

# New Consumer Credit Act to regulate Buy Now Pay Later services, says BNM director

By [Suzalina Halid](#) - April 17, 2024 @ 9:32am



BNM is constantly monitoring and ensuring that financial institutions take responsible steps when offering financial services and products. - NSTP file pic

KUALA LUMPUR: Providers of innovative credit products, such as the Buy-Now-Pay-Later (BNPL) service, are expected to face more stringent regulation under the Consumer Credit Act (CCA), which is presently being formulated.

This service has become increasingly popular among young people, especially those who are newly employed.

Under the act, the government, through Bank Negara Malaysia (BNM), will ensure that non-bank entities, currently not supervised by any authorities, comply with the regulations and practices of credit provision.

BNM financial inclusion department director Nor Rafidz Nazri said an authoritative body would be established at the initial stage responsible for supervising entities offering such service products.

"To further strengthen consumer credit protection in Malaysia, the government is also drafting the Consumer Credit Act.

"A consumer credit monitoring task force led by the Finance Ministry (MoF) and two agencies, namely BNM and the Securities Commission Malaysia, are responsible for providing a comprehensive framework for this.

"It aims to regulate the practices of non-bank entities providing credit services to consumers, in addition to overseeing new credit product providers such as the BNPL," he told Berita Harian.

Previously, Berita Harian reported that an increasing number of young people, as young as 19 years old, were ensnared in debt, with many of them starting to feel burdened when financing motorcycles through credit agencies.

This was disclosed by the Credit Counselling and Debt Management Agency when some new youth workers approached them to restructure their loans owing to the problem.

As a result, there are proposals from non-governmental organisations and consumer associations to tighten the loan terms from credit providers.

Through the BNPL product, consumers are offered an online credit platform with monthly installment repayments.

It is learned that the non-bank platform does not require borrowers to provide guarantors like bank loans.

Nor Rafidz said that for the purpose of drafting the legislation, cooperation is also established with several ministries, including the Domestic Trade and Consumer Affairs Ministry and the Housing and Local Government Ministry.

He said BNM was constantly monitoring and ensuring that financial institutions took responsible steps when offering financial services and products.

"Any market practices that are unfair and can cause significant harm to consumers may be subject to supervision and enforcement actions by BNM," he said.

## **FEN PROACTIVE PROGRAMME**

Nor Rafidz, who is also the Financial Education Network (Fen) joint chairman, said Fen always welcomed efforts to strengthen consumer credit protection and efforts to empower the "financially savvy" community among Malaysians.

Fen is a platform among agencies chaired jointly by BNM and the Securities Commission Malaysia.

Nor Rafidz said that in offering financing products, all financial institutions regulated by BNM were required to adhere to prudent financing requirements to ensure borrowers had sufficient financial capacity for daily expenses.

He said it was also to protect consumers from excessive debt burdens, thus requiring financial institutions to conduct affordability assessments and comply with prudent debt service ratios so that borrowers could repay the financing throughout the financing period.

In an effort to increase public awareness of the importance of prudent financial management among young people, Fen had also introduced financial education modules as elective subjects in several higher education institutions.

"To complement this process, an online financial education programme known as Fen Proactive has been specially designed for final-year students.

"In addition, through the 2023 Financial Literacy Month organised by Fen, it successfully generated over 6.3 million interactions besides touring 71 locations nationwide and assisting more than 31,000 citizens, including university students," he said.

Nor Rafidz said that throughout 2021 and 2022, Fen implemented more than 500 financial education initiatives with over 11 million interactions covering all age groups and income levels, with a focus on youth.