



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# **Responsible Financing**

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## **PART A      OVERVIEW**

### **1.      Introduction**

- 1.1 A credit market that functions effectively contributes significant benefits to the economy, helping individuals to take advantage of economic opportunities and build wealth, and businesses to grow and create jobs.
  
- 1.2 While consumers must be responsible to make informed financial decisions that are in their own best interests, the combination of easier access to credit and an increasingly competitive and innovative credit market has made it more important to also ensure that financial service providers adopt responsible financing practices in their dealings with retail consumers. In particular, there is a need to complement disclosure requirements and financial capability initiatives that support informed borrowing decisions by consumers, with clear expectations on financial service providers to help consumers in this process by ensuring that financing products are suitable and affordable given a consumer's financial circumstances. It is also important that this should not significantly increase or prolong the financial burden of the consumer. More broadly, responsible lending and borrowing behaviours will promote a resilient household sector which in turn contributes to sustainable economic growth and financial stability.
  
- 1.3 Financial service providers currently have considerable flexibility in assessing the suitability and affordability of financing products for retail consumers. This will be substantially preserved. However, observations of the varying practices among financial service providers and in some cases, inadequate assessments of suitability and affordability, and inadequate regard for consumers' long term interests in promoting financing products to retail customers support the need for clear expectations with respect to the overall conduct of business in retail financing.

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## **2. Policy Objectives**

- 2.1 This policy document aims to promote a sustainable retail finance market by requiring financial service providers to engage in prudent, responsible and transparent financing practices.
- 2.2 While this policy document focuses on the financial service providers' responsible financing behaviours, it is recognised that consumers also have, and must discharge, their responsibility for ensuring sound borrowing decisions that are appropriate to their financial circumstances and honouring their contractual obligations.
- 2.3 This policy document further promotes more effective engagements between financial service providers and borrowers through better disclosures and advice to consumers.

## **3. Applicability and Scope**

- 3.1 This policy document is applicable to financial service providers (FSPs) as defined in paragraph 6.2.
- 3.2 This policy document is applicable to the following financing products which are offered to individuals by the FSP, either directly or through the FSP's intermediaries:
  - (i) home financing;
  - (ii) personal financing, including overdraft facilities;
  - (iii) vehicle financing;
  - (iv) credit and charge cards; and
  - (v) financing for the purchase of securities, except for share margin financing that is governed by Bursa Malaysia rules or governed by internal policies that are of the same standard or stricter than the Bursa Malaysia rules.<sup>1</sup>

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<sup>1</sup> Refer to paragraph 3.5.

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- 3.3 This policy document is applicable to financing products offered to a sole proprietor if the financing is not for the purposes of its business.
- 3.4 A FSP may apply the requirements of this policy document for financing facilities offered to its employees. The FSP shall be guided by its internal policies in the provision of such financing facilities and as part of good risk management, it is in the interest of the FSP to ensure that its policies are consistent with prudent financial management by employees so as to mitigate risks associated with fraud and other control lapses.
- 3.5 This policy document extends to all financing products for the purchase of securities which include units of funds managed by Amanah Saham Nasional Berhad and other unit trusts. However, this policy document is not applicable to share margin financing which is governed by Bursa Malaysia rules or governed by internal policies that are of the same standard or stricter than the Bursa Malaysia rules. The FSP must ensure adequate credit underwriting standards (e.g. income evidence for purposes of verifying income declared by applicants) and prudent control measures including rules on collateral requirements, margin calls, pricing cap and account review, which at a minimum, should be consistent with that imposed by the Bursa Malaysia rules.
- 3.6 This policy document shall be read together with the policy document on Personal Financing.

#### **4. Legal Provisions**

- 4.1 The requirements in this policy document are specified pursuant to:
- (a) sections 47(1) and 123(1) of the Financial Services Act 2013 (FSA);
  - (b) sections 57(1) and 135(1) of the Islamic Financial Services Act 2013 (IFSA); and
  - (c) sections 41 and 126 of the Development Financial Institutions Act 2002 (DFIA).

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## 5. Effective Date

5.1 This policy document comes into effect on **5 July 2013**.

## 6. Interpretation

6.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA and IFSA, as the case maybe, unless otherwise defined in this policy document.

6.2 For the purpose of this policy document:-

**“S”** denotes a standard, requirement or specification that must be complied with. Failure to comply may result in one or more enforcement actions;

**“G”** denotes guidance which may consist of such information, advice or recommendation intended to promote common understanding and sound industry practices which are encouraged to be adopted; and

**“Financial service provider”** or **“FSP”** means-

- (a) a licensed bank under the FSA;
- (b) an approved issuer of a designated payment instrument under the FSA;
- (c) a licensed Islamic bank under the IFSA;
- (d) an approved issuer of a designated Islamic payment instrument under the IFSA;
- (e) a licensed insurer under the FSA carrying on life business;
- (f) a licensed takaful operator under the IFSA carrying on family takaful business; and
- (g) a prescribed institution under the DFIA.

**“Repayment”** in the context of an Islamic financing product, shall include payment by a customer to a FSP under the terms of the Islamic financing product.

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## **7. Guidelines Superseded**

- 7.1 The Guidelines on Responsible Financing issued on 17 November 2011 are superseded.

## **PART B POLICY REQUIREMENTS**

### **8. Suitability and Affordability Assessment**

- 8.1 Financing that is based on inadequate suitability and affordability assessments exposes the customer and the FSP to increased credit risks and losses.
- S** 8.2 A FSP shall conduct suitability and affordability assessments for each new and additional financing facility it offers.
- S** 8.3 Consistent with the Guidelines on Introduction of New Products, a FSP shall develop and implement customer suitability procedures to ensure that a financing product sold suits the customer's needs and circumstances. The procedures shall clearly describe the type and circumstances of the customer for which a financing product would be suitable for, as well as clear lines of authority for approving the sale of a financing product to non-targeted customer groups and the parameters for allowing deviations from internal policy or criteria. The basis for the approval or deviation shall be properly documented and supported with information relevant to the decision. Such approvals or deviations shall be subject to independent reviews by appropriate control functions of the FSP to ensure that they do not undermine the customer suitability procedures that are in place (also refer to paragraph 13.1).
- 8.4 A financing product is affordable if the amount and terms allow the customer to reasonably meet the repayment obligations in full throughout the course of financing, without recourse to debt relief or substantial hardship. The FSP shall comply with the requirements set out under paragraphs 8.5 to 8.30 below when carrying out affordability assessments.

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## Debt Service Ratio (DSR)

**S** 8.5 A FSP shall take reasonable steps to establish that customers are offered financing products that are appropriate to their financial circumstances and ability to repay by observing a prudent DSR. The DSR computation complements, and does not replace, other factors considered by the FSP in lending decisions such as a customer's repayment history and credit scores.

**G** 8.6 The aim is to promote more robust assessments of affordability by the FSP in a manner that allows customers to meet both current and future repayment obligations, thereby reducing their vulnerability to unexpected adverse events and income shocks.

**S** 8.7 The DSR computation shall be as follows:

$$\text{DSR} = \frac{\text{All outstanding debt repayment obligations from banks and non-banks, and the new financing instalment}}{\text{Income after statutory deductions (i.e. tax, EPF, SOCSO)}}$$

## Debt repayment obligations

**S** 8.8 A FSP shall conduct a comprehensive check on a customer's overall indebtedness by obtaining information on the customer's outstanding debt obligations, including secured and unsecured financing from all FSPs and other non-bank entities that provide credit facilities (e.g. co-operative societies, building societies, credit companies and merchants that provide credit sales).

**G** 8.9 For financing facilities of a customer that are obtained from entities not covered by the Central Credit Reference Information System (CCRIS), a FSP may rely on information obtained from the customer on a best-effort basis. This can be aided by highlighting to the customer the implications of the failure of the customer to fully and accurately disclose material information that has a bearing on the financing decision.



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- S** 8.10 In complying with paragraph 8.8, the FSP must:
- (a) refer to the CCRIS to establish the customer's outstanding debt obligations and repayment history captured in CCRIS;
  - (b) make specific inquiries from the customer regarding the customer's financing from entities not covered by CCRIS, if any; and
  - (c) notify the customer of his duty to disclose essential and correct information in the financing application as well as the consequences of providing incomplete or incorrect information, e.g. non-disclosure or inaccurate declaration that adversely affects the risk profile of the customer may lead to a higher financing rate or rejection of the financing application.
- S** 8.11 With respect to a financing application, the amount included in the debt repayment obligations shall reflect the following:
- The scheduled repayment of principal and interest or profit (including any fees and charges included in the financing amount). For interest or profit-only home financing extended during the construction phase of new housing development projects, the FSP shall include both the principal and interest or profit that would apply at the end of the interest or profit-only period; and
  - Where discounted interest or profit rates apply in the early part of a financing plan, the highest applicable rate (based on applicable base lending rate or base financing rate at the point of assessment) of interest or profit should be used.
- G** 8.12 This policy document represents minimum standards with respect to the treatment of debt obligations. A FSP may adopt higher standards where appropriate, for example by including in the computation of the DSR, any obligation of customers as guarantors.

## **Income**

- S** 8.13 In assessing income for the determination of the DSR, a FSP shall enquire into the sources and amount of income.

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- S** 8.14 If variable income of a customer is taken into account, a FSP shall evaluate the variability of such income for a period of at least 3 months and only include a prudent portion of the average amount as the customer's income in assessing affordability. Where the customer has no permanent employment or is self-employed, the FSP shall evaluate the stability of the primary sources of income by requiring the customer to provide evidence of income over a period of at least 6 months.
- S** 8.15 A FSP shall also consider the month-to-month variance of income. Where a high month-to-month variance is observed, a longer period of evidence of variable income than that specified in paragraph 8.14 shall be applied to establish the amount that may be regarded as the customer's stable income. The FSP shall exclude one-off variable income such as windfall gains in the assessment of income.
- G** 8.16 Examples of variable income include overtime income, allowance and commission. While the policy document does not specify the proportion of variable income to be taken into account, the FSP is expected to assess the month-to-month variance of such income in determining the prudent portion. Taking 100% of the 3 months' average amount under any scenario is considered to be an imprudent practice.
- G** 8.17 Discretionary bonus payments may be considered in assessing variable income. However, a FSP is expected to assess the stability of the bonus income over a sufficient period of time and with due regard to circumstances that may suggest such payments to be of an extraordinary nature. This is to avoid a situation where a one-off high bonus payment may have a disproportionate effect on the affordability assessment. Contractual bonus payments may be included in income assessment.
- S** 8.18 A FSP shall verify a customer's income against reliable sources which are independent of the customer and must not rely solely on the customer's self-

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certification of income<sup>2</sup>. If the FSP finds material discrepancies in the information provided by the customer, the FSP must perform further verification or may reject the application.

- G** 8.19 Sources which are independent of the customer may include any reliable documentary evidence provided by the customer, for example, EPF statement, bank statement or tax return.

### **Financing decision**

- S** 8.20 A FSP shall set a prudent level of DSR to be applied in its financing decisions that allows sufficient buffers for expenditures and contingencies, having regard to the relevant circumstances of a customer. This may include appropriate consideration of the nature of employment, number of dependants, location of residence and other relevant factors that have a bearing on the customer's level of expenditures.
- S** 8.21 A FSP shall ensure that the DSR level is prudent enough to prevent the customers from becoming over-leveraged. This is particularly important for customers in income groups that are more vulnerable to adverse events and income shocks.
- S** 8.22 A FSP shall assess affordability by taking into account DSR notwithstanding any collateral that may have been pledged by a customer.
- G** 8.23 For high net-worth customers (i.e. customers with total net personal assets exceeding one million Ringgit), flexibility is provided for a FSP to consider the customers' deposits, assets and/or investments in assessing the customers' ability to repay the financing.

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<sup>2</sup> For a credit card product, the FSP may issue a card to a customer who is unable to prove his annual income by requiring the customer to place a fixed deposit of an amount equivalent to the credit limit granted to the customer. The fixed deposit must be placed with the FSP issuing the credit card. The fixed deposit must be maintained for as long as the credit card facility is available. This is in view of the wide use of credit cards as a payment instrument.

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- S** 8.24 The basis for a financing decision shall be properly documented and supported with information relevant to the decision. This should facilitate internal risk management and supervisory reviews of the FSP's credit underwriting standards and compliance with the requirements in this policy document.
- S** 8.25 A FSP shall not extend financing to a customer in consideration of collateral alone if the customer has otherwise been assessed by the FSP to be unable to afford the financing.

### **Tenure of financing**

- S** 8.26 Extending the tenure of financing may increase affordability in the short term, but also increases the overall debt burden of the customer and could expose the customer to higher risks in the long term. When the financing tenure extends into retirement, the FSP shall actively engage the customer on how he will continue to meet the financing repayments during retirement.
- G** 8.27 Where relevant, the FSP may among other things, consider the rate of accumulation of EPF, pension provisions or contracted annuity payments.
- G** 8.28 If the financing tenure of a customer extends into retirement, a FSP is expected to bring to the attention of the customer the implication of his debt servicing obligations after retirement. The FSP is expected to highlight the importance of having a plan on how to service the repayment after the customer's retirement.
- S** 8.29 For vehicle financing, the tenure of financing shall not exceed **9** years.
- S** 8.30 For home financing, the tenure of financing shall not exceed **35** years. This requirement takes effect for all home financing applications received from 5 July 2013 and applies to all new and additional home financing applications received from the effective date. The requirement also applies to the restructuring or rescheduling of existing home financing facilities which involves an increase in the amount of financing.

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- G** 8.31 For home financing facilities approved before the effective date, a FSP can continue with the existing financing tenure. The requirement in paragraph 8.30 does not apply to existing home financing facilities which are restructured or rescheduled based on the specific circumstances of a distressed borrower, provided that it does not involve an increase in the amount of financing.

## **9. Marketing and Disclosure**

- S** 9.1 This part shall be read with the disclosure requirements on loan and financing products in the Guidelines on Product Transparency and Disclosure<sup>3</sup>.
- S** 9.2 A FSP shall ensure that advertisements and promotional materials on financing products are clear, fair and not misleading or deceptive. Critical information that is likely to affect customers' borrowing decisions must be prominently displayed.
- S** 9.3 A FSP shall ensure that its sales and marketing staff and representatives pay due regard to the interests and circumstances of the customer by inquiring into the customer's financial requirements and financial situation to ensure that the financing product offered is suitable in meeting the customer's needs.
- S** 9.4 A FSP shall ensure that its sales and marketing staff and representatives provide a product disclosure sheet (as per the format provided in Appendix I) to facilitate comparison and decision-making by customers.
- S** 9.5 A FSP shall also provide the customer a product disclosure sheet (PDS) at the point of entering into the financing contract if there is any material change in the information.
- S** 9.6 A FSP shall alert the customer on the importance of reading and understanding the PDS.

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<sup>3</sup> The Guidelines on Product Transparency and Disclosure are deemed standards specified pursuant to section 123(1) of the FSA and section 135(1) of the IFSA by virtue of section 272 of the FSA and section 283 of the IFSA.

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- S** 9.7 A FSP shall clearly disclose in the PDS the effective annual financing rate and any applicable fees and charges.
- S** 9.8 A FSP shall ensure that its sales and marketing staff and representatives draw the customer's attention to the total repayment amount and total interest cost or profit as contained in the PDS to facilitate comparison with similar products offered by other FSPs.
- S** 9.9 A FSP shall ensure that its sales and marketing staff and representatives clearly **explain at least** the following, to the customer:
- (a) key terms affecting the obligations of the customer;
  - (b) except for fixed rate financing, the impact of an increase in financing rate on the monthly instalment and total repayment amount (as prescribed in Appendix 1);
  - (c) fees and charges that the customer may incur and whether the fees and charges are one-off or recurring;
  - (d) the customer's responsibility and obligations; and
  - (e) consequences of defaulting on any repayments, for example, possibility of an increase in financing rate, penalty charges, impaired credit profile and foreclosure of property.
- S** 9.10 A FSP shall advise customers to read and consider the information and explanation given in order to satisfy themselves that they understand the key features of the financing product and the associated obligations, prior to entering into a financing contract.
- S** 9.11 A FSP shall provide customers a reasonable opportunity to read the pre-contractual information and make enquiries about the financing product. The FSP must ensure that its sales and marketing staff and representatives do not harass, unduly pressure or inappropriately entice customers into signing up for a financing product (e.g. through exaggerated special offers with undisclosed conditions attached).

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- S** 9.12 A FSP shall provide customers information about the “Program Pengurusan Wang Ringgit Anda” or “POWER!” offered by Agensi Kaunseling dan Pengurusan Kredit and encourage the customers to attend the programme. The FSP shall facilitate interests by customers to register for the programme.
- S** 9.13 A FSP shall also ensure that its telemarketing staff and representatives do not contact customers at unreasonable hours and shall ensure that telemarketing staff and representatives identify themselves and inform customers the purpose of the call and the FSP being represented.
- G** 9.14 Generally, customers should not be contacted before 9 a.m. and after 9 p.m.
- S** 9.15 A FSP shall ensure that its sales and marketing staff and representatives are properly trained and competent to carry out their functions. Sales and marketing staff and representatives should be knowledgeable in the key features, risks and critical terms of financing products. The FSP shall provide appropriate initial and ongoing training to its sales and marketing staff and representatives, and such training shall also cover marketing ethics and relevant regulatory obligations which must be observed in the marketing of financing products.
- S** 9.16 A FSP shall establish a process to periodically check that its sales and marketing staff and representatives remain competent to explain the FSP’s financing products and comply fully with applicable regulatory requirements. Such process shall include obtaining a customer’s feedback on the quality of advice given to the customer, and the ability of the sales and marketing staff and representatives to clearly and accurately explain relevant product information.
- S** 9.17 For financing products where the sale can be concluded over the telephone, a FSP shall ensure that its telemarketing staffs and representatives do not mislead a customer on any financing product being offered. The FSP shall ensure that its telemarketing staff and representatives explain key terms and conditions relating to the financing product being offered. If the customer

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agrees to accept the financing product being offered, the FSP shall ensure that its telemarketing staff and representatives confirm the acceptance and implement an independent process to check that the key terms and conditions of the financing product were properly explained to, and understood by, the customer.

- G** 9.18 It is important for a FSP's telemarketing staff and representatives to explain the key terms and confirm that the customer understands his obligations before accepting any financing product over the phone. The FSP should obtain feedback from customers after the products are sold to confirm that its telemarketing staff and representatives have met the requirement.
- S** 9.19 A FSP shall establish and maintain remuneration policies and procedures that promote fair and responsible conduct by its sales and marketing staff and representatives. The reward system shall not focus solely on achieving sales targets without regard to the interests and circumstances of customers. To discourage undesirable behaviour, the FSP shall include non-financial indicators in rewarding the performance of its sales and marketing staff and representatives, including obtaining direct customer feedback on the conduct of its sales and marketing staff and representatives.
- S** 9.20 A FSP shall deal firmly and expediently with any mis-selling of financing products, including actions to provide appropriate remedies to affected customers.

## **10. Fees and charges**

- S** 10.1 In determining the type and quantum of fees and any charges on any financing product or service, a FSP shall ensure compliance with the following:
- Guidelines on Imposition of Fees and Charges on Financial Products and Services;
  - Guidelines on Late Payment Charges for Islamic Banking Institutions; and



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- Guidelines on *Ibra'* (Rebate) for Sale-Based Financing<sup>4</sup>.

- S** 10.2 Early termination fee imposed on a customer for repaying / paying the financing, in part or in full, during the lock-in period shall reflect a reasonable estimate of the costs to be incurred by a FSP as a direct result of early termination. Such costs may include:
- costs that have not been recovered because a financing contract with discounted rate during the lock-in period is terminated early; and
  - initial costs that have not been recovered (e.g. for zero moving cost products).
- S** 10.3 An early termination fee shall not penalise or act as a barrier to prevent a customer from switching or closing a financing account. In this regard, the early termination fee shall exclude any consideration of the following costs:
- loss of profit that would have been received if the financing continues until the end of the lock-in period or the end of the financing tenure; and
  - marketing and other costs associated with obtaining new customers.
- S** 10.4 The financing contract shall not contain any term which gives a FSP a unilateral right to vary an early termination fee or the circumstances in which the early termination fee applies.
- S** 10.5 Charges for late payment must not be added to the outstanding amount in arrears for computing interest or profit due.
- S** 10.6 Payments made by a customer shall first be allocated to clearing any instalments due (principal and interest or profit) before any fees and charges. For credit card facilities, a FSP shall allocate the payments received from cardholder to settle the balances (i.e. items appearing in the statement) attracting the highest interest first.

<sup>4</sup> The Guidelines on Imposition of Fees and Charges on Financial Products and Services, Guidelines on Late Payment Charges for Islamic Banking Institutions and Guidelines on *Ibra'* (Rebate) for Sale-Based Financing are deemed standards specified pursuant to section 123(1) of the FSA and section 135(1) of the IFSA by virtue of section 272 of the FSA and section 283 of the IFSA.

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- G** 10.7 The requirement in paragraph 10.6 aims to minimise additional debt burden on a customer as a result of penalties charged on overdue instalments. It does not however, prevent a FSP from first allocating payments made by the customers to clear any overdue insurance premiums relating to a financing facility (e.g. fire insurance) which serves to ensure that the customer is adequately protected against financial hardship arising from the occurrence of insured events.

## **11. Monitoring and Recovery**

- S** 11.1 A FSP must comply with the debt collection requirements as contained in the Circular on “Fair Debt Collection Practices”<sup>5</sup>.
- S** 11.2 A FSP shall implement and enforce clear policies and procedures to ensure that a customer who is unable to meet his repayment due to illness, unemployment or other reasonable cause, is treated fairly and with due consideration. Such procedures shall provide for the FSP to explore all viable options in assisting such customer to meet his financial obligation.
- S** 11.3 As part of its regular monitoring of financing accounts, a FSP shall contact a customer promptly upon detecting signs of repayment difficulty and inform the customer of the importance of engaging with the FSP early to discuss alternative repayment measures to address financial difficulties speedily.
- S** 11.4 A FSP shall make reasonable efforts to offer an alternative repayment plan that is appropriate to a customer’s changed circumstances and financial situation with the aim of resolving genuine repayment difficulties of the customer.
- S** 11.5 A customer shall be given adequate information to understand the implications of any proposed repayment arrangement.

<sup>5</sup> The Circular on Fair Debt Collection Practices is deemed standards specified pursuant to section 123(1) of the FSA and section 135(1) of the IFSA by virtue of section 272 of the FSA and section 283 of the IFSA.

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- S** 11.6 An alternative repayment plan shall not unreasonably increase the payment obligation of and financial difficulty facing the customer. For instance, capitalising the amount in arrears without any reduction in the new monthly instalment would not help a customer who suffers a reduction in income, while increasing the total repayment amount of the customer.
- S** 11.7 If a FSP has a valid reason to refuse a customer's request for restructuring or rescheduling, the FSP shall provide information on available redress avenues.
- S** 11.8 For conventional financing products, in the event that a FSP decides to increase the financing rate in accordance with the relevant terms and conditions following successive non-repayments by a customer, the FSP shall provide a written advance notice of not less than 21 days to the customer before the new rate takes effect. This may be communicated via reminder letters. The FSP shall revert the financing rate to the contracted rate when the customer's risk profile improves. Flexibility is given to the FSP to determine the period over which a customer is required to demonstrate a sustained ability to meet scheduled repayments before reverting to the contracted financing rate. For a credit card product, the FSP shall refer to the Credit Card Guidelines.
- S** 11.9 A FSP shall alert a customer of possible recovery actions if the customer continues to be in default, such as legal and foreclosure proceedings and that the related costs will be borne by the customer.
- S** 11.10 Foreclosure on a customer's property shall generally only be initiated when other reasonable attempts to reach a resolution have been unsuccessful.
- S** 11.11 A FSP shall provide a reasonable opportunity for a customer to conduct a private sale before foreclosing if there are favourable prospects for a private sale to be concluded more expeditiously and this benefits efforts to resolve the customer's indebtedness.
- S** 11.12 A FSP shall also inform the customer that he will be held liable for the outstanding debt if there is a shortfall after the property is sold.

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## 12. Avenue for Redress or Assistance

- S** 12.1 A FSP shall provide a dedicated point of contact for customers facing repayment difficulties to seek assistance. The contact details shall be clearly communicated to all customers.
- S** 12.2 Appropriate training shall be provided for staff dealing with customers experiencing difficulties in repayment. A FSP shall ensure that its staff are able to explain and provide advice on options and avenues available to assist customers in resolving repayment difficulties.
- S** 12.3 A FSP shall inform a customer of the services of Agensi Kaunseling dan Pengurusan Kredit by inserting the note below in the PDS and reminder notices sent to the customer:

### English version

“Agensi Kaunseling dan Pengurusan Kredit has been established by Bank Negara Malaysia to provide free services on money management, credit counselling, financial education and debt restructuring for individuals. For enquiry, please call 1-800-88-2575”.

### Bahasa Malaysia version

“Agensi Kaunseling dan Pengurusan Kredit telah ditubuhkan oleh Bank Negara Malaysia untuk menyediakan perkhidmatan pengurusan kewangan, kaunseling kredit, pendidikan kewangan dan penstrukturan semula pinjaman secara percuma kepada individu. Untuk membuat pertanyaan, sila hubungi talian 1-800-88-2575”.

## 13. Compliance

- S** 13.1 A FSP shall have in place and be able to demonstrate the effective functioning of systems and processes, including risk management and internal control review processes, for ensuring compliance with this policy document.

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- S** 13.2 Material non-compliance with the requirements in this policy document shall be escalated to the senior management and the board of directors of the FSP together with action plans to rectify the non-compliance.
- S** 13.3 A FSP is also accountable to ensure that its intermediaries comply with this policy document and that appropriate actions are taken against any non-compliance, misconduct or unacceptable practices.
- S** 13.4 The board of directors of a FSP is ultimately responsible to ensure that appropriate actions are taken to address any deficiencies in the conduct of the FSP's retail financing business which would expose the FSP to financial and reputational risks.

## Appendix I

### Product Disclosure Sheet for Housing Loan / Home Financing

<b>PRODUCT DISCLOSURE SHEET</b>  (Read this Product Disclosure Sheet before you decide to take out the <Name of Product>. Be sure to also read the terms in the letter of offer. Seek clarification from your institution if you do not understand any part of this document or the general terms)		<Name of Financial Service Provider>  <Name of Product>  <Date>																	
<b>1. What is this product about?</b>																			
This housing loan / home financing is calculated on a variable rate basis and you are offering your house as a security for this financing.																			
<b>2. What do I get from this product?</b>																			
<ul style="list-style-type: none"> <li>Total amount borrowed: RM xx (k% of house price)</li> <li>Tenure: [20] years</li> </ul>		<ul style="list-style-type: none"> <li>Base lending rate (BLR) / Base financing rate (BFR): k%</li> <li>Interest rate / profit rate :            Year 1-5: BLR / BFR + y%            Thereafter: BLR / BFR + z%</li> <li>Effective lending rate: xx%</li> </ul>																	
<b>3. What are my obligations?</b>																			
<ul style="list-style-type: none"> <li>Your monthly instalment is <b>RM xx</b></li> <li>Total repayment amount at the end of [20] years is <b>RM zz</b></li> </ul> <p><b>Important:</b> Your monthly instalment and total repayment amount will vary if the BLR / BFR changes.</p> <table border="1"> <thead> <tr> <th>Rate</th> <th>Today (BLR=k% )</th> <th>If BLR goes up 1%</th> <th>If BLR goes up 2%</th> </tr> </thead> <tbody> <tr> <td>Monthly instalment</td> <td>RM xx</td> <td></td> <td></td> </tr> <tr> <td>Total interest cost at the end of 20 years</td> <td>RM yy</td> <td></td> <td></td> </tr> <tr> <td>Total repayment amount at the end of 20 years</td> <td>RM zz</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>State whether the borrower has to service interest/profit during construction period for a property under construction. Explain how the interest/profit is calculated.</li> </ul>				Rate	Today (BLR=k% )	If BLR goes up 1%	If BLR goes up 2%	Monthly instalment	RM xx			Total interest cost at the end of 20 years	RM yy			Total repayment amount at the end of 20 years	RM zz		
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Total repayment amount at the end of 20 years	RM zz																		

#### 4. What other charges do I have to pay?

##### a) Stamp Duties

As per the Stamp Act 1949 (Revised 1989)

##### b) Disbursement Fee

Include fees for registration of charge and other related charges

##### c) Processing Fees

One-time fee charged for approved financing	Rate (RM)	Range (RM)
	50	Up to 30,000
	100	30,001 - 100,000
	200	100,000 and above

#### 5. What if I fail to fulfil my obligations?

- Late payment charges of 1% p.a. on the amount in arrears, causing the total outstanding to increase.
- If you fail to pay 3 monthly instalments consecutively, we may increase the financing rate.
- We may set-off any credit balance in account maintained with us against any outstanding balance in this financing account.
- Legal action will be taken if you fail to respond to reminder notices. Your property may be foreclosed and you will have to bear all costs. You are also responsible to settle any shortfall after your property is sold.
- Legal action against you may affect your credit rating leading to credit being more difficult or expensive to you.

***To highlight other key terms and conditions***

#### 6. What if I fully settle the loan during the lock-in period?

- Lock-in period: **k years** (to start from xx)
- Early termination fee: x% of outstanding amount or original financing amount

#### 7. Do I need any insurance / takaful coverage?

- Indicate if mortgage reducing term assurance (MRTA) / mortgage reducing term takaful (MRTT) is required.
- Indicate if other insurance coverage is required.

#### 8. What do I need to do if there are changes to my contact details?

It is important that you inform us of any change in your contact details to ensure that all correspondences reach you in a timely manner.

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## 9. Where can I get assistance and redress?

- If you have difficulties in making repayments, you should contact us earliest possible to discuss repayment alternatives. You may contact us at:

ABC Bank Berhad

Tel:

Fax:

E-mail:

- Alternatively, you may seek the services of Agensi Kaunseling dan Pengurusan Kredit (AKPK), an agency established by Bank Negara Malaysia to provide free services on money management, credit counselling and debt restructuring for individuals. You can contact AKPK at:

Tingkat 8, Maju Junction Mall

1001, Jalan Sultan Ismail

50250 Kuala Lumpur

Tel : 1-800-88-2575

E-mail : enquiry@akpk.org.my

- If you wish to complaint on the products or services provided by us, you may contact us at:

ABC Bank Berhad

51, Jalan Sultan Ismail

50122 Kuala Lumpur

Tel:

Fax:

E-mail:

- If your query or complaint is not satisfactorily resolved by us, you may contact Bank Negara Malaysia LINK or TELELINK at:

Block D, Bank Negara Malaysia

Jalan Dato' Onn

50480 Kuala Lumpur.

Tel : 1-300-88-5465

Fax : 03-21741515

E-mail : bnmtelelink@bnm.gov.my

## 10. Where can I get further information?

Should you require additional information about taking a housing loan, please refer to the *bankinginfo* booklet on 'Housing Loans', available at all our branches and the [www.bankinginfo.com.my](http://www.bankinginfo.com.my) website.

## 11. Other housing loan / home financing packages available

- Abc
- Xyz

**IMPORTANT NOTE: YOUR HOUSE MAY BE FORECLOSED IF YOU DO NOT KEEP UP REPAYMENTS / PAYMENTS ON YOUR HOMEFINANCING.**