrow from financial institutions which are under the purview of Bank Negara Malaysia to enjoy better rates and terms.

"However, if you need to borrow from licensed moneylenders, be sure to shop around for the best rates. But do not borrow from unlicensed money lenders!"

He reminds borrowers to take out loans based on clear and specific needs, not wants.

"It is important to make sure you are able to repay the loan. Your total monthly loans repayment should not exceed 40% of gross monthly income," he advises.

Main Causes of Financial Woes

- as given by AKPK's debt management programme clients

	%
High medical expenses	26
Poor financial planning	25
Lost control on usage of credit cards	15
Failure/ slowdown in business	12
Lost job/ retrenched	12
Failed investment	2
Death and/ or loss of Breadwinner	2
Others	6

Source: AKPK

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Veeraseelan is concerned that quick cash is becoming a way of life for many.

The demand, he says, is high all the time - "in-season and off-season" - and sports betting is not the main reason for debt among Malaysians.

True, it was reported that unsecured loans - personal loans and credit cards - made up 55% of the bank sector's loans at the end of 2009.



Just one call: People in need of loans can always find posters offering quick cash plastered everywhere, with some even listing the interests and loan repayment schedule.

This is a spike from the 16% at the end of 1999.

Moneylender Wilson Chong echoes Veeraseelan's view.

"The demand for loans is high, regardless of whether the borrowers are of high or low income. Even VIPs take out loans."

He adds that the demand is high because people need to get a housing loan and car loan while some borrow even for their daily expenditures.

"Others need to borrow for medical emergency, children's education, to start a business or to refinance their loans."

This is supported by statistics from AKPK, which shows the majority of their clients who had difficulties servicing their debts cite high medical expenses as their main reason (26%), followed by poor financial planning (25%) and losing control on usage of credit cards (15%).

Devinder Singh believes that the crux of the problem is that many are living beyond their means as well as lacking knowledge in financial management.

Last year, 36,848 people approached AKPK for counselling, out of which 16,184 enrolled in their debt management programme.

To date this year, some 10,572 people have received counselling from AKPK, with around 5,123 people participating in the programme.