

A BILL

i n t i t u l e d

An Act to amend the Hire-Purchase Act 1967.

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ENACTED by the Parliament of Malaysia as follows:

Short title and commencement

1. (1) This Act may be cited as the Hire-Purchase (Amendment) Act 2025.

(2) This Act comes into operation on a date to be appointed by the Minister by notification in the *Gazette* and the Minister may appoint different dates for the coming into operation of different provisions of this Act.

Amendment of section 2

2. The Hire-Purchase Act 1967 [*Act 212*], which is referred to as the “principal Act” in this Act, is amended in subsection 2(1)—

(a) by deleting the definition of “base lending rate”;

(b) by inserting after the definition of “dealer” the following definitions:

‘ “effective interest rate” refers to—

(a) a rate that reflects the actual finance cost of a hire-purchase in the case of a hire-purchase agreement where the terms charges are at a fixed rate; or

(b) a rate that reflects the actual finance cost of a hire-purchase which is determined by using the reference rate as a benchmark in the case of a hire-purchase agreement where the terms charges are at a variable rate;

“electronic” has the same meaning assigned to it in the Electronic Commerce Act 2006 [*Act 658*];’;

(c) by inserting after the definition of “prescribed” the following definition:

‘ “reference rate” refers to the benchmark interest rate that forms the basis for determining the pricing of variable rate financing facilities, whereby the benchmark rate is the published prevailing overnight policy rate;’; and

(d) by deleting the definition of “statutory rebate”.

Amendment of section 4

3. Subsection 4(2) of the principal Act is amended—

(a) by deleting the words “by delivering it in person”; and

(b) by deleting the words “under his hand”.

Amendment of section 4B

4. Section 4B of the principal Act is amended by inserting after subsection (1) the following subsection:

“(1A) For the purposes of subsection (1)—

- (a) prior to entering into a hire-purchase agreement, the owner shall undertake the necessary due diligence to verify the identity of the intending hirer; and
- (b) the owner shall keep proper records on the due diligence process undertaken and the records shall be kept for at least seven years from the date of the hire-purchase agreement.”.

Amendment of section 4C

5. Section 4C of the principal Act is amended—

(a) by substituting for subparagraph (1)(c)(viii) the following subparagraph:

“(viii) the effective interest rate for terms charges;”;
and

(b) in subsection (1B)—

(i) by substituting for the words “base lending rate” the words “reference rate”; and

(ii) by substituting for paragraph (c) the following paragraph:

“(c) the effective interest rate for terms charges; and”.

Amendment of section 4E

6. Section 4E of the principal Act is amended by substituting for subsection (3) the following subsection:

“(3) For the purposes of subsection (1), registration certificate refers to the registration certificate issued under the Road Transport Act 1987 [Act 333].”.

Amendment of section 5

7. Section 5 of the principal Act is amended by inserting after subsection (1A) as deleted the following subsections:

“(1B) Where an owner intends to serve or cause to be served an electronic copy of the hire-purchase agreement under subsection (1) or an electronic copy of the hire-purchase agreement following a variation, the owner shall ensure that the hire-purchase agreement explicitly recognizes the use of electronic form and the service of such agreement by electronic means as effective service.

(1C) For the purposes of subsection (1B), the owner shall ensure that the hirer has consented in writing to the use of such electronic form and its effective service.”.

Amendment of section 6A

8. Subsection 6A(2) of the principal Act is amended by substituting for the words “base lending rate” the words “reference rate”.

Amendment of section 6B

9. Section 6B of the principal Act is amended—

(a) in the shoulder note, by substituting for the words “**base lending rate**” the words “**effective interest rate**”;

(b) in subsection (1)—

(i) by substituting for the words “base lending rate” the words “effective interest rate”; and

(ii) by inserting after the words “the continuance of the agreement” the words “based on the prevailing reference rate”;

(c) in subsection (2), by substituting for the words “base lending rate” the words “effective interest rate”;

(d) by substituting for subsection (3) the following subsection:

“(3) Where the owner has revised the effective interest rate, he shall serve a notice to the hirer fourteen days prior to the date the revised effective interest rate comes into effect specifying the following:

(a) the revised effective interest rate; and

(b) the revised amount of instalments or the revised number of instalments, as the case may be.”; and

(e) by inserting after subsection (3) the following subsection:

“(4) An owner who contravenes subsection (3) shall be guilty of an offence under this Act.”.

Amendment of section 6c

10. Section 6c of the principal Act is amended—

(a) in the shoulder note, by substituting for the words “**base lending rate**” the words “**effective interest rate**”; and

(b) by substituting for the words “base lending rate” the words “effective interest rate”.

Amendment of section 14

11. Section 14 of the principal Act is amended—

(a) by deleting subsection (2); and

(b) by inserting after subsection (3) the following subsection:

“(4) For the purposes of this section, “net balance due” means—

(a) the outstanding amount financed; and

- (b) terms charges accrued and calculated up to the next due date of payment or the day specified in the notice, whichever is later,

less any surrender value of a contract of insurance where—

- (i) the contract of insurance is taken to cover the amount financed;
- (ii) the premium for the contract of insurance is paid by the hirer in instalments to the owner; and
- (iii) the surrender value is received or will be received by the owner upon cancellation of such contract.”.

Amendment of section 15

12. Subsection 15(6) of the principal Act is amended by substituting for paragraph (a) the following paragraph:

“(a) “balance outstanding under the hire-purchase agreement” means—

- (i) the outstanding amount financed; and
- (ii) terms charges accrued and calculated up to the next due date of payment or the day specified in the notice, whichever is later,

less any surrender value of a contract of insurance where—

- (A) the contract of insurance is taken to cover the amount financed;
- (B) the premium for the contract of insurance is paid by the hirer in instalments to the owner; and

- (C) the surrender value is received or will be received by the owner upon cancellation of such contract.”.

Amendment of section 18

13. Section 18 of the principal Act is amended—

(a) by substituting for paragraph (1)(b) the following paragraph:

“(b) the hirer may recover from the owner, the difference between the value of the goods and the balance outstanding under the hire-purchase agreement, if any, at the time of the owner so taking possession of the goods.”;

(b) by substituting for subsection (2) the following subsection:

“(2) Where the owner takes possession of any goods comprised in a hire-purchase agreement, the owner is not entitled to recover any sum, whether under a judgment, an order or otherwise, which exceeds the balance outstanding under the hire-purchase agreement.”;

(c) by deleting paragraph (3)(a); and

(d) by substituting for paragraph (3)(aa) the following paragraph:

“(aa) the balance outstanding under the hire-purchase agreement is—

(i) the outstanding amount financed; and

(ii) terms charges accrued and calculated up to the time of the owner so taking possession of the goods,

less any surrender value of a contract of insurance where—

- (A) the contract of insurance is taken to cover the amount financed;
- (B) the premium for the contract of insurance is paid by the hirer in instalments to the owner; and
- (C) the surrender value is received or will be received by the owner upon cancellation of such contract; and”.

Amendment of section 43

14. Section 43 of the principal Act is amended—

- (a) by deleting the word “or” at the end of paragraph (a);
- (b) by substituting for the full stop at the end of paragraph (c) the words “; or”; and
- (c) by inserting after paragraph (c) the following paragraph:
 - “(d) by telegram, facsimile transmission or by any other electronic or other means of transmission which results in the notice or document being transmitted in writing.”.

Amendment of section 45

15. Subsection 45(1) of the principal Act is amended—

- (a) by substituting for paragraph (b) the following paragraph:
 - “(b) that is in a font size smaller than the type known as ten-point Times; or”; and
- (b) by substituting for paragraph (c) the following paragraph:
 - “(c) that is not in black font,”.

New section 45A

16. The principal Act is amended by inserting after section 45 the following section:

“Legal recognition of electronic message

45A. Nothing in this Act shall deny the legal effect, validity or enforceability of any notice or document made under this Act on the ground that it is wholly or partly in an electronic form provided that the requirements under laws which provide for legal recognition and use of electronic messages are complied with.”.

Amendment of section 57A

17. Section 57A of the principal Act is amended by inserting after subsection (2) the following subsection:

“(3) Notwithstanding subsection (2), for the purpose of calculating the net balance due under section 14, any amendments, variations, deletions or additions to the formula set out in the Sixth Schedule to the Act shall apply to any hire-purchase agreement entered into prior to such amendments, variations, deletions or additions provided that the hirer and owner have mutually agreed to such calculation.”.

Amendment of Second Schedule

18. The Second Schedule to the principal Act is amended, in Part I—

- (a) in subsubparagraph 4(a)(i), by substituting for the word “Rate” the words “Effective interest rate”;
- (b) in subsubparagraph 4(b)(i), by substituting for the word “BLR” the words “reference rate”;

- (c) by deleting the words “Annual Percentage Rate**” and the words “RM.....” appearing against it; and
- (d) in the note column, by substituting for the word “BLR” the words “reference rate”.

Amendment of Fifth Schedule

19. The Fifth Schedule to the principal Act is amended by substituting for paragraph (b) the following paragraph:

“(b) if within twenty-one days, you give notice of intention to finalise the agreement and pay the balance due under the agreement and costs of the re-possession:

The owner’s estimate of the amount required to finalise the agreement is where in the hire-purchase agreement the terms charges are at a fixed or variable rate:

Total amount payable under the agreement	RM.....
<i>Less</i> deposit and instalments paid	RM.....
Balance due under agreement	RM.....
<i>Less</i> surrender value of the contract of insurance	RM.....
<i>Add</i> arrears of interest due on overdue interests	RM.....
<i>Add</i> costs of re-possession	RM.....
Storage, repair or maintenance	RM.....

Total	RM.....
	_____”.

Substitution of Sixth Schedule

20. The principal Act is amended by substituting for the Sixth Schedule the following schedule:

“SIXTH SCHEDULE

[Section 30]

TERMS CHARGES

Where the terms charges are at a fixed or variable rate, the terms charges shall be calculated in accordance with the following formula:

$$C = \left(\frac{NPR}{100T \left(1 - \left[1 + \frac{R}{100T} \right]^{-N} \right) \right) - P$$

Where

C represents the amount of terms charges expressed in ringgit and fractions of ringgit

R represents the terms charges calculated as an effective interest rate per centum per annum

T represents the number of scheduled payments per annum

N represents the total number of instalments for the hiring period

P represents the difference between the cash price of the goods comprised in the agreement and the amount of the deposit, together with—

(a) freight, if any;

(b) vehicle registration fees, if any; and

(c) insurance, if any,

expressed in ringgit and sen.”.

Deletion of Seventh Schedule

21. The principal Act is amended by deleting the Seventh Schedule.

Saving and transitional

22. (1) Any action, investigation or proceedings for any offence under the principal Act committed before the date of coming into operation of this Act shall, after the date of coming into operation of this Act, be continued as if the principal Act has not been amended by this Act.

(2) Any obligation, liability, penalty or punishment imposed, made, accrued or incurred under the principal Act on the date of coming into operation of this Act shall, after the date of coming into operation of this Act, continue to be in force and have effect as if the principal Act has not been amended by this Act.

(3) For the purposes of section 14 of the principal Act, where a hirer and owner has entered into a hire-purchase agreement prior to and which continues to exist after the date of coming into operation of this Act, such hirer and the owner may mutually agree to elect the method of calculating the net balance due under the hire-purchase agreement in accordance with the principal Act as amended by this Act.

EXPLANATORY STATEMENT

This Bill seeks to amend the Hire-Purchase Act 1967 (“Act 212”) by providing fairer outcomes to consumers under a hire-purchase agreement particularly the replacement of the existing method for terms charges calculation. Other amendments include streamlining the maximum limit for terms charges in relation to hire-purchase agreements using fixed or variable rate, enabling the adoption of new technologies to execute hire-purchase agreements, and updating outdated terms to align with prevailing regulatory standards and technological developments.

2. *Clause 1* contains the short title and provisions on the commencement of the proposed Act.

3. *Clause 2* seeks to amend subsection 2(1) of Act 212.

Subclause 2(a) seeks to delete the definition of “base lending rate”.

Subclause 2(b) seeks to introduce the definitions of “effective interest rate” and “electronic”.

Subclause 2(c) seeks to introduce the definition of “reference rate”. Reference rate refers to the benchmark interest rate that serves as the basis for determining the pricing of variable rate financing facilities, whereby the benchmark rate is the published prevailing overnight policy rate as set out in the Monetary Policy Statement of the Monetary Policy Committee of Central Bank of Malaysia. The Monetary Policy Committee is responsible for formulating monetary policy including deciding on the appropriate overnight policy rate which influences the lending and financing rates in Malaysia.

Subclause 2(d) seeks to delete the definition of “statutory rebate”.

4. *Clause 3* seeks to amend subsection 4(2) of Act 212 to delete the words “by delivering it in person” and “under his hand”.

5. *Clause 4* seeks to amend section 4B of Act 212 to introduce a new subsection (1A) which requires an owner to undertake a due diligence process to verify the identity of the hirer.

6. *Clause 5* seeks to amend section 4C of Act 212 to substitute for the words “base lending rate” the words “reference rate”, and to update the references to “annual percentage rate” to “effective interest rate”.

7. *Clause 6* seeks to amend section 4E of Act 212 to ensure the references to “registration certificate” are consistent with the Road Transport Act 1987 [Act 333].

8. *Clause 7* seeks to amend section 5 of Act 212 to introduce new subsections (1B) and (1C).

The proposed new subsections (1B) and (1C) seek to impose obligations on the owner in relation to the service of the hire-purchase agreement through electronic means.

9. *Clause 8* seeks to amend subsection 6A(2) of Act 212 to substitute for the words “base lending rate” the words “reference rate”.

10. *Clause 9* seeks to amend section 6B of Act 212 in consequence of the adoption of the new method for the calculation of terms charges.

This *clause* further seeks to provide the timeline for the owner to inform the hirer on the changes to the hirer’s financial obligations following any revision to the effective interest rate.

This *clause* also seeks to make it an offence if the owner fails to comply with the notification requirement due to the importance of ensuring that the hirer is well informed of the changes.

11. *Clause 10* seeks to amend section 6C of Act 212 to substitute for the words “base lending rate” the words “effective interest rate”.

12. *Clauses 11, 12 and 13* seek to amend sections 14, 15 and 18 of Act 212 respectively in consequence of the adoption of the new method for calculating the net balance due or the balance outstanding under the hire-purchase agreement when there is early completion or termination of the agreement, or where the owner takes possession of the goods.

13. *Clause 14* seeks to amend section 43 of Act 212 to make electronic means as one of the methods of service for notices.

14. *Clause 15* seeks to amend section 45 of Act 212 to ensure that the formatting requirements for any prescribed documents under this section shall apply irrespective of the form of the documents.

15. *Clause 16* seeks to introduce a new section 45A into Act 212 to recognize the legality of a relevant notice or document which is made in electronic form.

16. *Clause 17* seeks to introduce a new subsection 57A(3) into Act 212 to provide a provision that allows flexibility for hirer and owner who have entered into hire-purchase agreement before the coming into force of this amendment to elect the method of calculating the net balance due under the hire-purchase agreement in accordance with the changes made to the Sixth Schedule to Act 212 for the purpose of early completion of the agreement, as provided under section 14 of Act 212.

17. *Clause 18* seeks to amend Part I of the Second Schedule to Act 212.

Subclause 18(a) seeks to substitute for the word “Rate” in subsubparagraph 4(a)(i), in Part I of the Second Schedule the words “Effective interest rate”.

Subclause 18(b) seeks to amend subsubparagraph 4(b)(i), in Part I of the Second Schedule by substituting for the word “BLR” the words “reference rate”.

Subclause 18(c) seeks to delete the words “Annual Percentage Rate**” and the words “RM.....” appearing against it.

Subclause 18(d) seeks to substitute for the word “BLR” in the note column of Part I of the Second Schedule the words “reference rate”.

18. *Clause 19* seeks to amend paragraph (b) of the Fifth Schedule to Act 212 to reflect the revised cost computation methodology applicable to repossessed goods where the same calculation is used regardless of whether the terms charges are at a fixed or variable rate. The amendment also seeks to reflect the incorporation of the surrender value of the contract of insurance which is required to be deducted from the balance due under the hire-purchase agreement.

19. *Clause 20* seeks to substitute the Sixth Schedule to Act 212 to reflect the calculation of the terms charges where the same calculation is used regardless of whether the terms charges are at a fixed or variable rate.

20. *Clause 21* seeks to delete the Seventh Schedule to Act 212 following the use of “effective interest rate” which replaces “annual percentage rate”.

21. *Clause 22* deals with saving and transitional provisions.

FINANCIAL IMPLICATIONS

This Bill will not involve the Government in any extra financial expenditure.

[PN(U2)3407]