

## The Credit Counselling and Debt Management Agency (CCDMA) enhances the avenues for consumers to seek redress and assistance in managing their finances.

Efforts to improve consumer literacy levels continued to be directed at addressing the issue of asymmetry of information through the publication and dissemination of information on retail banking products and services via the consumer education programme, BankingInfo. This program is currently in its fourth year of operation. During the year, two new booklets, *Current Account* and *Investing Your Money* were published. These publications aim at providing basic information

### Establishment of the Credit Counselling and Debt Management Agency

An important part of the strategies implemented in the Financial Sector Masterplan has been the development of the consumer protection framework and the enabling infrastructure to protect consumers' interests while at the same time enhancing consumers' financial capability to participate effectively in the financial system. The agenda covers a wide spectrum of initiatives involving infrastructure and institutional development and includes financial education, advisory services, distress management, rehabilitation and putting in place avenues for redress.

In this respect, Bank Negara Malaysia has already put in place a number of institutional arrangements to ensure that consumers have sufficient avenues to seek assistance and redress when they encounter difficulties in their interface with financial institutions. These avenues include dedicated complaint units at banking institutions and an independent dispute resolution mechanism at the Financial Mediation Bureau. In addition, Bank Negara Malaysia Laman Informasi, Nasihat dan Khidmat has been established to act as a centralised point of contact to facilitate a rapid and effective response for members of the public in matters related to the financial sector. These institutional arrangements will be complemented with the establishment of a Credit Counselling and Debt Management Agency (CCDMA) which will provide individuals with money management and credit counselling as well as debt management services. Scheduled to be operational in April 2006, this institutional arrangement aims not only at providing advisory services but also assisting individuals who are encountering difficulties in meeting their financial commitments.

Private consumption in the Malaysian economy has strengthened over the years, supported by positive consumer sentiments and increased access to banks' financing, notably in the area of consumer loans. This trend has been accompanied by an increase in the level of household indebtedness. For a number of consumption-driven economies, household debts have exceeded prudent levels in the range of 80-100% of GDP. Household indebtedness of the banking sector in Malaysia has, however, remained within prudent levels at 61.5% of GDP. Strong debt servicing capacity is also reflected in the levels of non-performing loans of the household sector which remained stable at below 8% of total outstanding household loans as at end-2005, much lower than the peak of 12.2% as at end-1998. This trend is expected to be sustained with household lending continuing to record robust growth. While prudent lending and borrowing practices will continue to be promoted with concerted efforts at educating consumers on wise financial management, there will be cases where consumers are affected by unexpected developments or cases in which they have overstretched themselves financially and are unable to meet their obligations.

The establishment of CCDMA is part of the many efforts by Bank Negara Malaysia to proactively ensure that the household sector continue to be resilient by providing an avenue for existing and potential individual borrowers to seek advice and assistance on managing their credit while at the same time promoting a sound and robust banking system by facilitating debt repayment efforts and minimising incidence of non-payment arising from poor debt management.

The CCDMA will provide free credit counselling, education and debt settlement services to consumers. Credit counselling and education is important as individuals have to be equipped with the necessary skills and tools to manage their finances for long-term financial sustainability and to prevent a recurrence of such a situation. The CCDMA will also assist consumers to proactively manage their debt via out-of-court procedures based on agreed repayment plans between the creditors and the debtors. Eligible individual borrowers will have access to assistance in restructuring debts relating to housing loans, hire purchase, credit card, charge card and personal loans that have been obtained from financial institutions regulated by Bank Negara Malaysia<sup>1</sup>. Cases involving multiple creditors may be referred directly to CCDMA while borrowers with single creditor should refer their cases to CCDMA when they have failed to reach an amicable work-out plan with their creditors. Amongst the services offered by the CCDMA are:

#### Details of Services Offered by CCDMA

Type of Service	Description
<b>Counselling and Advice on Financial Management</b>	One-to-one counselling and advice that cover financial budget, money management and credit issues. Assistance will be provided to consumers in analysing their financial situation and identifying all options available to help them to get back on track.
<b>Debt Management Programme</b>	A personalised debt repayment programme designed to provide eligible borrowers with solutions for their financial situation. The programme will include review of current financial condition, development of tailored financial solutions in collaboration with borrowers and banking institutions. The programme also provides ongoing counselling and education to consumers throughout the life of the programme and serves as an alternative means of debt settlement through out-of-court procedures based on the agreed repayment plans between banking institutions and the borrowers.
<b>Financial Education</b>	Education programmes for consumers, in particular, on the proper use of consumer credit and basic money management skills such as savings and budgeting as well as tips on how to use credit responsibly and debt management.

The CCDMA will be governed by a Board of Directors of whom the majority are independent directors. The Agency will be staffed by independent and experienced counselors who are experienced in credit counselling and debt restructuring. The CCDMA is located at Level 8, Maju Junction Mall, Kuala Lumpur.

The establishment of CCDMA marks another milestone in the development of a comprehensive consumer protection infrastructure and will contribute positively towards sustainable development of the consumer sector. Much progress has been achieved in developing and strengthening the consumer protection and education framework that aims at promoting a fair, equitable and transparent financial market as well as active consumerism.

<sup>1</sup> The institutions are commercial banks, merchant banks, Islamic banks, selected development financial institutions, insurance companies, takaful operators and credit and charge card issuers.

and tips on current account and investment for individuals. In addition, two information guides, *Looking for Housing Loan* and *Basic Banking Services* were also published during the year to provide quick and easy reference guides for consumers. Simple checklists to enable consumers to do comparison shopping for retail banking products or services are also provided.

To further promote greater access to timely, reliable and accurate information as well as to minimise the cost of information search, comparative information on credit cards and hire purchase products were published in the comparative tables in the BankingInfo website. These tables contain up-to-date and pertinent information and provide a convenient point of reference for consumers. The tables also serve to