

Tempted by more credit

Cardholders lured by offers despite dilemma

By RAHIMY RAHIM

rahimyr@thestar.com.my

PETALING JAYA: A large number of those mired in credit card debts are unable to free themselves because banks keep enticing them with more credit.

Cardholders are alleging that if banks detect a trend of them making regular monthly payments, they would be lured with more credit offers.

Some say they are offered pre-approved cash loans for various amounts over the telephone, while others receive cheques for RM10,000 to RM15,000 in the post.

"I was surprised to see a cheque for RM10,000 in my name. The letter stated that I could cash it any time I wanted.

"Although I was tempted, I tore it up because I did not want to take on more debt," said a cardholder, who only wanted to be known as John.

He said he had a RM15,000 debt and had been making fixed payments monthly.

Another cardholder who has a RM12,000 debt said he kept on receiving cash offers from the bank "although I am trying to pay them off".

"My objective is to pay off the debt and cut up the card. But what the bank is trying to do is to make sure that I do not do that," he claimed.

Fomca chief executive officer Datuk Paul Selvaraj said aggressive strategies of banks and credit card companies had contributed to the

debt problem.

"Even at a very young age, consumers are enticed with various packages to sign up for a credit card. This needs to be controlled," he told *The Star*.

He said consumers must take charge of managing their credit card payments irrespective of the tactics employed by banks.

Selvaraj also said banks should write agreements which were easy to understand.

"Consumers must be aware of the agreements, especially the terms on late payment and interest charges. We have met with Bank Negara to create a standardised format for credit agreements using plain and customer-friendly English. This will allow consumers to choose the best credit card deals," he said.

Call centre trainer Faizol Ahmad, 33, said he was involved with a company project which involved a lot of travelling.

"I was lured into accepting more credit as the offers were too good," he said, admitting that he ended up in a financial mess.

Association of Banks in Malaysia executive director Chuah Mei Lin defended the banks, saying there was no "set-up" involved.

"We strongly deny that banks are setting any traps. This sort of allegation gives us a bad name," she said.

She added that there were very strict rules and regulations by Bank Negara.

"Our licences can be revoked if we do not follow the rules," she said.