

# GETTING OUT OF FINANCIAL TROUBLE

If you do not plan your finances, it is very possible for you to spend more than you earn, putting you eventually into serious debt, which leads to financial trouble.

Being financially distressed will affect your reputation, but that is not all – you will also be emotionally troubled, looking for money to pay off your debts and eventually your relationships with family and friends will be strained. All these will affect your physical health, mental and emotional stability. You will end up in a never ending spiral of problems<sup>2</sup> all because you failed to plan.

## Your Credit Worthiness

If you are in serious debt, you will be seen as a bad credit risk to any banker you may approach for a loan. Financial institutions have various criteria to assess the credit worthiness of potential borrowers. These include the borrowers' character, attitude towards their loan obligations as well as their capacity to pay.

## What Can Happen

When you default on your loan, the financial institution will take legal proceedings against you. It will first obtain a judgement. If the loan is a car loan, the financial institution will act to repossess and sell the car. If it is a housing loan secured by property, the financial institution will foreclose your property and sell it by public auction.

For unsecured loans, the financial institution has a number of options to execute the judgement it has obtained to recover its debts. These include writ of seizure and sale, garnishee proceedings, judgement debtor summons, and filing a bankruptcy order if the debt amount is RM30,000 and above.

If you are made a bankrupt, there are many things you are legally barred from doing:

### You Cannot:

- ▶ Hold any public office without the approval of the Director-General (DG).

- ▶ Pursue any court action without the DG's permission
- ▶ Leave the country without the court's or DG's approval
- ▶ Be a company director or carry out your own business or be involved in the management of a company without the court's or the DG's approval
- ▶ Be involved in the management of a company or be an employee of a company that is owned by your spouse or close relatives and their spouses
- ▶ Be a committee member of any registered body

### LOOKING FOR THE SIGNS

Unfortunately, there are people who do not realise that they are in financial trouble. They carry on as they are, living in denial and making their situation worse by the day.

There are some tell-tale signs to indicate that you are in financial trouble and you must be aware of them. These are:

### Credit Cards

- ▶ Paying only the minimum balance each month
- ▶ Increasing the outstanding balance every month
- ▶ Going over your credit limit
- ▶ Taking frequent cash advances

- ▶ Missing payments, paying late, or paying some bills this month and others next month.
- ▶ Having your credit card revoked by the bank.

### Loans

- ▶ Using the overdraft or automatic loan features on your current account frequently
- ▶ Receiving second or third payment notices from banks or creditors for non-payment of debts
- ▶ Being denied credit because of a negative credit bureau report
- ▶ Borrowing money from family or friends to pay your debts

### Savings

- ▶ Using up your savings at an alarming rate
- ▶ Having little or no savings to handle unexpected expenses or emergencies

### Expenses

- ▶ Depending on part-time jobs, overtime, commissions or bonuses to pay for your living expenses
- ▶ Living from paycheck to paycheck

### Ignorance

- ▶ Not talking to your spouse or family members about money

- ▶ problems or arguing when you talk about money to them
- ▶ Not knowing how much money you owe until the bills arrive

If you start experiencing any of the above, get advice immediately. Do not wait until the problem gets bigger. The earlier you seek assistance, the easier it is to get out of the situation.

### What can you do?

- ▶ You can contact your bank and work out an adjusted repayment plan to suit your cash flow.
- ▶ You can contact the Credit Counselling and Debt Management Agency (Agensi Kaunseling dan Pengurusan Kredit or AKPK) for financial counseling and advice.

### AGENSI KAUNSELING DAN PENGURUSAN KREDIT (AKPK)

Set up by BNM, AKPK's vision is "to make prudent financial management a way of life for all Malaysians". It seeks to equip Malaysians to live with good money management skills and debts that are manageable.

AKPK provides three main services free-of-charge to members of the public to help them to better manage their money:

- ▶ Financial education programmes and materials on the proper use of credit and basic money management skills, as well as tips on how to use credit responsibly
- ▶ Financial counselling and advice, providing individuals with an in-depth evaluation of their problems and how these may be resolved
- ▶ Debt Management Programme (DMP), through which AKPK works with individuals in developing personalised debt repayment plans and consults with their financial services providers to structure manageable repayment schemes.

The DMP is provided to individuals who:

- ▶ have positive net income after meeting their expenses
- ▶ are unable to manage their own debts
- ▶ have loans taken from institutions regulated by BNM
- ▶ have loan exposure of less than RM2 million (as at time of publication)
- ▶ not under any advanced legal action
- ▶ are not bankrupts

For more information about AKPK go to [www.akpk.org.my](http://www.akpk.org.my)

