

Using EPF savings as collateral legal, says PM

KUALA LUMPUR: The proposal to allow Employees Provident Fund (EPF) members to use their savings as collateral for bank loans does not breach Section 51 of the EPF Act, said Prime Minister Datuk Seri Anwar Ibrahim.

Anwar, who is also Finance minister, said the government had checked with the EPF and the attorney-general for legal advice on this matter.

He said this method of applying for bank loans would not jeopardise the interests of EPF members because they would continue receiving dividends on the savings used as collateral.

"For example, RM50,000 is used (as collateral) for loans but dividends will be given in full according to the original amount. So there is no deduction (in dividend)," he said during ministers' question time in the Dewan Rakyat yesterday.

> Applying for bank loans will not jeopardise interests of fund members as they will continue to receive dividends'

He was replying to a supplementary question from Datuk Muslimin Yahaya (PN-Sungai Besar), on whether the proposal would breach the EPF Act and whether the prime minister had sought advice from the attorney-general on the matter.

Anwar said the risk to EPF was also minimal as there would be returns on collateral over several years even if a small number of contributors fail to pay their loans.

He said EPF wanted contributors to use the Islamic loan facility but would not stop members, whether Muslims or non-Muslims, from borrowing at conventional rates.

"I wish to state that we will impose the Islamic financing instrument rates, so the service cost will be minimal and not calculated according to conventional bank interest. EPF opts to ask members to use the Islamic financing method with minimal interest rate, definitely lower than market rates."

Anwar added that members could still use their EPF Account 2 for purposes of education, performing the haj, and paying for hospital expenses as announced earlier, Bernama reported.

He asked all quarters not to regard EPF withdrawals as the only way to ease the people's burden as

the government had taken other measures to help them, including extending separate assistance to workers, farmers, fishermen and civil servants.

"It is clearly agreed that EPF is for old age. This is why there are clear declarations regarding this, including the fact that it is tax free, and several additional facilities have been given only to depositors."

Anwar said he feared for the future of EPF members if they were left with only RM4,000 or RM10,000 in savings in time to come.

He said the number of EPF members aged below 55 with savings of less than RM10,000 had reached 6.7 million people, and the majority of them are bumiputeras with median savings of RM4,937.

He also said 20 countries which allowed withdrawals from retirement funds following the Covid-19 pandemic had stopped implementing this facility.