

Car repossession req'ts amended under HP Act
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Financial institutions will not be allowed to repossess vehicles with defaulted monthly payments where 75 percent of the hire purchase total has been settled when the Hire-Purchase (Amendment) Bill 2010 is gazetted soon.

Domestic Trade, Cooperatives and Consumerism Minister Ismail Sabri Yaakob said with the amendment, financial institutions would be required to obtain a court order before they can repossess cars with defaulted payments.

"The creditor (financial institution) can only carry out the repossession process through a court order if the debtor has settled more than 75 percent of the loan provided," he told the Dewan Rakyat today.

Wrapping up debate on the Hire-Purchase (Amendment) Bill 2010, he said the government had fixed a one-third condition on the creditor regarding repossession under the Hire-Purchase Act 1967.

In the existing laws, repossession can occur if the debtor fails to make monthly payments twice and if a written notice has been issued to the debtor.

"The amendments were necessary after having reviewed act," he said. Ismail Sabri said the changes in the threshold (75 percent settlement) was seen as able to help the people easily obtain loans from banks as the latest requirements were more reasonable and practical.

"If the previous threshold is maintained, we fear banks will tighten requirements in approving car loans which will affect the people's wish to own a vehicle, now deemed a necessity, and no longer a luxury.

"It is also in line with the prime minister's call for all people to be given financial inclusiveness for all," he said.

However, he said creditors could repossess cars without a court order only if less than 75 per cent of the car loan has been repaid.

Regulating repossessors

On the issue of car repossessors, Ismail Sabri said the bill also proposed the introduction of a method on permit issuance to supervise car repossessing practices.

He said to ensure ethical car repossession practices, the government increased the penalty from RM3,000 or jail of not more than six months, or both, to a fine of not more than RM100,000 on any companies found to flout regulations under the act.

Besides that, a fine of not more than RM25,000 or jail of not more than three years, or more, can be imposed on an individual for the same offence.

Ismail Sabri said the bill aimed to also overcome problems in vehicle booking practices such as booking fees.

"Problems arise when some quarters take advantage of weaknesses in the current laws by not returning booking fees should it be cancelled. There are also cases where agents cheat the public by taking all of their clients' booking fees," he said.

In line with that, the amendment calls for full responsibility from the distributor to return all booking fees should there be a cancellation, besides using the booking fee as part of the deposit.

The bill was then passed.

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