

ARTICLE

Buy Now and Pay Later and Its Latent Risks

Vivien Chen

Department of Business Law and Taxation, Monash Business School, Monash University, Australia
Email: vivien.chen@monash.edu

(Received 14 March 2024; revised 11 January 2025; accepted 7 March 2025)

Abstract

Buy Now Pay Later (BNPL) has been lauded as one of the latest global trends in smart ‘ways to pay’, riding on the wave of digital disruption that has gained traction internationally. At the same time, concerns have been raised over harm to vulnerable consumers becoming mired in unanticipated debt. This article facilitates a deeper understanding of the phenomenon from a bottom-up perspective through an analysis of empirical data comprising a survey of 400 consumers, interviews with consumer advocates and BNPL users, and a survey of Malaysian BNPL providers’ websites. The article explores how digitalisation, payment by instalments, and providers’ advertising strategies can collectively mask risks for unsuspecting consumers. Insights from the analysis are used to inform proposals to strengthen the effectiveness of the emerging Malaysian consumer credit framework. As the first country to introduce consumer credit legislation in the ASEAN region, Malaysia’s burgeoning framework provides a model for other ASEAN Member States. In addition to targeted measures aimed at empowering consumer decision-making, there is an urgent need to address the problem of poverty to avoid unintended consequences. The empirical analysis is valuable for other emerging economies seeking to strengthen protections for credit consumers.

Introduction

Buy Now Pay Later (BNPL) has seen exponential growth in recent years, and its popularity has accelerated across borders.¹ As its popularity grows, concerns have been raised over the risks it poses. Described as a debt trap, BNPL often operates in a less regulated space than similar forms of consumer finance, even in countries with developed consumer credit regulatory frameworks.² Reports have highlighted debt problems among many consumers drawn by BNPL marketing as

¹In 2021, in North America alone, BNPL accounted for approximately USD33 billion worth of e-commerce sales: Deloitte, ‘Addressing buy now pay later risks effectively’ <<https://web.archive.org/web/20250423102426/https://www.deloitte.com/us/en/pages/advisory/articles/buy-now-pay-later-risk.html>> archived 23 May 2025, retrieved 8 Feb 2026; Consumer Financial Protection Bureau, ‘Buy Now, Pay Later: Market Trends and Consumer Impacts’ (Sep 2022) 3 <https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf> accessed 8 Feb 2026; Deloitte Legal, ‘Where Buy Now Pay Later is Going in Europe – The Latest Regulatory Trends’ (Oct 2022) <<https://web.archive.org/web/20240718000024/https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Legal/gx-legal-buy-now-pay-later.pdf>> archived 18 Jul 2024, retrieved 8 Feb 2026.

²Australian Government: The Treasury, ‘Regulating Buy Now, Pay Later in Australia, Options Paper’ (Nov 2022) 4 <<https://treasury.gov.au/sites/default/files/2022-11/c2022-338372-op.pdf>> accessed 8 Feb 2026.

an interest-free ‘way to pay’.³ Easy access to credit and an attractive digital interface have further precipitated the increasing uptake of BNPL.⁴ This article investigates emerging evidence of detrimental consequences faced by BNPL users and considers regulatory reforms aimed at strengthening protection for vulnerable consumers. The analysis focuses on Malaysia, which is developing a regulatory framework for the protection of credit consumers.⁵ The study’s insights are valuable for other emerging economies contemplating interventions to address similar issues.

The Malaysian BNPL industry has grown rapidly in line with international trends. In 2023, there were 77.3 million BNPL transactions worth RM6.2 billion, significantly higher than the RM1.49 billion value of non-bank BNPL providers in 2021.⁶ At the same time, concerns have been raised in the media over consumers falling into unmanageable debt as a result of BNPL.⁷ To alleviate such harm, Malaysian law reformers introduced the Consumer Credit Act 2025 [Act 873], drawing on the experience of other common law countries, such as the UK and Australia, which have established consumer credit regulatory frameworks.⁸ The legislation received royal assent on 22 December 2025.⁹ It empowers the Consumer Credit Commission to regulate and supervise the industry, and the Commission’s powers include issuing standards or guidelines for credit providers.¹⁰

This article contributes to the development of consumer credit regulation in Malaysia by facilitating a more nuanced understanding of consumers’ experiences with BNPL. It investigates the intersection between financial stress, credit use, and harmful outcomes, drawing on original empirical data collected by the author. The study sheds light on strategies that the Consumer Credit Commission can implement, and regulatory guidance that it can issue, to increase the efficacy of current reform initiatives and strengthen safeguards for the most vulnerable consumers. Insights from the analysis are relevant for other emerging economies, particularly Member States of the ASEAN Economic Community, seeking to address consumer harm from BNPL and other forms of online credit. Problems with consumers falling into unmanageable debt after using BNPL have also been raised in other Member States.¹¹ Member States of the ASEAN Economic Community collectively comprise the fifth-largest economy in the world, with a nominal GDP of USD3.8 trillion in 2023.¹²

³ Australian Securities and Investments Commission (ASIC), ‘Buy Now Pay Later: An Industry Update’ (Report 672, Nov 2020) <<https://download.asic.gov.au/media/5852803/rep672-published-16-november-2020-2.pdf>> accessed 8 Feb 2026; Financial Conduct Authority (FCA), ‘The Woolard Review – A Review of Change and Innovation in the Unsecured Credit Market’ (2 Feb 2021) <<http://www.fca.org.uk/publication/corporate/woolard-review-report.pdf>> accessed 8 Feb 2026.

⁴ ASIC (n 3) 12; FCA (n 3) 6.

⁵ Consumer Credit Oversight Board Task Force, ‘Consumer Credit Act: Public Consultation Paper Part 1’ (4 Aug 2022) <https://ccob.my/wp-content/uploads/2022/10/Consultation_Paper_Part_1_en.pdf> accessed 8 Feb 2026 (‘Consultation Paper’).

⁶ Consumer Credit Oversight Board Task Force, Buy Now Pay Later (BNPL) Industry in Malaysia: Trends & Analysis (Q1 2023–Q1 2024) <<https://ccob.my/industries/>> accessed 8 Feb 2026 (‘Industry Trends’); Faizul Zubairi, ‘Beli Sekarang, Bayar Kemudian: Jangan Sampai Muflis’ (*Dewan Masyarakat*, 30 Sep 2022) <<https://dewanmasyarakat.jendeladbp.my/2022/09/30/9265/>> accessed 8 Feb 2026.

⁷ “Buy Now, Pay Later” Online Schemes Are Inevitable Debt Traps, Says Expert’ (*Bernama*, 9 Aug 2022) <https://web.archive.org/web/20220929231829/https://www.bernama.com/en/b_focus/news.php?id=2109011> archived 29 Sep 2022, retrieved 8 Feb 2026.

⁸ Consumer Credit Oversight Board Task Force, ‘Consultation Paper’ (n 5).

⁹ Its commencement date is expected to be announced in the first quarter of 2026; Consumer Credit Oversight Board Task Force, Latest Information on the Consumer Credit Act 2025 [Act 873] (8 Jan 2026) <<https://ccob.my/latest-information-on-the-consumer-credit-act-2025-act-873/>> accessed 12 Feb 2026.

¹⁰ Consumer Credit Act 2025 s 8(2)(a), (b), (d) and (g).

¹¹ Risyiana Muthia, ‘In Indonesia, ‘pay later’ services leave some drowning in debt’ (*Al Jazeera*, 28 Jun 2022) <<https://www.aljazeera.com/economy/2022/6/28/for-indonesias-poor-pay-later-services-exact-heavy-price>> accessed 8 Feb 2026; “Buy now, pay later” poses risk if left uncontrolled’ (*Viet Nam News*, 26 Jul 2023) <<https://vietnamnews.vn/economy/1551608/buy-now-pay-later-poses-risk-if-left-uncontrolled.html>> accessed 8 Feb 2026.

¹² Association of Southeast Asian Nations (ASEAN), ‘ASEAN Key Figures 2024’ (ASEAN Secretariat, Dec 2024) 33 <<https://www.aseanstats.org/wp-content/uploads/2024/12/AFK2024.v1.pdf>> accessed 8 Feb 2026. There are ten Member

The ASEAN Economic Blueprint envisages regional economic integration, emphasising the need for consumer credit protection frameworks in the region, and information sharing and exchange among Member States.¹³ In ASEAN's characteristic form of consensus-based cooperation, Malaysia's burgeoning regulatory framework, the first by way of legislation in the region, provides a model for other Member States. Singapore has a voluntary code for BNPL that sets out best practices, including caution when using the word 'free' in advertising, processes to enable consumers to apply for financial hardship assistance, and internal dispute resolution.¹⁴ However, concerns have been raised over its lack of enforceability, and consumer advocates argue that voluntary codes elsewhere have not been effective in curbing consumer harm from unaffordable BNPL.¹⁵ Singaporean experts assert that further safeguards are necessary to protect vulnerable consumers.¹⁶

This article examines the growing popularity of BNPL, its underlying drivers, and risks of harm. The discussion then turns to the methodology and insights from a survey of 400 Malaysian consumers, focus group interviews, an interview with consumer advocates, and an analysis of BNPL providers' websites. Proposals for regulatory guidance and broader reforms to alleviate the risk of harm are considered.

BNPL: Growth and consumer harm

The Malaysian BNPL industry has grown rapidly in recent years.¹⁷ In the first quarter of 2024 alone, 29 million transactions worth RM2.3 billion were recorded, more than double the transaction volume in the first quarter of 2023 (14 million).¹⁸ BNPL is used primarily by adults aged 31–45 years (47%) and 21–30 years (44%). Concerns have been raised over the lack of transparency, the targeting of younger and low-income borrowers, and the risk of over-indebtedness.¹⁹ While BNPL is often advertised as having 'zero interest', fees for late payments, processing charges and other opaque costs are often comparable to credit card rates.²⁰ The rapid growth of BNPL in Malaysia resonates with international trends, such as in the UK, where £2.7 billion worth of transactions were recorded in 2020.²¹ In Australia, the transaction value was estimated at AUD2 billion, with almost a third of Australians using BNPL in 2023.²² While there is some diversity in the business models adopted by

States in ASEAN – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

¹³ASEAN, 'ASEAN Economic Community Blueprint 2025' (ASEAN Secretariat, 2015) 18 <<https://asean.org/book/asean-economic-community-blueprint-2025/>> accessed 8 Feb 2026; Jodi Gardner, 'Recent Developments in the Regulation of Consumer Credit' [2023] Singapore Journal of Legal Studies 196.

¹⁴Singapore FinTech Association, 'Buy Now Pay Later Code of Conduct' (2023) <<https://singaporefintech.org/bnpl-code-of-conduct/>> accessed 8 Feb 2026.

¹⁵Gardner (n 13); Close Lending Loopholes alliance, 'Joint Consumer Submission to Treasury: Regulating Buy Now, Pay Later in Australia, Options Paper' (Dec 2022) 4 <https://treasury.gov.au/sites/default/files/2023-02/c2022-338372-joint_consumer_group.pdf> accessed 8 Feb 2026.

¹⁶Chor Khieng Yuit, 'More Safeguards Needed for "Buy Now, Pay Later" Scheme to Protect Younger Consumers: Experts' (Straits Times, 26 Nov 2024) <<https://www.straitstimes.com/business/more-safeguards-needed-for-buy-now-pay-later-scheme-to-protect-younger-consumers-experts>> accessed 8 Feb 2026.

¹⁷Consumer Credit Oversight Board Task Force, 'Consultation Paper' (n 5).

¹⁸Consumer Credit Oversight Board Task Force, 'Industry Trends' (n 6).

¹⁹Bank Negara Malaysia (Central Bank of Malaysia), 'Financial Stability Review Second Half 2022' (2023) 17 <<https://www.bnm.gov.my/publications/fsr2022h2>> accessed 8 Feb 2026.

²⁰Lien Duong, Grantley Taylor & Baban Eulaiwi, 'Comparative Analysis of Credit Card Interest Rates vs BNPL Fees in the Consumer Credit Market' (School of Accounting, Economics and Finance, Curtin University, Jul 2022) <<https://www.financialcounsellingaustralia.org.au/fca-content/uploads/2022/07/Comparative-Interest-Rates-BNPL-v-Credit-Cards-1.pdf>> accessed 8 Feb 2026.

²¹FCA (n 3) 44; Deloitte (n 1).

²²Ellis Connolly, 'Online Retail Payments – Some Policy Issues', Speech at the Merchant Risk Council Conference, Melbourne, (Reserve Bank of Australia, 18 Jun 2024) <<https://www.rba.gov.au/speeches/2024/pdf/sp-so-2024-06-18.pdf>> accessed 8 Feb 2026.

BNPL providers, a number of common traits have given rise to observations of consumer harm, with remarkable similarity across countries.

Although BNPL has its benefits, financial counsellors have observed that ‘without adequate safeguards it can too easily cause harm to others.’²³ By incorporating specific features, such as zero interest, providers have circumvented consumer protection laws, even in countries with robust regulatory frameworks.²⁴ Reforms have been introduced in Australia to extend the scope of consumer credit regulatory frameworks to include BNPL, while several other countries are considering similar measures.²⁵ Various features of BNPL give rise to risks of harm, including marketing strategies and easy access to credit through digital platforms.

Digital disruption and the new ‘way to pay’

The widespread use of the digital interface is thought to promote the rising use of BNPL. Ease of access and its availability through merchants further encourage the perception of BNPL as a ‘casual way to consume’ with ‘just a few taps’ on the phone.²⁶ Strategies that appeal to consumers include apps that ‘replicate the experiences of a digital game’ and ‘offer rewards and positive reinforcements’ while ‘promoting themselves as helping customers to manage their finances.’²⁷ Gamification of debt encourages engagement, and BNPL providers’ digital interface is often similar to those of social platforms. By emulating the experience of interacting with social, informal platforms as opposed to formal, intimidating economic relationships with banks, digital platforms mask the risks of credit arrangements.²⁸

BNPL is often marketed as an interest-free way to pay by instalments. References to ‘zero cost’ and ‘new ways to pay’ have fostered perceptions that BNPL is similar to a debit card.²⁹ Consumers often fail to recognise that it is a form of debt³⁰ and, as a result, they ‘may not apply the same level of scrutiny to their decision-making as they would for other credit products,’ including considering the consequences of failing to repay.³¹

Advertising strategies play into consumers’ behavioural biases, increasing the likelihood of impulsive decisions that are not in their best interest.³² The benefits of BNPL are highlighted while risk disclosures are made to appear relatively inconspicuous. Further, splitting the total cost of an item into several smaller instalments creates the impression that the purchase is more affordable. Advertisements tap into people’s identities and aspirations, promoting BNPL as a means to ‘empower

²³Financial Counselling Australia, *It’s Credit, It’s Causing Harm and It Needs Better Safeguards* (Dec 2021) 11 <<https://www.financialcounsellingaustralia.org.au/fca-content/uploads/2021/12/FCA-Buy-Now-Pay-Later-Survey-Dec-2021-Final.pdf>> accessed 8 Feb 2026.

²⁴Australian Government: The Treasury (n 2) 7. By not charging interest, for example, and specifying a fixed fee for overdue payments, BNPL falls within the exemptions available under Schedule 1 of the *National Consumer Credit Protection Act 2009* (Cth). Similarly, in the UK, BNPL fell within the exemption found in Article 60F(2) of the *Regulated Activities Order*.

²⁵FCA, ‘New Protections Confirmed for Buy Now Pay Later Borrowers’ (2026) <<https://www.fca.org.uk/news/press-releases/new-protections-confirmed-buy-now-pay-later-borrowers>>; FCA (n 3) 52; Close Lending Loopholes (n 15) 47.

²⁶David Farrugia, Julia Cook, Kate Senior, Julia Coffey, Steven Threadgold, Kate Davies, Barrie Shannon & Adriana Haro, *Young People, Debt and Consumer Credit: Pilot Study Report* (Newcastle Youth Studies Network, University of Newcastle, 2021) 24.

²⁷*ibid* 19. An Australian study indicates that 49% of consumers who cut back or went without essentials to make BNPL payments on time were aged 18 to 29 years, while 50% of consumers who took out an additional loan to meet BNPL payments were also within that age bracket: ASIC (n 3) 15.

²⁸*ibid* 25 <https://openresearch.newcastle.edu.au/articles/report/Young_people_debt_and_consumer_credit_pilot_study_report/29046512?file=54491096> accessed 8 Feb 2026

²⁹FCA (n 3) 46.

³⁰*ibid* 47; Financial Counselling Australia (n 23) 5.

³¹FCA (n 3) 46.

³²FCA (n 3) 47.

the life you want',³³ emphasising the potential to achieve a lifestyle that might not otherwise be attainable.³⁴

As marketing strategies camouflage the risks of indebtedness, the lack of friction and affordability checks further facilitates impulse buying. Critics observe that 'the overall consumer journey' is 'designed to drive sales without due consideration for the affordability of the commitment the consumer is taking on.'³⁵ Providers often market BNPL to retailers on the grounds that 'consumers spend more when they use BNPL offers than they would when paying by traditional methods.'³⁶ The relatively seamless digital interface between merchants and BNPL providers bolsters perceptions of BNPL as a payment method rather than a form of credit or debt, which carries risks of harm.

Adverse consequences

Several Malaysian news articles have underscored the challenges faced by BNPL consumers who were drawn to it for its easy access without realising the risks.³⁷ Subsequently, they fell behind on instalment payments. As late charges accrued, their indebtedness increased, and they were pursued by debt collectors.³⁸ Regulators, consumer advocates and financial counsellors in other countries have raised similar concerns.³⁹ In the UK, two in five BNPL users struggled to meet BNPL repayments.⁴⁰ Late fees of £39 million were recorded in the UK over a 12-month period,⁴¹ while Australians paid AUD43 million.⁴² As BNPL repayments are often automatically deducted from credit or debit card accounts, consumers are at times left with insufficient funds for other expenses, incur interest on their credit card debt, take on additional BNPL debts, or are pursued by debt collectors.⁴³ More than two in five British BNPL consumers borrowed money to pay BNPL debt, often incurring interest as a result.⁴⁴ In Australia, 61% of financial counsellors surveyed report that vulnerable consumers struggle to pay living expenses such as rent, food, or utilities because of BNPL debt, often prioritising BNPL payments to keep their accounts open.⁴⁵

Malaysian law reformers have often drawn on developments in common law countries such as the UK and Australia, and the consultation papers reflect the perceived value of looking to innovations in other common law jurisdictions.⁴⁶ At the same time, scholars underscore the importance of considering differences in socioeconomic conditions and the specific challenges consumers face in a local context to ensure that borrowed laws achieve their underlying aims.⁴⁷

³³ *ibid.*

³⁴ Farrugia et al (n 26) 19.

³⁵ *ibid.*

³⁶ FCA (n 3) 47.

³⁷ Syarifah Dayana Syed Bakri, 'Usah Terjerat BNPL' (*Harian Metro*, 13 Aug 2022) <<https://www.hmetro.com.my/rencana/2022/08/871027/usah-terjerat-bnpl?>> accessed 8 Feb 2026.

³⁸ Ekhwan Haque Fazlul Haque and Redzuan Muharam, 'Merana kerana 'beli dulu bayar kemudian' (*Harian Metro*, 11 Oct 2022) <<https://www.hmetro.com.my/utama/2022/10/891170/merana-kerana-beli-dulu-bayar-kemudian>> accessed 20 Feb 2023.

³⁹ Close Lending Loopholes (n 15).

⁴⁰ Citizens Advice, 'Buy now, pay later: what happens if you can't pay later?' (2 Sep 2021) <<https://www.citizensadvice.org.uk/about-us/our-work/policy/policy-research-topics/debt-and-money-policy-research/buy-now-pay-later-what-happens-if-you-cant-pay-later/>> accessed 20 Feb 2023.

⁴¹ *ibid.*

⁴² ASIC (n 3) 12-13.

⁴³ Citizens Advice (n 40); Close Lending Loopholes (n 15) 16; ASIC (n 3) 17.

⁴⁴ Citizens Advice, 'Two-fifths borrowed to pay off Buy Now Pay Later, Media release' (8 Jun 2022) <<https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/two-fifths-borrowed-to-pay-off-buy-now-pay-later/>> accessed 6 Mar 2023.

⁴⁵ Financial Counselling Australia (n 23) 6.

⁴⁶ Consumer Credit Oversight Board Task Force, 'Consultation Paper' (n 5).

⁴⁷ Andrew Harding, 'Comparative Law and Legal Transplantation in South East Asia: Making Sense of the "Nomic Din"', in David Nelken and Johannes Feest (eds), *Adapting Legal Cultures* (Hart Publishing, 2001) 203.

Financial stress. An estimated 53,000 young Malaysian adults aged below 30 years were described as ‘drowning in debt’ worth nearly RM1.9 billion in October 2024.⁴⁸ This is attributed in part to ‘growing reliance by young people on BNPL services as well as credit cards and personal loans’.⁴⁹ Further, the high cost of living, inadequate income, and housing unaffordability contribute to widespread financial stress.⁵⁰ According to the Gallup World Poll 2018, ‘nearly a third of Malaysians in the sample said they did not have enough money for food’, noting that this was ‘more than double the rate reported in 2012’.⁵¹ Approximately 27% of households in Kuala Lumpur earned ‘less than the recommended living wage’;⁵² and 28% of working adults needed to borrow to buy essential goods, resorting to personal loans, including non-bank credit.⁵³ Female-headed households, people with disabilities and the elderly are especially vulnerable, with about 60% struggling to provide adequate food for the family, and without savings for emergencies.⁵⁴

Malaysia offers the lowest level of social protection among upper-middle-income countries in Asia, and its inadequacy has been underscored in various reports.⁵⁵ Benefits are given to ‘a small share of an eligible population’, but many other vulnerable individuals receive no social security.⁵⁶ Even with government assistance, many low-income families are unable to pay their utility bills, rent, or mortgage on time.⁵⁷ In the words of one low-income earner, ‘We get groceries on credit. We get loans from friends and family if they have extra. It’s mostly to pay for food; most importantly for rice’.⁵⁸ For vulnerable consumers, credit is a double-edged sword. While it helps to make ends meet, the high cost of interest or fees in addition to repayments leads to a debt spiral, exacerbating financial

⁴⁸Quoting statistics from the Credit Counselling and Debt Management Agency: Iman Muttaqin Yusof, “‘Buy Now, Pay Later’ Services May Trap Young Malaysians in Debt: Experts’ (*Benar News*, 9 Jan 2025) <<https://www.benarnews.org/english/news/malaysian/buy-now-pay-later-services-may-trap-young-malaysians-in-debt-experts-01092025125612.html>> accessed 8 Feb 2026.

⁴⁹*ibid.*

⁵⁰*ibid.*

⁵¹World Bank, *Aspirations Unfulfilled: Malaysia’s Cost of Living Challenges* (2020) 13 <<https://documents1.worldbank.org/curated/en/175101597160321052/pdf/Aspirations-Unfulfilled-Malysias-Cost-of-Living-Challenges.pdf>> accessed 8 Feb 2026.

⁵²Eilyn Chong and Farina Adam Khong, *The Living Wage: Beyond Making Ends Meet* (Bank Negara Malaysia, Mar 2018) <<https://www.bnm.gov.my/documents/20124/826852/AR+BA4+-+The+Living+Wage+Beyond+Making+Ends+Meet.pdf>> accessed 8 Feb 2026.

⁵³Agensi Kaunseling dan Pengurusan Kredit, *Financial Behaviour and State of Financial Well-being of Malaysian Working Adults* (AKPK Financial Behaviour Survey, 2018) 38 <https://web.archive.org/web/20220129092204/https://www.akpk.org.my/sites/default/files/AKPK_Financial%20Behaviour%20and%20State%20of%20Financial%20Well-being%20of%20Malaysian%20Working%20Adult.pdf> archived 29 Jan 2022, retrieved 8 Feb 2026.

⁵⁴United Nations Children’s Fund (UNICEF), ‘Families on the Edge, Issue 1: The immediate impact of the Movement Control Order period’ (Aug 2020) 32 <<https://www.unicef.org/malaysia/media/1441/file/Families%20on%20Edge%20part%201.pdf>> accessed 8 Feb 2026; UNICEF, ‘Families on the Edge, Issue 2: Status of the households post-MCO’ (Oct 2020) 3 <<https://www.unicef.org/malaysia/media/1576/file/Families%20on%20Edge%20part%202.pdf>> accessed 8 Feb 2026; UNICEF, ‘Families on the Edge, Issue 3: Factsheet’ (Feb 2021); <[https://www.unicef.org/malaysia/media/1771/file/Families%20on%20Edge%20part%203%20\(factsheet\).pdf](https://www.unicef.org/malaysia/media/1771/file/Families%20on%20Edge%20part%203%20(factsheet).pdf)> accessed 8 Feb 2026.

⁵⁵Asian Development Bank (ADB), ‘The Social Protection Indicator for Asia: Tracking Developments in Social Protection’ (Dec 2022) 6 <<https://www.adb.org/sites/default/files/publication/849591/social-protection-indicator-asia-tracking-developments.pdf>> accessed 8 Feb 2026; Hawati Abdul Hamid, Adam Manaf Mohamed Firouz, Jarud Romadan Khalidi, Nur Thuraya Sazali, Puteri Marjan Megat Muzafar & Siti Aiysyah Tumin, ‘Building Resilience: Towards Inclusive Social Protection in Malaysia’ (Khazanah Research Institute, Sep 2021) 8 <https://www.krinstitute.org/publications/Building_Resilience_-_Towards_Inclusive_Social_Protection_in_Malaysia> accessed 8 Feb 2026.

⁵⁶ADB (n 55) 37; Hawati Abdul Hamid et al (n 55) 8.

⁵⁷UNICEF, ‘Families on the Edge, Issue 4: Two-steps forward, one step back: The new normal for Malaysia’s urban poor?’ (May 2021) 5 <<https://www.unicef.org/malaysia/media/1976/file/Families%20on%20Edge%20part%204.pdf>> accessed 8 Feb 2026.

⁵⁸World Bank (n 51) 39.

stress. Bankruptcy statistics list personal loans as the highest cause of personal insolvency,⁵⁹ while the harmful effects of unmanageable debt include anxiety, depression, relationship problems, and even suicide ideation.⁶⁰

Even in Australia, where social security benefits are more readily available, Good Shepherd argues that 'BNPL is taking the place of adequate social security payments' and is used by low-income earners for essentials such as food and utilities.⁶¹ Calls have been made for better income support for vulnerable Australians. The need is ostensibly greater in Malaysia, where the level of support is substantially lower, and many vulnerable individuals are ineligible for social security.⁶² One media report describes BNPL as a 'lifeline' for consumers in financial difficulty.⁶³ In the absence of adequate social security, the potential for BNPL to serve as a temporary buffer against the rising cost of living is an important consideration that is absent from the current discourse on Malaysia's emerging consumer credit laws.

Concerns about rising debt levels among young Malaysians have prompted regulators to introduce legislation to curb the risk of unaffordable BNPL debt.⁶⁴ This article contributes to the burgeoning Malaysian consumer credit framework through empirical research that fosters a more nuanced understanding of the experiences of Malaysian BNPL consumers and the challenges that shape their choices.

Methodology

Regulators in leading jurisdictions have sought to enhance the effectiveness of consumer protection by deepening their understanding of the interactions and processes that influence consumers' decisions.⁶⁵ By drawing on insights from consumer behaviour, targeted strategies can reduce risks of harm and promote better outcomes for vulnerable individuals.⁶⁶ This study examines four sets of empirical data.

The first dataset examines the websites of BNPL providers to determine how they market their services and engage with consumers at the outset. BNPL providers were identified through searches using the terms 'pay later Malaysia' and 'buy now pay later' in February 2023. Banks were excluded because they are subject to more stringent regulations, including consumer protection measures.⁶⁷ Ten non-bank BNPL providers were randomly selected from the compiled list; the selection was not based on their representativeness of the industry. As the aim of the study was to analyse evidence of non-bank BNPL providers' practices, their websites were examined with respect to variables such as

⁵⁹ Malaysian Department of Insolvency, Bankruptcy Statistics 2022 <<https://web.archive.org/web/20240907201729/https://www.mdi.gov.my/index.php/legislation/statistics/75-bankruptcy/1983-bankruptcy-statistic-2022>> archived 7 Sep 2024, retrieved 8 Feb 2026.

⁶⁰ Yunchao Cai, Selamah Abdullah Yusof, Ruzita Bt Mohd Amin & Mohd Nahar Mohd Arshad 'The Multi-dimensional Effect of Household Debt on Urban Individual Well-Being in Klang Valley Malaysia' (2021) 158 Social Indicators Research 23; Kok Jin Kuan, M Sultana Alam & Tan Soon Aun, 'Relationship between Alienation and Suicide Ideation among Malaysian Indians' (2020) 28(3) *Pertanika Journal of Social Science & Humanities* 2129.

⁶¹ Good Shepherd Australia New Zealand, 'Safety Net for Sale: The Role of Buy Now Pay Later in Exploiting Financial Vulnerability' (Nov 2022) <https://goodshep.org.au/wp-content/uploads/2022/11/Good-Shepherd-Report_The-Role-of-Buy-Now-Pay-Later-in-Exploiting-Financial-Vulnerability_November-2022-Full-Report.pdf> accessed 8 Feb 2026.

⁶² World Bank (n 51) 33.

⁶³ Ahmad Shaherman Shamsuri, 'BNPL jadi talian hayat pengguna terdesak wang' (Kosmo!, 15 Aug 2022) <<https://www.kosmo.com.my/2022/08/15/bnpl-jadi-talian-hayat-pengguna-terdesak-wang/>> accessed 8 Feb 2026.

⁶⁴ Yusof (n 48).

⁶⁵ Kristine Ertz, Stefan Hunt, Zanna Iscenko & Will Brambley, 'Applying Behavioural Economics at the Financial Conduct Authority' (Occasional Paper No 1, FCA, Apr 2013) 4 <<https://www.fca.org.uk/publication/occasional-papers/occasional-paper-1.pdf>> accessed 8 Feb 2026.

⁶⁶ Anne-Francoise Lefevre and Michael Chapman, 'Behavioural Economics and Financial Consumer Protection' (OECD Working Paper on Finance, Insurance and Private Pensions No 42, Organisation for Economic Cooperation and Development (OECD), 15 Mar 2017) 3; Pete Lunn, *Regulatory Policy and Behavioural Economics* (OECD Publishing, 2014) 9.

⁶⁷ Financial Services Act 2013 (Act 758).

their main marketing strategies, fee disclosures, ease of obtaining credit, and support for consumers in financial hardship.

The second dataset considered the impact of BNPL from consumers' perspectives. To gain deeper insights into consumers' experiences, an online survey of 400 consumers who have used non-bank BNPL was conducted with the assistance of Pureprofile, a company that specialises in internet-based consumer research. Approval to conduct the research was obtained from the Monash University Human Research Ethics Committee, and the survey was conducted in Bahasa Malaysia and translated by the author, who is bilingual. Respondents were asked about their motivations for using BNPL, whether they missed any payments or incurred fees, and whether they were aware of the fees before signing up. The questions also explored the impact of BNPL on consumers' financial and overall well-being, and whether they could obtain support from BNPL providers if they experienced financial hardship. Pureprofile recruited participants from its panel of consumers who have signed up to receive surveys. The invitation to participate in the survey was circulated to Pureprofile's consumer database across Malaysia from March to April 2023, and participants were offered a token payment of approximately RM 15 each. Within 11 days, 400 participants who had used non-bank BNPL within the past 3 years responded to the survey, and the survey was closed.

Several limitations should be noted regarding the datasets. By focusing on websites offering BNPL, the survey of advertising practices does not capture in-store BNPL offers. Nonetheless, reports indicate that BNPL providers rely predominantly on digital platforms to reach consumers.⁶⁸ The survey respondents drawn from Pureprofile's panel of consumers cannot be said to be representative of Malaysian consumers more generally. In particular, an online survey is less likely to be representative of demographic groups that experience higher rates of digital exclusion, such as the elderly, those living in rural or remote parts of the country where internet coverage may be poorer, people with disabilities, and disadvantaged consumers for whom the cost of digital technology may not be affordable. At the same time, the challenges faced by consumers, as reflected in the survey, resonate with studies in the UK and Australia.

To provide further layering to the survey findings, the author conducted focus group interviews with university students who had used BNPL. Focus groups are a useful means of facilitating the joint construction of ideas, drawing on a variety of perspectives within the group to investigate specific issues, and eliciting diverse views on the discussion topic.⁶⁹ The focus group participants were recruited through a Malaysian university. Each person was offered a Grab RM50 voucher as an incentive to participate in the research. Semi-structured interviews were conducted via Zoom in November 2023, following ethics approval. To encourage participants to share their views freely, cameras were turned off, and participant anonymity was maintained during the Zoom meeting. The first focus group had four participants, and the second had two. In addition, each group had a discussion facilitator. The focus group interviews were recorded with participants' consent and subsequently transcribed using AI-enabled software. Participants' comments were tagged with descriptors to attribute them to de-identified individuals. Transcripts of the interviews were manually coded to identify themes, and similarities and differences in participants' views.⁷⁰ These were synthesised, and the conclusions drawn in this article are supported by direct quotations.

The author also conducted an interview with the Consumer Association of Penang (CAP), the leading grassroots, non-profit organisation for consumers in Malaysia, in December 2023. The interview was guided by open-ended questions on caseworkers' experiences of assisting consumers. The interview was recorded and transcribed. The author manually coded the transcript and identified themes. The four datasets illuminate Malaysian consumers' experiences, the interaction between

⁶⁸FCA (n 3) 41; Farrugia et al (n 26) 19.

⁶⁹Alan Bryman, *Social Research Methods* (3rd ed, OUP 2007) 475.

⁷⁰Terry Hutchinson, *Research and Writing in Law* (4th ed, Lawbook Co. 2018) 143-4; Herbert M Kritzer, *Advanced Introduction to Empirical Legal Research* (Edward Elgar 2021) [5.2].

credit and hardship, and the challenges encountered by BNPL users. The findings inform regulatory reforms proposed in this article.

Empirical results

BNPL providers' websites

To gain a better understanding of BNPL providers' marketing strategies, websites were examined by reference to the variables described earlier. By way of background, the non-bank BNPL providers whose websites were examined also operate in several other Southeast Asian countries, in addition to Malaysia. Some have a presence in Hong Kong, and several appear to be headquartered or have origins in Singapore, a major financial hub for the region. One BNPL provider is a company that provides financial services in Australia and New Zealand as well.

A consistent theme across all of the ten of the BNPL providers' websites in the study was the advertising of BNPL as having no interest or fees. Claims such as 'Absolutely ZERO interest' and 'No interest, No hidden fees' were prominently highlighted on their homepages, often in large bold font. Despite the 'no fee' claim appearing as a central tenet of their advertising, eight providers disclosed in a much less conspicuous manner that some fees would be charged. The fee disclosures were consistently overshadowed by colourful, prominent 'no fee' claims. To find these disclosures, consumers would need to scroll past brightly coloured, eye-catching advertising material promoting the benefits of BNPL and search through relatively insignificant small print. One provider did not disclose any information on fees, while another has a business model that genuinely does not charge fees even when payments are late.

Overall, the website layouts used by BNPL providers emphasised the interest-free, fee-free aspects. Information on the fees and interest that consumers would incur for various reasons such as late payments was relatively obscure. Of the eight providers who disclosed some form of fees payable, two did not give any details of the amounts payable. Four of the providers disclosed the amount of fees payable among a range of questions on various matters such as 'troubleshooting help' and 'managing orders'. These were located on separate webpages, requiring users to click on other tabs on the homepage such as 'support' to find the information. Another two providers disclosed the amount of late fees further down the homepage in small font which appeared relatively inconspicuous beneath bright, bold claims emphasising that there were no hidden charges and 'absolutely zero interest'. BNPL providers usually describe these as fees for overdue instalments, while a few providers described their fees as administrative charges for various matters such as to 'reactivate suspended accounts'.

The second prominent theme was the emphasis on BNPL as a smart, convenient way to pay. This is reflected in statements which highlighted the ease with which consumers could register with BNPL providers. Two websites indicated that consumers could obtain 'instant approval' of RM1,000 in just a few steps if they linked a debit card, another offered \$1,500 for debit cards, while credit cards enabled consumers to have a higher threshold such as RM4,000 or RM5,000. Several websites promoted BNPL as a way to manage expenses, track expenditure and pay 'flexibly', advertising automatic deductions as a 'virtually impossible' way to miss payments. Seven of the BNPL providers offered discounts, points or rewards, promoting 'extra savings'.

The strategy of marketing BNPL as a means to achieving an aspirational lifestyle and empowerment was also reflected in eight of the Malaysian websites, in line with observations in UK and Australia.⁷¹ Examples include statements such as 'freedom like you've never experienced' and 'reward yourself with beautiful things in life', and descriptions of BNPL as the way to 'pay for life's many pleasures', 'earn dreams when you shop' and dress fashionably. BNPL websites were often linked to e-commerce sites, facilitating a relatively seamless interface between merchants and BNPL providers.

⁷¹ASIC (n 3) 12; FCA (n 3) 6.

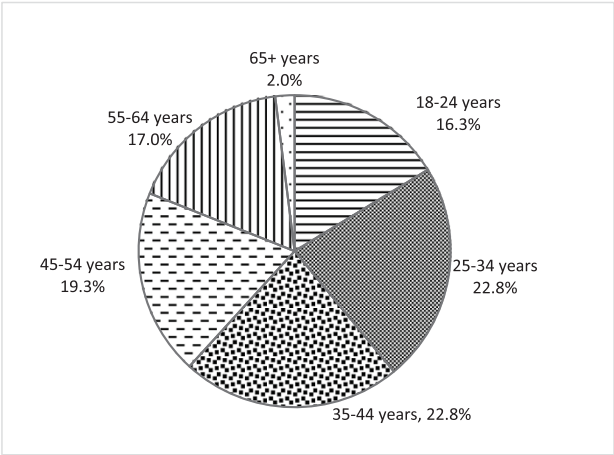


Figure 1. Survey respondents by age.

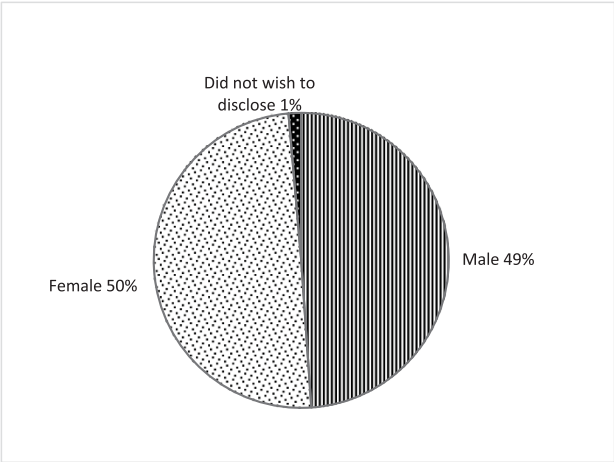


Figure 2. Survey respondents by gender.

The majority of websites did not mention financial hardship or any support for payment difficulties. One BNPL expressly mentioned that it was not possible to postpone payments. Nonetheless, two providers suggested contacting them to ‘work out a solution’ if consumers had difficulty paying instalments, while another provider suggested contacting collections or live chat tools for assistance.

Consumer survey

The survey asked approximately 30 questions of 400 consumers to gain a deeper understanding of their experiences with BNPL. The questions explored consumers’ interactions with BNPL providers, the effects of BNPL on their spending and financial situations, and their perspectives on fee transparency, payment difficulties, and suggestions for strengthening consumer protection. The survey sought the views of consumers across a range of age groups and genders in line with national representative quotas. Figure 1 sets out details of survey respondents’ age groups, while Figure 2 shows their gender.

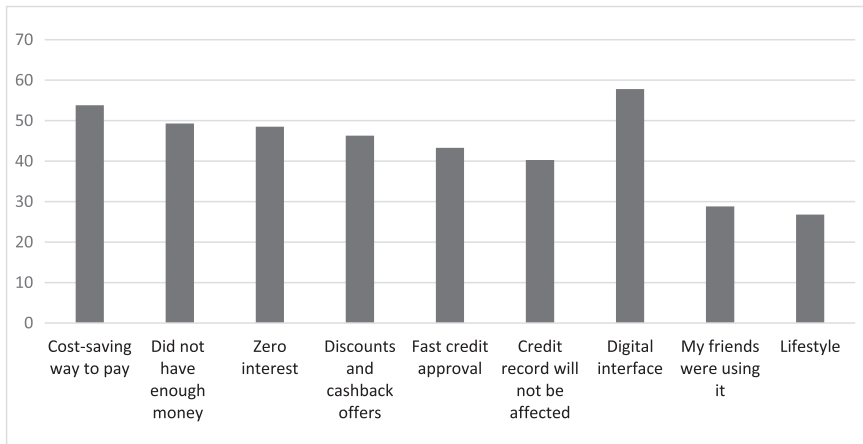


Figure 3. Reasons for using BNPL.

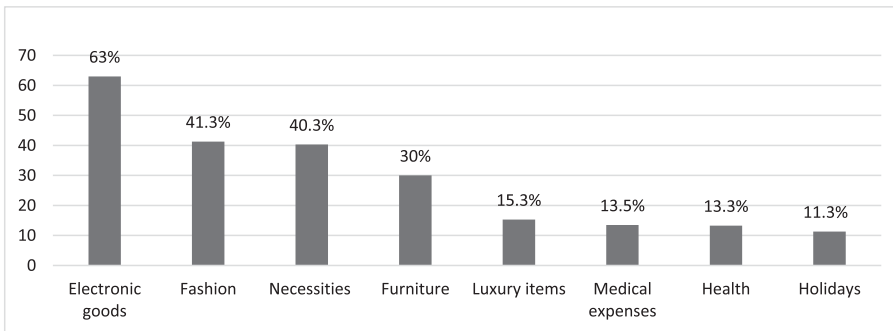


Figure 4. Respondents' use of BNPL.

Consumers' use of BNPL. Respondents were asked why they signed up for BNPL and could choose multiple responses. Figure 3 reflects their reasons for using BNPL. Survey respondents indicated that they used BNPL because it was a cost-effective way to pay (53.8%). Common reasons for using BNPL included not having enough money (49.3%), providers' claims that there was 'zero interest' (48.5%), discounts and cashback offers from providers (46.3%), fast credit approval (43.3%) and perceptions that their credit records would not be affected by BNPL (40.3%). More than half of respondents (57.8%) reported being drawn to the digital interface and apps, which they found appealing and convenient. Lifestyle and peer influence also motivated their use of BNPL to a lesser degree, with 28.8% noting that they were motivated to use BNPL as their friends were using it, and 26.8% citing aspirations towards a better lifestyle.

Sixty-two percent of consumers reported spending more as a result of their access to BNPL. A similar proportion (62.5%) used BNPL at least once a month, and 23.5% used BNPL about once a week. Most of the respondents used 1 to 3 BNPL providers,⁷² although 11.4% used 4 or more providers, and 1.5% reported using 9 or more BNPL companies. Figure 4 shows the goods or services respondents purchased with BNPL. Respondents commonly purchased electronic goods and fashion. Notably, 40.3% used BNPL for necessities such as groceries, school uniforms and other school equipment, and telephone expenses. A smaller proportion of respondents used BNPL to pay for furniture, luxury items, medical expenses, health, and holidays.

⁷²36.5% used 1 provider, 31.3% used 2, while 21% used 3 providers.

Unexpected charges. Just under a third of respondents (32.5%) missed a scheduled payment, and 83.8% of those who did incurred fees. More than 1 in 5 (22%) consumers who missed scheduled payments said they did not know they would incur a charge for missed payments. As noted earlier, despite prominent claims that they do not charge interest, many BNPL providers state in less conspicuous parts of their websites that there are a range of fees. These vary across providers and include fees for administration, missed payment or account reactivation, and interest on unpaid amounts. 46.5% of consumers who incurred fees or interest said they were charged more than they expected. In addition, the majority of respondents (56.1%) also incurred interest on their credit cards, which they had used to make BNPL payments.

Financial difficulties. Overall, the majority (51.5%) reported that BNPL had a positive effect on their financial situation. However, using BNPL had a detrimental impact on more than 1 in 10 respondents (11.3%).⁷³ Concerningly, 35.5% of respondents had problems paying instalments. More than half of these respondents (57%) reported having insufficient funds due to expenses exceeding their income, health problems, job loss, or earning less than they had anticipated. Many cited fees or interest imposed by BNPL providers for late payments (43.7%) as a reason for their financial difficulties. 14.1% of those who had difficulties meeting BNPL instalments also reported incurring interest on their credit cards, which ostensibly exacerbated their financial hardship. A quarter of respondents (25.1%) reported being contacted by debt collectors after failing to pay BNPL instalments on time. When asked whether BNPL providers were willing to assist them with their payment difficulties, 60.6% were given more time to pay, 18.3% had their debts reduced. Nonetheless, nearly 1 in 5 (19.7%) were unable to obtain any assistance from providers, with 14.1% saying the provider refused to help them and 5.6% were unable to contact the provider.⁷⁴

Extended comments. In the extended comments, respondents highlighted the need for more transparency. In particular, clearer explanations of the charges were required upfront, with specific details of penalties or interest imposed for late payments. One respondent recounted that there were charges which they did not know about until they asked for clarification. Suggestions included reminding consumers of the potential cost of using BNPL before they entered into a transaction. They also emphasised the need for more user-friendly explanations that consumers can easily understand, such as explanatory videos.

Respondents further observed that it was ‘easy to fall into the trap of excessive spending’, suggesting the need for measures to ensure that repayments are affordable, such as credit limits and affordability checks. They noted that greater flexibility, more time to pay without interest, and lower charges or interest rates would also be advantageous for consumers. Better consumer education about the costs and risks of BNPL, and skills training in managing personal finances and avoiding debt traps and predatory business practices, would help foster resilience amid increasingly easy access to credit.

Several consumers called for stronger government regulation and oversight of the BNPL industry, while several respondents noted the need for stronger personal data protection. Calls to reduce the price of goods resonate with the significant levels of financial hardship reflected in the use of BNPL to purchase necessities: 49.3% of respondents indicated they used BNPL because they did not have enough money, and 35.5% of respondents reported difficulties paying instalments.

Focus groups

Focus group participants were asked about their experiences with BNPL; whether it was clear from the websites or apps that BNPL is a type of borrowing or loan; whether the fees for late payments

⁷³ 37.3% stated that their financial situation remained the same.

⁷⁴ 1.4% replied ‘other’ for this question.

or administration were clearly communicated upfront; the pros, cons and attractions of BNPL; and what changes they would recommend for better consumer protection. Participants observed that BNPL is useful as it allows people with budget constraints the flexibility to make larger purchases, reducing the financial burden of upfront payments.⁷⁵ The comments from the focus groups align with the survey findings. For instance, several participants said that they were drawn to use BNPL when providers offered ‘cash incentives’ and ‘savings’ for new users.⁷⁶ Like many survey respondents, the focus groups noted that the advertising of ‘zero interest’ is ‘very attractive’ but observed a lack of transparency around fees. They noted the obscurity around the amount of fees for late payments.⁷⁷ In the words of a participant, ‘you have to look it up ... it’s not like ... zero interest, [which is] very big.’⁷⁸ The amount of late payment fees is often on another webpage, among other terms and conditions. Participants described these terms as ‘lengthy’, ‘too wordy’, and ‘worded in a way that is very confusing’. They noted that ‘some people can be (*sic*) lost in the terms’ and ‘mostly we just want to check out really fast, so we don’t really click on the terms and conditions and read through all the late payment charges.’⁷⁹

Participants said that they only found out the amount of late payment fees when they were charged.⁸⁰ One participant recounted being charged RM20 for an instalment of RM50, remarking that the fee was disproportionately high and that this was ‘not communicated’ earlier.⁸¹ Another participant said that ‘a lot of my friends ran into’ problems with ‘late penalty fees’ and ‘didn’t know how much the fees were’ before that.⁸² A third participant added that they won’t ‘give you a warning about how much you will need to pay if you don’t manage to pay on time.’⁸³ The lack of transparency around administrative fees was also raised. According to one student, ‘they will tell you on their website, but if you don’t actively look for it, then it can come as a bit of a surprise’.⁸⁴ Another participant mentioned ‘hidden fees’, saying that when you ‘look at your account’ and find money missing ‘then you find out that actually there is an administrative fee.’⁸⁵

Several comments from the focus groups also resonate with the proposition that BNPL’s advertising and structure play into behavioural biases.⁸⁶ In relation to instalments, they noted that ‘visually it looks like you’re paying less’ and it’s like the TikTok trend, Girl Math – if an item costs RM1,000 ‘and I use it for 3 years, it’s just RM1 a day’.⁸⁷ Although some participants said that it was clear that they were borrowing money, one remarked, ‘I wouldn’t say it’s borrowing money, they’re instalments’, resonating with the perception of BNPL as a smart ‘way to pay’ rather than as debt or credit. The propensity towards impulse buying was also reflected in participants’ comments that they had shopaholic friends or family members who ‘very easily spend too much’ and ‘go into debt.’⁸⁸ Participants noted that it was difficult to keep track of payment obligations, especially when making multiple purchases across multiple BNPL providers. One participant said BNPL is popular among students and that ‘a lot of friends’ use it, while another said they had been cautioned by friends against using it.

Suggestions for improving consumer protection included displaying ‘fees and charges prominently’ and having a pop-up warning that ‘is very easy to understand, like a drawing or comics

⁷⁵Focus groups 1 and 2.

⁷⁶Focus group 1.

⁷⁷Focus group 2.

⁷⁸Focus group 1.

⁷⁹Focus groups 1 and 2.

⁸⁰Focus groups 1 and 2.

⁸¹Focus group 1.

⁸²Focus group 2.

⁸³Focus group 2.

⁸⁴Focus group 1.

⁸⁵Focus group 2.

⁸⁶FCA (n 3) 47.

⁸⁷Focus groups 1 and 2.

⁸⁸Focus group 2.

... that makes you understand that this is borrowing money ... don't spend more than you can afford. Spend wisely and responsibly.⁸⁹ Another participant commented on the need for better customer service by some providers: 'Instead of using a bot, maybe can we have a human.'

Interview with consumer advocates

The author interviewed two CAP staff members who assist consumers with complaints. The interview was held on Zoom in December 2023. CAP staff were asked about their views on BNPL, the cost of living and any concerns they may have had relating to consumers. They said they had not received any complaints about BNPL. They noted that BNPL is easily accessible with minimal eligibility requirements, such as only needing to 'show that they have used Grab for 6 months' and falling 'within certain age group – above 21 years and below senior citizen.' They cautioned against acting 'on the spur of the moment' and advised consumers to ensure they can pay on time before using BNPL, noting the potentially high late payment charges and the risk of increasing indebtedness.

CAP staff mentioned that they had received complaints about the rising cost of living. Food is too expensive, and consumers are under pressure to reduce their food intake and leave fruits, vegetables, and fish out of their diets to reduce their costs. Social security is insufficient and low-income earners (B40)⁹⁰ receive a token sum. They have to 'weigh whether to fill their stomachs or eat nutritious food' and 'look for a second or even a third job', leaving their children neglected at home, which, in turn, leads to social problems. Consumers are also 'dipping into EPF⁹¹ meant for retirement', depleting 'their meagre retirement funds.'

Consumer advocates also raised concerns about ruthless debt-collection practices. They received reports of debt collectors using 'scare tactics', 'saying they are from a lawyer's office', 'calling any phone number related to the debtor', and making debtors fearful. They noted that the Consumer Credit Oversight Board Task Force is gathering feedback from interested parties and the public on the Consumer Credit Act to address these issues.

Analysis

Both the survey and focus groups emphasised the lack of transparency around fees. More than 1 in 5 survey respondents who missed a payment did not realise that they would be charged a fee, and 46.5% of respondents who incurred fees were charged more than expected. The survey of websites also indicated that fee disclosures were relatively inconspicuous and overshadowed by bright, bold advertising that emphasises 'zero interest'. Focus group participants noted a tendency to act on conspicuous, readily available information, highlighting the challenges of accessing fee disclosures in small, dense print on separate webpages amid large amounts of information. Dense, relatively small text in long lines is visually unappealing and difficult to read.⁹² When presented with large amounts of information perceived as boring or pointless, research suggests that information overload often leads consumers to ignore the fine print.⁹³ Such advertising is contrary to best practice for effective risk disclosure,⁹⁴ and judicial decisions have criticised practices that require consumers to find their way to the truth past misleading claims.⁹⁵

⁸⁹Focus group 1.

⁹⁰The lowest 40% of earners in Malaysia.

⁹¹EPF is the acronym for the Employees Provident Fund, a public compulsory retirement savings fund for Malaysian private sector employees.

⁹²Andrew Godwin, 'The Lehman Minibonds Crisis in Hong Kong: Lessons for Plain Language Risk Disclosure' (2009) 32 UNSW Law Journal 547, 558-9.

⁹³Jonathan A Obar and Anne Oeldorf-Hirsch, 'The Clickwrap: A Political Economic Mechanism for Manufacturing Consent on Social Media' (2018) 4(3) Social Media + Society 1.

⁹⁴Andrew Godwin and Ian Ramsay, 'Short-Form Disclosure Documents: An Empirical Survey of Six Jurisdictions' (2016) 11(2) *Capital Markets Law Journal* 296.

⁹⁵*Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640, [45], [52], and [54] (French CJ, Crennan, Bell and Keane JJ).

The need for effective disclosure of fees and risks to facilitate informed decisions is bolstered by findings from the focus groups, which reveal how marketing strategies play on behavioural biases. These include breaking down the cost into four instalments, creating the perception that items are more affordable, and the tendency to seek immediate gratification without thinking about potential future costs. Insights from behavioural economics reveal that consumers commonly find financial decisions difficult, and many 'lack motivation to invest time and effort to make informed decisions.'⁹⁶

The survey responses also reflect a degree of financial hardship. Over a third (35.5%) of respondents experienced difficulties paying instalments on time, and 83.8% who missed a payment incurred fees. Fees or interest for late payments caused financial hardship for 43.7% of respondents. These findings resonate with the experiences of BNPL consumers in other countries who ended up paying fees or interest, at times on their credit cards, despite the promise of 'zero fees.'⁹⁷ The risks of harm to vulnerable consumers from 'falling into a debt spiral' as a result of high-cost credit, as borrowers channel greater proportions of their income towards repayments, lead to entrenched disadvantage and adverse effects on consumers' health and well-being.⁹⁸ These findings underscore the importance of regulatory intervention to facilitate informed decisions and to guard against risks of over-indebtedness. At the same time, there is an urgent need to address the problem of poverty, reflected in the finding that close to half (49.3%) used BNPL because they lacked sufficient money. More than 40% of respondents used BNPL to purchase essential items such as groceries, utilities, and school equipment, including uniforms.

Regulatory reforms

Malaysian law reformers have recently introduced the Consumer Credit Act 2025 to address gaps in the fragmented legal framework for consumers of non-bank credit,⁹⁹ drawing from the experience of countries such as the UK and Australia.¹⁰⁰ The reforms require businesses that provide consumer credit to be licensed, their senior management to be fit and proper persons, and they must undertake their activities in a fair, responsible and professional manner.¹⁰¹ The legislation envisages the issuance of regulations or further guidelines relating to business conduct, including advertising practices; transparency and disclosure; ensuring that information provided to consumers is accurate, clear and timely; affordability assessments; complaints handling, and fair debt collection.¹⁰² In addition, the new laws state that credit consumers may apply for hardship assistance from a credit provider.¹⁰³

A critical aspect of effective consumer credit regulatory frameworks which appears to have been sidelined relates to enforcement mechanisms.¹⁰⁴ Access to free external dispute resolution (EDR)

⁹⁶Erta et al (n 65) 16.

⁹⁷Citizens Advice (n 40); Close Lending Loopholes (n 15) 16; ASIC (n 3).

⁹⁸Younghee Lim, Youn Kyoung Kim, Arati Maleku, Austin Connor, Na Youn Lee & Mi Youn Yang 'The Phenomenon of Repeat Payday Loan Borrowing in the United States: Assessing Risk and Protective Factors among the Financially Vulnerable' (2022) 52 British Journal of Social Work 2125; Jonathan Gathergood, Benedict Guttman-Kenney & Stefan Hunt, 'How Do Payday Loans Affect Borrowers? Evidence from the UK Market?' (2019) 32(2) The Review of Financial Studies 496.

⁹⁹Laws, such as the Hire-Purchase Act 1967, Moneylenders Act 1951, and Pawnbrokers Act 1972, are limited to specific types of transactions and do not extend to BNPL.

¹⁰⁰Consumer Credit Oversight Board Task Force, 'Consultation Paper' (n 5).

¹⁰¹Consumer Credit Act 2025 ss 40, 62 and 84.

¹⁰²Consumer Credit Act 2025 s 85(1)(a), (b), (c), (f), (g) and (i). Likewise, UK and Australian consumer credit laws require service providers to treat customers fairly and not mislead them, ensure that their employees are adequately trained, and maintain effective and transparent internal procedures for the reasonable and prompt handling of complaints; FCA Handbook, Dispute Resolution: Complaints (DISP), 1.3.1, PRIN 2.1.1; *National Consumer Credit Protection Act 2009* (Cth) ss 47(1)(a), (g), (h).

¹⁰³Consumer Credit Act 2025 s 86(3).

¹⁰⁴Vivien Chen and Candice Lemaitre, 'Regulating a Quick Fix for Debt Problems' (2021) 49(3) Australian Business Law Review 154.

provides consumers with an important avenue for redress when credit providers breach the rules.¹⁰⁵ Both the Australian and UK regulatory frameworks for consumer credit require firms to be members of free EDR providers.¹⁰⁶ This has not been adopted by the Malaysian reforms, which envisage that complaints may be lodged with the regulators.

The survey results indicate that a substantial proportion of respondents used BNPL because they did not have enough money. In such circumstances, free EDR plays a critical role in providing access to justice, particularly for low-income consumers for whom the cost of legal advice or litigation would be prohibitive.¹⁰⁷ The absence of free EDR for credit consumers leaves a significant gap in enforcement mechanisms. If the Financial Markets Ombudsman Service's existing jurisdiction were extended to consumer credit, including BNPL, vulnerable consumers in financial difficulty would be able to have their disputes resolved quickly, alleviating their financial stress. Such accountability also incentivises credit providers to comply with their obligations to act in a fair, responsible and professional manner.

The protection of vulnerable credit consumers is one of the key objectives of the Malaysian reforms.¹⁰⁸ The effectiveness of consumer credit laws in improving industry standards is contingent on strong regulatory supervision and enforcement.¹⁰⁹ Avoidance strategies are a recurrent problem in the consumer credit industry,¹¹⁰ and robust regulatory supervision is crucial.¹¹¹ The empirical findings of the present research suggest the need for specific measures, including user-friendly disclosure of costs and risks, to protect vulnerable Malaysian BNPL consumers from harm.

Transparency

The Consumer Credit Act 2025 seeks to promote informed consumer decisions by promoting transparent disclosure of information.¹¹² To facilitate informed decisions by vulnerable consumers, particularly those with limited financial knowledge, regulatory guidance should require the nature of risks to be disclosed as prominently as the benefits.¹¹³ Merely disclosing percentages or fee formulas is inadequate. The need to calculate total costs using obscure mathematical formulas is a barrier to those who lack financial knowledge. Such disclosure has limited value for low-income, vulnerable consumers who struggle with the 'humiliation of admitting an inability to understand' and leads to poorly informed risk-taking.¹¹⁴ With advances in technology, websites can and should incorporate cost calculators which automatically display the full cost of borrowing in Ringgit, including fees for late payment, before consumers enter transactions.

¹⁰⁵ Commonwealth of Australia, 'Review of the Financial System External Dispute Resolution and Complaints Framework: Final Report' (Apr 2017) <https://treasury.gov.au/sites/default/files/2019-03/R2016-002_EDR-Review-Final-report.pdf> accessed 12 Feb 2026.

¹⁰⁶ FCA Handbook, Dispute Resolution: Complaints (DISP), 1.2.1(4); *National Consumer Credit Protection Act 2009* (Cth) s. 47(1)(i).

¹⁰⁷ Commonwealth of Australia (n 105).

¹⁰⁸ Consumer Credit Oversight Board Task Force, 'Consultation Paper' (n 5) 7. Vulnerability may arise as a result of financial stress, a lack of financial knowledge or confidence in managing money, and low literacy or digital skills. Vulnerability is at times precipitated by health conditions, 'life events such as bereavement, job loss or relationship breakdown' or challenges in withstanding emotional shocks; FCA, 'Guidance for firms on the fair treatment of vulnerable consumers' (FG21/1, Feb 2021) 9.

¹⁰⁹ FCA, TR19/01 Debt Management Sector Thematic Review (FCA, Mar 2019) <<http://www.fca.org.uk/publication/thematic-reviews/tr19-1.pdf>> accessed 8 Feb 2026.

¹¹⁰ FCA (n 3) 43-52; Financial Counselling Australia (n 23).

¹¹¹ FCA, Our Approach to Supervision (2024) <<https://www.fca.org.uk/publications/corporate-documents/our-approach-to-supervision>> accessed 12 Feb 2026.

¹¹² Consumer Credit Act 2025 s85(1)(c).

¹¹³ ASIC, Disclosure: Product Disclosure Statements (and other disclosure obligations), Regulatory Guide 168 (Jul 2022) RG168.97(a), 168.98.

¹¹⁴ Therese Wilson, Nicola Howell & Genevieve Sheehan 'Protecting the Most Vulnerable in Consumer Credit Transactions' (2009) 32(2) *Journal of Consumer Policy* 117, 134.

Research suggests that BNPL fees are often comparable to those of high-cost credit.¹¹⁵ Repeated use of high-cost credit is known to be a debt trap that entrenches vulnerable consumers in financial disadvantage. In addition, the fees that consumers unwittingly incur on their credit cards, from which BNPL payments are automatically deducted, also heighten the risk of increasing indebtedness that exacerbates financial difficulties. Such adverse consequences from BNPL use are reflected in the consumer survey. The risks warrant warnings about potential detrimental consequences before entering into transactions.¹¹⁶ A warning that missed payments will incur specified fees and affect their credit record, together with signposts directing consumers to financial hardship assistance, would be consistent with responsible advertising standards. Risk warnings are especially relevant given the marketing of BNPL as a cost-saving ‘way to pay’. Clear communication is essential, such as a ‘pop up’ warning using illustrations that vulnerable consumers will understand, making it clear that they are borrowing money, and cautioning against spending more than they can afford to repay.

Easy access to digital credit 24/7 with a few clicks of a mouse, frequently emerging on shopping websites as a ‘way to pay by instalments’ at the point of purchase, further warrant adequate warnings against the risk of over-indebtedness. Discounts or rewards create the impression of ‘savings’ that mask the risks, and artificial intelligence enables advertising to emerge when debtors are potentially vulnerable.¹¹⁷ The majority of survey respondents indicated that they were drawn to BNPL providers’ digital interfaces or applications, which have been likened to social platforms, and focus group participants mentioned ‘shopaholic’ friends or family members who easily fell into debt.

To alleviate such harm, user-friendly cost disclosures, including an automatic cost calculator and risk warnings, should be mandated across the full range of digital interactions used by credit providers, including phone apps, social media advertising, and BNPL payments on merchants’ sites. Notably, one suggestion from the consumer survey was to include more videos explaining the costs and risks of BNPL. The use of multimedia, such as short videos that explain risks, is supported by FinCoNet, an international network of supervisory authorities for financial consumer protection.¹¹⁸ Visual representations of how debt spirals occur in the context of BNPL are likely to be more effective in communicating risks to visual learners, including millennials and consumers with lower literacy levels.¹¹⁹ Further, Malaysia has about 2.2 million documented migrant workers, an estimated 1.2 to 3.5 million undocumented migrants primarily from other Southeast Asian and South Asian countries, and approximately 182,820 refugees and asylum seekers.¹²⁰ Many migrants and refugees know little or no English or Bahasa Malaysia. Hence, it is critical that the Ringgit amount of late payment fees be disclosed prominently upfront, as are the advertisements of ‘zero interest’, and that risk warnings be clear and simple. As suggested by a focus group participant, illustrations could enhance the effectiveness of risk warnings.

Likewise, there is value in broader financial education for higher-risk groups, such as young adults, who are often considered a target demographic for BNPL and often lack financial experience. Proactive supervision by the regulator is crucial, given that financially stressed, vulnerable consumers often lack the requisite knowledge, time, and resources to seek redress for claims arising

¹¹⁵Duong et al (n 20).

¹¹⁶National Consumer Credit Protection Regulations 2010 (Cth) sch 9.

¹¹⁷Commonwealth, Senate Economic References Committee, *Committee Hansard*, 12 Dec 2018, 39 (Corinne Proske).

¹¹⁸FinCoNet, ‘Digitalisation of Short-Term, High-Cost Consumer Credit: Guidance to Supervisors’ (Feb 2019) 13 <https://www.finconet.org/content/dam/finconet/en/publications/2019/Guidance_Supervisors_Digitalisation_STHCCC.pdf> accessed 8 Feb 2026.

¹¹⁹Nicholas J Barnes and Stephanie Jacobsen, ‘Meet the New Class, Same as the Old Class? Millennials and Their Surprising Learning Preferences’ (2015) 15(7) *Journal of Higher Education Theory and Practice* 24; Raymond Papp and Erika Matulich, ‘Negotiating the Deal: Using Technology to Reach the Millennials’ [2011] (4) *Journal of Behavioral Studies in Business* 1.

¹²⁰International Organisation for Migration, Malaysia: Facts and figures <<https://www.iom.int/countries/malaysia>> accessed 8 Feb 2026.

from misleading conduct.¹²¹ These challenges are compounded by a sense of ‘shame, failure and a fear of being judged’ that individuals commonly experience when faced with debt problems.¹²²

Financial hardship

BNPL consumers are far from homogeneous, with varying income levels. Their BNPL use differs depending on individual circumstances. The focus group emphasised the utility of BNPL for ‘budget smoothing’, such as purchasing a laptop by instalments. At the same time, they observed risks inherent in easy access to credit, including impulse buying and losing track of multiple repayment obligations. Challenges arise particularly when consumers are in precarious financial situations. Although data collected by the Consumer Credit Oversight Board Task Force suggests that most (96%) of the consumers they surveyed paid on time, research has shown that timely payments can mask the extent of financial hardship as people tend to prioritise BNPL payments, cutting back on essentials or using other forms of credit to cover BNPL instalments.¹²³ The present survey indicates that some respondents incurred credit card fees when paying BNPL instalments.

Over a third (35.5%) of survey respondents reported having difficulties meeting payment obligations. Health problems, loss of employment or earning less than expected were cited as reasons for respondents’ challenges in making repayments. For some, their use of BNPL was driven by the inability to make ends meet. In such situations, they would have struggled to meet repayment schedules, incurring fees for missed payments, which exacerbated their financial problems.¹²⁴ A proportion of survey respondents who indicated that they used BNPL due to a lack of adequate funds bought essential items with BNPL, experienced hardship due to late fees, and had poorer long-term financial outcomes. Likewise, the interview with CAP highlighted the substantial challenges that lower-income consumers face with the rising cost of living.

At first blush, BNPL fees for missed payments may not seem high. However, studies that have calculated the equivalent interest rates have refuted this perception.¹²⁵ Malaysian law reformers have proposed prohibiting providers from imposing excessive or unreasonable fees, though it is unclear at this juncture how reasonableness will be determined.¹²⁶ To address high BNPL fees, one option is to introduce a fee cap.¹²⁷ Consumer advocates have also suggested prohibiting the use of credit cards to pay for BNPL debt to avoid incurring high interest charges.¹²⁸

The Consumer Credit Act 2025 introduces financial hardship provisions.¹²⁹ Credit providers must give due consideration to varying a credit agreement if consumers are unable to meet payment obligations due to financial hardship, and debt recovery is paused while the hardship application is assessed.¹³⁰ Nevertheless, credit providers have the discretion to determine the form and manner of

¹²¹ Although consumers may file complaints with the Tribunal for Consumer Claims (Tribunal Tuntutan Pengguna Malaysia), information on complaints outcomes is not publicly available: Michael T Schaper, ‘Misleading Price Advertising in Malaysia is Still Widespread’ (*ISEAS Perspective* Issue 2020 No 7, 30 Jun 2020) 5 <https://www.iseas.edu.sg/wp-content/uploads/2020/05/ISEAS_Perspective_2020_70.pdf> accessed 8 Feb 2026.

¹²² Consumer Affairs Victoria, *Debt Collection Harmonisation Regulation: Options Paper* (2011) 28, 65 <<https://www.publications.qld.gov.au/dataset/400d0899-3ce7-4eb0-a242-6db01521e8db/resource/40cff093-b18d-479e-9e30-744ddaa67b73/download/debtcollectionharmonisationoptionspaper.pdf>>; Kingsley Purdam and Jennifer Prattley, ‘Financial Debt Amongst Older Women in the United Kingdom – Shame, Abuse and Resilience’ (2021) 41(8) *Ageing and Society* 1810, 1821.

¹²³ *Ibid*; ASIC (n 3) 15.

¹²⁴ See n 98 and associated text.

¹²⁵ Duong et al (n 20).

¹²⁶ Consumer Credit Oversight Board Task Force, ‘Consumer Credit Act Public Consultation Paper Part 2’ (5 April 2023) <https://ccob.my/wp-content/uploads/2023/04/Consultation-Paper-Pt-2_FINAL_ENG-1.pdf> [13.3].

¹²⁷ Gardner (n 13).

¹²⁸ *Close Lending Loopholes* (n 15) 54, 56.

¹²⁹ Consumer Credit Act 2025 s 86.

¹³⁰ Consumer Credit Act 2025 s 86(4) and (5).

assistance, if any.¹³¹ The new laws state that the Consumer Credit Commission may issue guidelines on the circumstances that qualify as financial hardship, and the assistance it warrants.¹³²

In developing the guidelines for credit providers, Malaysian regulators could potentially draw lessons from Australia. While financial hardship provisions appear to be promising on paper, in practice, Australian experience indicates that financial hardship provisions, similar to those adopted in the Consumer Credit Act 2025, have offered limited respite.¹³³ The most common variation is to allow consumers more time to pay. However, studies have shown that this is inadequate for consumers facing chronic long-term financial hardship who simply cannot afford to pay, even with an extension of time.¹³⁴ Fewer providers are willing to allow reductions in amounts. Credit providers have also been criticised for being inconsistent, ‘difficult to contact and communicate with’, ‘not being responsive to the needs of clients,’ failing to understand financial hardship, ‘being judgmental’ and ‘not responding appropriately to family violence.’¹³⁵ The lack of appropriate support is especially detrimental to vulnerable consumers such as those with mental illness and victims of financial abuse or identity theft.¹³⁶ The challenges are ostensibly greater in Malaysia, where the stigma associated with mental illness is prevalent,¹³⁷ and there is less community awareness of family violence-related financial abuse against a backdrop of political and cultural distrust of women’s activists.¹³⁸

Experience suggests that access to free EDR is important for consumers aggrieved by their credit provider’s response to financial hardship.¹³⁹ Extending the Financial Markets Ombudsman Service to credit consumers will enable financially stressed consumers to seek fairer outcomes and avoid dealing with debt collectors and the escalation of debt. This is important in light of poor practices such as ‘scare tactics’ used in debt collection.¹⁴⁰ Broader reforms are also needed in debt collection, particularly because Malaysia still has archaic laws that allow debtors to be arrested and imprisoned.¹⁴¹ These are unduly harsh and should be repealed.¹⁴²

As part of affordability assessments, consumers are usually required to provide evidence of their income and financial capacity to make repayments. Questions remain about how individuals with insecure work and those in the gig economy will fare under these assessments. Access to credit plays an important role in enabling consumers to improve their quality of life, subject to conditions such as the affordability of interest, fees and repayments. The positive impacts of access to credit are reflected in the consumer survey and focus groups, although these also emphasised the need for

¹³¹ Consumer Credit Act 2025 s 86(6).

¹³² Consumer Credit Act 2025 s 86(1).

¹³³ Paul Ali, Evgenia Bourova & Ian Ramsay, ‘Financial Hardship Assistance Behind the Scenes: Insights from Financial Counsellors’ (2017) 52(3) Australian Journal Social Issues 241; National Credit Code, s 72.

¹³⁴ Ali et al (n 133).

¹³⁵ Financial Counselling Australia (n 23) 7; Consumer Action Law Centre, *The Trouble with Telcos* (26 Nov 2020) 14 <<https://consumeraction.org.au/report-the-trouble-with-telcos-stories-from-2020/>> accessed 8 Feb 2026; Financial and Consumer Rights Council, ‘Rank the Energy Retailer’ (Aug 2016) 7 <<https://fcvic.org.au/wp-content/uploads/4796-Rank-the-Energy-Retailer-Report-2016-Web2.pdf>> accessed 8 Feb 2026.

¹³⁶ Australian Securities and Investments Commission, ‘Hardship, Hard to Get Help: Findings and Actions to Support Customers in Financial Hardship’ (May 2024, Report 782) <<https://www.asic.gov.au/regulatory-resources/find-a-document/reports/rep-782-hardship-hard-to-get-help-findings-and-actions-to-support-customers-in-financial-hardship/>> accessed 12 Feb 2026; Merlyn Holkar and Chris Lees, ‘Convenience at a Cost: Online shopping and mental health’ (Money and Mental Health Policy Institute, 2020) <<https://www.moneyandmentalhealth.org/wp-content/uploads/2020/11/Convenience-at-a-cost-final-web-report.pdf>> accessed 8 Feb 2026.

¹³⁷ Shaeraine Raaj, Sujesha Navanthan, Myelone Tharmaselan & John Lally, ‘Mental Disorders in Malaysia: An Increase in Lifetime Prevalence’ (2021) 18(4) BJPsych International 97.

¹³⁸ Cecilia Ng, Maznah Mohamad & tang beng hui, *Feminism and the Women’s Movement in Malaysia: An Unsung (R)evolution* (Routledge 2006).

¹³⁹ Australian Financial Complaints Authority, *The AFCA Approach to Financial Difficulty: our power to vary contracts* (May 2022) <<https://www.afca.org.au/media/73/download>> accessed 8 Feb 2026.

¹⁴⁰ Interview with CAP.

¹⁴¹ Debtors Act 1957 (Act 256), s6.

¹⁴² Jodie Boyd, Ian Ramsay & Paul Ali, ‘Contrary to the Spirit of the Age: Imprisonment for Debt in Colonial Victoria, 1857–90’ (2019) 42(3) Melbourne University Law Review 737.

transparency. From a broader policy perspective, consumer credit regulation must balance between promoting financial inclusion and providing protection from the adverse impacts of misleading business practices and unmanageable debt.¹⁴³

Credit providers can help redirect financially stressed consumers to appropriate sources of debt help, such as free financial counselling.¹⁴⁴ Hence, it is essential that the free debt management services provided by the government-sponsored *Agensi Kaunseling & Pengurusan Kredit* (AKPK)¹⁴⁵ should be made available to credit consumers. This is essential as businesses that offer debt ‘help’ have often been criticised for predatory practices.¹⁴⁶ In countries where social security benefits are available for those experiencing financial hardship, credit providers are sometimes required by law to provide consumers with information on how to access social security and free debt help, while warning of the high cost of credit.¹⁴⁷ Social security benefits for Malaysians are far more limited than those of their counterparts in Western industrialised countries.¹⁴⁸ Consequently, signposting consumers to cheaper alternative sources of funding is more challenging due to the limitations in the social safety net.

Poverty & social protection

Affordability limits guard against individuals falling into debt spirals but may have unintended consequences of further excluding some of the most vulnerable consumers from access to funds necessary for their basic living expenses. In tandem with the introduction of the Consumer Credit Act, there is an urgent need for measures to alleviate the underlying problem of poverty that propels consumers to rely on BNPL to make ends meet. While UK and Australian laws have often served as a model for reforms in common law Asia, it is important to consider significant differences in the fabric of social protection, which forms an inextricable part of the affordability measures that underpin safeguards for credit consumers. Malaysia is a newly industrialised Southeast Asian country with a significantly lower gross domestic product (GDP) per capita.¹⁴⁹ In addition to the disparity in poverty levels, there are fewer social protection mechanisms in place for vulnerable individuals, increasing the risks of adverse consequences for the hard-core poor who rely on credit to survive.¹⁵⁰

An OECD cross-country comparison described the scope of Malaysia’s social protection as ‘very limited’, well below that of Australia, China, India, Japan, and neighbouring countries such as Singapore and Thailand.¹⁵¹ Unlike the UK and Australia, common law countries whose laws continue to serve as a model for Malaysian law reformers, Malaysia does not have unemployment benefits, family or child allowances, or an old-age pension apart from the Employees Provident

¹⁴³ OECD, *Recommendation on High-Level Principles on Financial Consumer Protection* (12 Dec 2022) <<https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/financial-consumer-protection/G20-OECD-FCP-Principles.pdf>> accessed 8 Feb 2026.

¹⁴⁴ FCA Handbook’s Consumer Credit Sourcebook, CONC 8.2.4; National Consumer Credit Protection Regulations 2010 (Cth) sch 9.

¹⁴⁵ Debt Counselling and Management Agency.

¹⁴⁶ Vivien Chen and Michelle Welsh, ‘Safeguarding Australian Consumers from “Debt Vultures”’ (2023) 45(1) *Sydney Law Review* 45.

¹⁴⁷ National Consumer Credit Protection Regulations 2010 (Cth) sch 9.

¹⁴⁸ Stephen Barrett and Charles Knox-Vydmanov, ‘Mitigating the effects of the COVID-19 crisis on Malaysia’s children: Immediate and longer-term social protection policy options’ (UNICEF, May 2020) <<https://www.unicef.org/malaysia/media/1746/file/Social%20Protection%20COVID19%20Policy%20Brief.pdf>> accessed 8 Feb 2026; Hamid et al (n 55).

¹⁴⁹ World Bank Group, GDP Per Capita <<https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=MY>> accessed 12 Feb 2026.

¹⁵⁰ Barrett and Knox-Vydmanov (n 148) 5-7; Hawati Abdul Hamid et al (n 55) 7, 57-8.

¹⁵¹ OECD, ‘A Decade of Social Protection Development in Selected Asian Countries’ (OECD Publishing, 11 Mar 2017) 47 <<http://dx.doi.org/10.1787/9789264272262-en>> accessed 8 Feb 2026.

Fund.¹⁵² Recent studies highlight the many gaps through which various segments of Malaysian society fall, including middle-income earners who struggle with the rising cost of living, people with disabilities, workers in the gig economy, the unemployed, the aged who do not have retirement savings, migrant workers, refugees and indigenous communities.¹⁵³ In the absence of adequate social security benefits, vulnerable individuals turn to credit, and the adverse consequences are reflected in personal loans being the main cause of bankruptcy in Malaysia.¹⁵⁴ Without access to alternative sources of sustenance, financial deprivation may drive some of the most vulnerable to destitution, insolvency or illegal moneylenders who are known to engage in far more predatory lending practices and abusive debt collection tactics.¹⁵⁵

Scholars and government reports emphasise the need for interest-free or other affordable credit for low-income earners, and for government support for vulnerable individuals to cover their basic needs and tide them through unforeseen, unaffordable financial shocks.¹⁵⁶ The urgent need for broader reforms to address the underlying problem of poverty is reflected in the consumer survey discussed earlier, in which many respondents cited a lack of funds as a reason for using BNPL. These resonate with concerns over the rising cost of living,¹⁵⁷ and a recent poll which found that 86.6% of the Malaysian adults surveyed were experiencing financial stress.¹⁵⁸

Even in countries where social security benefits are more readily available, insufficient income has resulted in vulnerable communities relying on BNPL for essentials.¹⁵⁹ One of the innovations that has helped to bridge the gap is the no-interest loan scheme run by not-for-profit organisations in partnership with banks.¹⁶⁰ These genuinely interest-free and fee-free loans, designed with vulnerable communities in mind, do not entail problems of debt spirals or harsh debt collection methods. Nascent initiatives by not-for-profit organisations to provide interest-free microcredit to low-income microentrepreneurs, in collaboration with companies through social responsibility programmes, are exemplars for further developing similar measures to alleviate poverty.¹⁶¹ Recent changes to Bursa Malaysia's sustainability reporting framework for listed companies, along with tax deductions for donations to approved organisations, provide further incentives towards such

¹⁵²ibid 48-49; Suman K Sharma, 'Enhancing ADB's Support for Social Protection to Achieve the Sustainable Development Goals, Malaysia: 2018 Social Protection Indicator' (ADB, Apr 2023) <https://www.adb.org/sites/default/files/project-documents/52012/52012-001-tacr-en_14.pdf> accessed 8 Feb 2026.

¹⁵³Hawati Abdul Hamid et al (n 55) 7, 57-8; Barrett and Knox-Vydmannov (n 148) 2; Sity Daud, 'The COVID-19 Pandemic Crisis in Malaysia and the Social Protection Program' (2021) 37(4) *Journal of Developing Societies* 480, 488-9. Contributions to the Employees Provident Fund are made during employment to provide for employees in retirement. However, workers in the informal sector derive little or no benefit from the scheme unless they make voluntary contributions.

¹⁵⁴'Unpaid personal loans make up almost half of bankruptcy cases, says Azalina' (The Star, 24 May 2023) <<https://www.thestar.com.my/news/nation/2023/05/24/unpaid-personal-loans-make-up-almost-half-of-bankruptcy-cases-says-azalina>> accessed 8 Feb 2026.

¹⁵⁵Kaiwen Leong, Huailu Li & Kaibo Xu, 'Exploiting the Unbanked: Evidence from Singapore's Unlicensed Moneylending Market' (IZA Institute of Labor Economics, Discussion Paper Series IZA DP No 11786, Aug 2018) 29, 39.

¹⁵⁶Jodi Gardner, *Regulating Moneylending in Singapore: Looking at All Sides* (National University of Singapore, Faculty of Law Research Policy Report CBFL-Rep-JGI, Jul 2015) 39; Senate Economics References Committee, Parliament of Australia, 'Credit and Hardship: Report of the Senate Inquiry into Credit and Financial Products Targeted at Australians at Risk of Financial Hardship' (Parliament of Australia, 22 Feb 2019).

¹⁵⁷USCI Poll Research Centre, '73% Malaysian youngsters are in debt' (30 Jan 2026) <<https://www.ucspoll.org.my/poll-finding/73-malaysian-youngsters-are-debt/>> accessed 8 Feb 2026.

¹⁵⁸1315 adults were surveyed in the poll: USCI Poll Research Centre, '87% of Malaysians are dealing with financial stress' (1 Mar 2023) <<https://www.ucspoll.org.my/poll-finding/87-malaysians-are-dealing-financial-stress>> accessed 8 Feb 2026.

¹⁵⁹Good Shepherd Australia New Zealand, *Safety Net for Sale: The Role of Buy Now Pay Later in Exploiting Financial Vulnerability* (Nov 2022) 2 <https://goodshep.org.au/wp-content/uploads/2022/11/Good-Shepherd-Report_The-Role-of-Buy-Now-Pay-Later-in-Exploiting-Financial-Vulnerability_November-2022-Full-Report.pdf> accessed 8 Feb 2026; Financial Counselling Australia (n 23) 9.

¹⁶⁰Good Shepherd Australia New Zealand, *No interest loans* <<https://goodshep.org.au/services/nils/>> accessed 8 Feb 2026.

¹⁶¹Women of Will Malaysia <<https://www.womenofwill.org.my/>> accessed 8 Feb 2026.

developments.¹⁶² Likewise, as environmental and social governance has grown increasingly important to investors and employees,¹⁶³ there is potential for businesses to embed greater social responsibility in their core activities by offering concession prices to vulnerable communities to help counter the rising cost of living. Another innovation is the debt consolidation plan offered by Singaporean banks to over-indebted individuals at relatively low interest rates.¹⁶⁴ These allow debtors to escape debt spirals from high-cost credit and provide them with some breathing space to turn their financial situation around, without the stress of being pursued by debt collectors.

Conclusion

As BNPL continues to gain traction in many parts of the world, Malaysian law reformers are seeking to mitigate the risks to vulnerable consumers through the Consumer Credit Act 2025. The new legislation sets out protections that resonate with consumer credit laws from countries with established regulatory frameworks.¹⁶⁵ These protections would be more effective if consumers had access to free EDR to seek redress when credit providers breach their obligations. Likewise, financial hardship provisions are likely to yield better outcomes for consumers if credit providers' discretion is subject to review by an EDR body such as the Financial Markets Ombudsman Service. In addition, there is a need for regulatory guidance which requires credit providers to clearly warn consumers of the costs and risks of BNPL across the range of digital platforms used. Warnings should be prominent and communicated in a way that is easily understood by consumers with lower levels of financial literacy, such as an automatic cost calculator and illustrations or explanatory videos.

At the same time, it is important to ensure that the consumer credit laws do not have the unintended consequence of further excluding marginalised consumers from credit, leaving them without the means to afford basic necessities. Social security benefits, which form an integral part of social protection mechanisms for the most vulnerable members of society in the more financially developed countries, are far more limited in Malaysia. Such social security is an integral aspect of the capacity to afford the basic cost of living in countries on which Malaysia's consumer credit laws are modelled. Affordability checks in the UK and Australia, intended to protect vulnerable consumers from unmanageable debt, are often premised on the assumption that vulnerable individuals receive social security benefits. Without such social protection and the ability to make ends meet, vulnerable families could be driven to destitution, homelessness or insolvency, or turn to illegal moneylenders who are far more predatory and harmful. Consequently, there is an urgent need to increase the availability and amount of social security benefits, or to pursue collaborative initiatives with the private sector, to address poverty alongside the regulation of consumer credit. Interest-free loans for low-income or financially stressed consumers, and free debt help from AKPK, are also required to fulfil the underlying objective of promoting better outcomes for vulnerable consumers.

¹⁶²Income Tax Act 1967, s 44(6); Bursa Malaysia, *Sustainability Reporting Guide* (3rd ed., 2022) <https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/6768e301e6414a4c4beb9f49/Sustainability_Reporting_Guide_2022_FINAL__1_.pdf> accessed 8 Feb 2026.

¹⁶³Deloitte Center for Financial Services, *Ingraining sustainability in the next era of ESG investing* (Deloitte Insights, 2022) <<https://www.deloitte.com/us/en/insights/industry/financial-services/esg-investing-and-sustainability.html>> accessed 12 Feb 2026.

¹⁶⁴The Association of Banks in Singapore, *FAQs on Debt Consolidation Plan* <<https://www.abs.org.sg/consumer-banking/consumers/debt-consolidation-plan>> accessed 8 Feb 2026.

¹⁶⁵Financial Counselling Australia (n 23) 7.