

# 'USING EPF SAVINGS AS LOAN COLLATERAL VALID'

Some pressing cases deserve consideration, says Anwar

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**T**HE government has maintained that the initiative to allow Employees Provident Fund

(EPF) contributors to use their retirement funds as collateral for bank loans does not violate the EPF Act 1991.

Prime Minister Datuk Seri Anwar Ibrahim said the matter had been discussed with EPF before the initiative was announced at the Dewan Rakyat last Thursday. Anwar, who is finance minister, said the move was meant to help those with sufficient EPF savings but were facing financial difficulties.

"We are not allowing another round of withdrawals for the people as this is no longer the (worst of the) Covid-19 period. People can work. However, there are some urgent cases that we are aware of.

"For example, some people have savings, but they cannot afford to pay for their children's education fees abroad.

"Although we are not allowing a blanket withdrawal of EPF savings, they can instead use this method, although under strict conditions."

Anwar said this after officiating at the World Water Day celebration at Indera Mulia Stadium here yesterday.

Present were Natural Resources, Environment and Climate Change Minister Nik Nazmi Nik Ahmad and Perak Infrastructure, Energy, Water and Public Transport Committee chairman Datuk Seri Mohammad Nizar Jamaluddin.

Anwar, who is Tambun member of parliament, said his speech in Parliament on the initiative should be examined before any other view was offered.

"This is normal (that some would be displeased).

"If it was up to me, I would no longer allow it (additional EPF withdrawals), but there are some pressing cases that deserve consideration.

"In some cases, it makes sense as the contributor has sufficient savings in EPF, so we can allow that (as loan collateral)."

On Thursday, he announced in the Dewan Rakyat that the government would introduce a method that would allow contributors in dire straits to take up bank loans with collateral from their EPF savings.

However, critics claimed the move was illegal as per the EPF Act 1991, as the savings could be

withdrawn only for specific purposes.

The Malaysia Trade Unions Congress (MTUC) asked what would happen to borrowers and their EPF savings if they failed to settle their loans.

MTUC president Mohd Effendy Abdul Ghani said this was because based on the EPF Act 1991, there was no allocation that allowed the savings to be used as collateral, unless via a court order for asset stripping.

He disagreed with the possibility of amending the act to allow the initiative to take place, as it was important for EPF contributors' savings to be protected from bankruptcy proceedings.

He said the financial status of depositors could be made more precarious if banks imposed a higher interest rate than EPF dividends.

"Under the EPF Act 1991, -depositors' contributions are protected from bankruptcy (proceedings).

"What will happen if borrowers fail to pay their loans? Will banks offer loans based on such collateral?"

"Banks will impose a higher interest rate than EPF dividends. So overall, depositors would be worse off financially."

He said a clearer mechanism had to be studied first as banks could not take EPF savings to settle loan repayments if borrowers defaulted and were declared bankrupt.