

ARTICLE

Debt's Shadow Realm: Mapping and Reforming Informal Debt Collection in Southeast Asia and Australia

Catalin Gabriel Stanescu* 

University of Southern Denmark, Denmark
Email: cgs@sam.sdu.dk

(Received 2 February 2025; revised 14 May 2025; accepted 23 May 2025)

Abstract

Informal debt collection is a widespread but underregulated phenomenon in Southeast Asia, where institutional enforcement remains weak and access to formal credit is limited. This article offers the first comparative legal analysis of informal debt collection practices and regulatory responses in Singapore, Thailand, Malaysia, and the Philippines, with Australia serving as a reference jurisdiction. Drawing on a functionalist methodology, the study examines how sector-specific rules, soft-law guidelines, and general consumer protection law shape debt recovery processes across divergent legal and institutional contexts. It argues that informal collection methods, while often abusive, also reflect broader socio-economic conditions and governance gaps that cannot be addressed through technical legal reform alone. The article highlights emerging regulatory trends, including protections for small and medium enterprises, targeted safeguards for vulnerable debtors, and incremental licensing regimes, while cautioning against one-size-fits-all solutions. It proposes a phased reform strategy that combines national consolidation of legislative frameworks with the regional convergence of baseline norms around dignity, fairness, and enforcement transparency.

Introduction

Informal debt collection is a pressing yet underexplored issue in financial governance, particularly in jurisdictions where formal legal enforcement is costly, inefficient, or inaccessible. Across Southeast Asia, the reliance on informal debt collection, whether through private enforcement agencies, unlicensed collectors, or creditor-driven efforts, raises concerns about abusive practices, regulatory gaps, and the broader socio-economic consequences of unregulated financial enforcement. While formal legal frameworks exist, their enforcement is often ineffective or prohibitively expensive, leading creditors to seek extrajudicial alternatives.

This article examines the regulatory landscape of informal debt collection in Southeast Asia, focusing on four selected jurisdictions, ie Singapore, Thailand, Malaysia, and the Philippines, with comparative insights from Australia. Recognising that informal debt collection is not just a legal problem but also a socio-economic phenomenon, it maps existing frameworks, identifies regulatory gaps, assesses socio-economic impacts, and offers policy recommendations.

* Associate Professor, Legal Department, Faculty of Business and Social Sciences, University of Southern Denmark. Attorney at Law (Romania).

Defining Informal and Abusive Debt Collection

When a debtor defaults, creditors can pursue either formal or informal debt collection. Formal debt collection involves judicial proceedings aimed at enforcing repayment through state-backed mechanisms.¹ While this approach provides legal certainty, it entails significant drawbacks, including court fees and other legal expenses, lengthy procedures, and the risk of the claim being dismissed.² In contrast, informal debt collection operates outside the judicial system, relying on direct efforts by creditors or third-party collection agencies to recover outstanding debts.³ This method is often faster and more cost-effective,⁴ but lacks judicial oversight and is therefore more susceptible to unethical or coercive practices.

Thus, *informal debt collection* refers to all methods employed by a creditor for debt recovery that do not involve the judiciary or other state agents, such as bailiffs, sheriffs, or police officers. In other words, it is a form of private enforcement. Informal debt collection is widespread today in all legal systems, albeit regulated in only a few. This reality appears to be independent of the level of legal or economic development.

Debt-collection agencies perform a broad array of functions, ranging from self-help repossession to the purchase and collection of receivables. Subjecting their operations to a coherent and functional regulatory framework would ensure appropriate oversight and safeguards. Unfortunately, this is not always the case, which paves the way for abuse.

Abusive informal debt collection practices pose multidimensional harms. They (a) threaten consumers' physical, psychological, and economic well-being;⁵ (b) expose law-abiding and ethical debt collectors to unfair competition;⁶ (c) undermine consumers' trust in financial institutions⁷ or the justice system;⁸ and (d) may facilitate criminal activity, such as money laundering and tax evasion.⁹

It is important to clarify that informal debt collection, as used in this article, refers to the enforcement method rather than the nature of the underlying credit relationship. While abusive collection practices are often associated with informal or unregulated lending, they are not exclusive to them. Regulated creditors, including banks, credit card issuers, and utility providers, frequently employ informal techniques, particularly in jurisdictions where judicial enforcement is slow, costly, or uncertain. Thus, informal debt collection encompasses a spectrum of practices used by both formal and

¹ Cătălin Gabriel Stănescu, 'Regulation of Informal Debt Collection. An Introduction' in Cătălin Gabriel Stănescu (ed), *Regulation of Debt Collection in Europe: Understanding Informal Debt Collection* (Routledge 2023) 7.

² John Spanogle et al, *Consumer Law: Cases and Materials* (4th edn, West Academic Publishing 2013) 474.

³ Stănescu (n 1) 6–7.

⁴ Adam J Levitin, *Consumer Finance Law: Markets and Regulation* (Aspen Publishing 2018) 693–96.

⁵ Elizabeth Warren et al, *The Law of Debtors and Creditors: Text, Cases, and Problems* (Aspen Casebook Series 2014); Cătălin Gabriel Stănescu, *Self-Help, Private Debt Collection and the Concomitant Risks. A Comparative Law Analysis* (Springer 2015); Hans-W. Micklitz & Irina Domurath, *Consumer Debt and Social Exclusion in Europe* (Taylor and Francis 2016); Iain Ramsay, 'Changing Policy Paradigms of EU Consumer Credit and Debt Regulation' in Dorota Leczykiewicz & Stephen Weatherill (eds), *The Involvement of EU Law in Private Law Relationships* (Hart Publishing 2013); Federico Ferretti & Daniela Vandone, *Personal Debt in Europe* (Cambridge University Press 2019); Joseph Spooner, *Bankruptcy: The Case for Relief in an Economy of Debt* (Cambridge University Press 2019); Jodi Gardner, Mia Gray & Katharina Moser, *Debt and Austerity: Implications of the Financial Crisis* (Edward Elgar 2020).

⁶ Olivier Jérusalmy, Paul Fox & Nicolas Hercelin, 'Is the Human Dignity of Individual Debtors at Risk?' (Finance Watch, 2020) <https://www.finance-watch.org/wp-content/uploads/2020/01/Report_Human-dignity_final_with-annex.pdf> accessed 3 May 2026; Cătălin Gabriel Stănescu, 'Regulation of Abusive Debt Collection Practices in the EU Member States: An Empirical Account' (2021) 44 *Journal of Consumer Policy* 179.

⁷ Case C-357/16, *UAB 'Gelvora' v Valstybinė vartotojų teisių apsaugos tarnyba* [2016], ECLI:EU:C:2017:573.

⁸ Ferretti & Vandone (n 5); Remo Caponi & Janek Novak, 'Access to Justice' in Burkhard Hess and Stephanie Law (eds), *Implementing EU Consumer Rights by National Procedural Law. Luxembourg Report on European Procedural Law Volume II* (Beck/Nomos/Bloombury 2019).

⁹ Cătălin Gabriel Stănescu & Camelia Bogdan, 'Regulatory Arbitrage and Non-Judicial Debt Collection in Central and Eastern Europe – Tax Sheltering and Money Laundering' (2021) 11 *Accounting, Economics and Law: A Convivium* 119.

informal creditors. Regulatory frameworks typically address such practices in functional terms, irrespective of the legality or formality of the underlying credit relationship.

A further conceptual distinction must be drawn between the act of lending and the act of collecting debts. While these are analytically and legally distinct stages of the credit cycle, they often converge in practice, particularly in cases involving illegal or unregulated moneylenders who both originate and enforce credit without institutional separation. In such vertically integrated arrangements, coercive enforcement is embedded in the lending model itself. This dynamic is well-documented in jurisdictions like Singapore, where both licensed and unlicensed moneylenders have historically relied on informal enforcement methods.¹⁰ While the primary focus of this article is on debt collection, not lending conditions, the intersection of the two is acknowledged where necessary to expose structural regulatory gaps.

The dual nature of informal debt collection as both a practical necessity and a vector for abuse presents a profound regulatory challenge. Tackling these issues demands more than legal reform; it requires an appreciation of informal debt collection as a symptom of broader socio-economic disparities and governance deficits.

Choice of Jurisdictions

Abusive informal debt collection practices exist across all jurisdictions, yet regulatory responses vary. Thailand introduced legal regulation in 2015, providing a degree of protection against misconduct.¹¹ Singapore followed with its Debt Collection Act in 2022, imposing oversight and licensing requirements.¹² The Philippines has attempted reform, with legislative proposals in 2004 and again in 2022 highlighting widespread abuses and the inadequacy of current laws.¹³ Malaysia, by contrast, lacks a dedicated law, relying instead on Central Bank guidelines.¹⁴ Thus, these jurisdictions represent varying degrees of legal formalization, ranging from comprehensive statutory regulation (Singapore, Thailand) to fragmented and emergent frameworks (Malaysia, the Philippines). On its end, Australia employs a hybrid model that blends statutory instruments (hard law) with regulatory guidance (soft law), most notably the guidelines for debt collectors first issued in 2005 and regularly updated, most recently in 2021.¹⁵

While this study focuses on Southeast Asia, the inclusion of Australia serves a critical comparative function. As a Commonwealth jurisdiction, Australia shares foundational legal traditions with Singapore and Malaysia, facilitating instructive comparison in statutory design, enforcement mechanisms, and consumer protection standards. Its geographical and economic ties to the region further enhance its relevance, especially as cross-border debt collection by Australian financial institutions targeting Southeast Asian borrowers becomes more prevalent.

Australia's regulatory regime also serves as a counterpoint. Despite its well-developed framework, incorporating both hard and soft law, enforcement challenges persist, mirroring the limitations of purely legalistic approaches to consumer protection. This dynamic illustrates a broader insight from

¹⁰Jodi Gardner, 'Regulating Moneylending in Singapore: Looking at All Sides' (Centre for Banking & Finance Law, National University of Singapore 2016) <<https://law.nus.edu.sg/cbfl/wp-content/uploads/sites/5/2020/04/CBFL-Rep-1505.pdf>> accessed 12 May 2025.

¹¹Alongkorn Tongmee & Koranathip Samransamruadkit, 'Thailand's new debt collection law provides a measure of protection' (Bangkok Post, 21 Aug 2015) <<https://www.tilleke.com/wp-content/uploads/2015/08/2015-aug21-thailand-new-debt-collection-law.pdf>> accessed 05 Nov 2024.

¹²Debt Collection Act 2022 (no 27 of 2022) (Singapore DCA) published in the Government Gazette, Act Supplement, 7 Oct 2022 <<https://sso.agc.gov.sg/Act/DCA2022>> accessed 05 Nov 2024.

¹³'Explanatory Note' <<http://legacy.senate.gov.ph/lisdata/94768019!.pdf>> accessed 24 Apr 2023.

¹⁴'Debt Collection in Malaysia', <<https://www.debtcollector.my/blog/debt-collector>> accessed 24 Apr 2023.

¹⁵Australian Competition and Consumer Commission, 'Debt Collection Guideline: for collectors and creditors' (April 2021) <<https://www.accc.gov.au/system/files/Debt%20collection%20guideline%20for%20collectors%20and%20creditors%20-%20April%202021.pdf>> accessed 24 Apr 2023.

comparative law and legal pluralism: harmonizing regulatory frameworks across diverse jurisdictions is often impractical and context-sensitive governance models are essential.¹⁶ At the same time, Australia's alignment with Western consumer protection norms positions it as a conceptual bridge between Anglo-European regulatory logics and Southeast Asian credit ecosystems. Its inclusion thus offers a common law reference point with a strong consumer protection architecture, enabling a functional comparison of how Western-style regulation interacts with Southeast Asian informal credit economies.

The jurisdictions selected for this study reflect a deliberate comparative strategy to capture a spectrum of regulatory approaches to informal debt collection. Singapore, Thailand, Malaysia, and the Philippines exemplify diverse normative and institutional responses: from sector-specific legislation (Thailand, Singapore), to central bank-issued guidelines (Malaysia), to regulatory gaps and overlapping enforcement mandates (the Philippines). Each represents a distinct point on the continuum of legal formalisation and political responsiveness. Australia, as an external comparator, brings a hybrid regime and a contrasting enforcement capacity. The resulting framework allows for both vertical (within-regime) and horizontal (cross-regime) evaluation of how informal debt collection is governed across different legal, economic and institutional contexts.

Methodology and Contribution

This article employs a mixture of methods. It integrates comparative legal analysis (drawing on laws, case law, and regulatory guidelines) with socio-economic research (based on media reports, industry data, and institutional studies) to offer a multi-dimensional assessment of regulatory effectiveness. The comparative analysis follows a functionalist approach, assessing legal responses through their practical impact, enforcement mechanisms, and socio-economic implications.¹⁷

What distinguishes this study is its pioneering examination of informal debt collection in Southeast Asia, an area that has received little scholarly attention. Rather than treating debt collection solely as a regulatory concern, the article investigates its deeper socio-economic roots, such as financial exclusion, systemic inequality, and weak governance, revealing how these forces shape informal practices. By reframing debt collection governance as a mechanism for restoring equity and rebuilding trust, the study offers a novel perspective on financial regulation in the region.

The analysis draws on both primary legal sources and a wide range of secondary materials, including regulatory publications, academic commentary, and investigative journalism. However, the depth and availability of data vary across jurisdictions. In some instances, the absence of discussion of particular regulatory features reflects limitations in documentation rather than a substantive difference in legal practice. Where possible, the article distinguishes between true divergence and informational opacity. Yet this asymmetry is itself analytically meaningful: it mirrors broader disparities in regulatory transparency, institutional maturity, and the state's capacity to document and monitor informal practices.

Structure of the Article

The article is structured as follows: It first maps the status quo of informal debt collection, examining the legal frameworks, enforcement mechanisms, and prevailing practices in the selected jurisdictions. It then identifies key regulatory gaps and enforcement challenges, highlighting areas where legal oversight is weak or absent. Afterwards, the article explores the broader socio-economic impact of informal debt collection, particularly on SMEs, vulnerable debtors, and consumer trust in financial institutions, and offers policy recommendations, advocating for regulatory consolidation, industry

¹⁶Compare Otto Kahn-Freund, 'On Uses and Misuses of Comparative Law' (1974) 37 *Modern Law Review* 27.

¹⁷Ralf Michaels 'The Functional Method of Comparative Law' in Mathias Reimann & Reinhard Zimmermann (eds) *The Oxford Handbook of Comparative Law* (Oxford University Press 2006).

professionalisation, and targeted protections for at-risk borrowers. Finally, the conclusion reflects on the global implications of these findings, emphasising the need for a more balanced and context-sensitive approach to debt collection governance.

Mapping the Status Quo: Informal Debt Collection in Southeast Asia

The Economic and Social Context

Small and medium enterprises (SMEs), the backbone of Southeast Asia's economies, frequently lack access to institutional financing, forcing them to turn to alternative lenders. According to a 2023 Report on SME Digital Finance and Payment Behaviours for Southeast Asia (SME 2023 Report), including Malaysia, Singapore and Thailand, timely payments were among the top financial concerns for SMEs.¹⁸ Singapore stood out, with 58% of respondents highlighting the challenge of receiving payments from customers.¹⁹ More than a third of respondents said access to financing (including loans and credit cards) and fulfilling payments (to suppliers or vendors who may not offer flexible payment options) are their top payables issues.²⁰ Thus, debt collection remained of significant interest, with small businesses appearing at both ends of the creditor-debtor relationship.

This problem is highlighted in a wealth of literature from the financial sector. Unsurprisingly, suggested policy interventions required to support SMEs access to financing include (a) strong legal frameworks and efficient judicial systems to protect creditor rights and streamline insolvency and settlement procedures; (b) robust secured transactions legislations; (c) the set-up of credit bureaus to facilitate the evaluation of individual and business' creditworthiness; (d) direct credit supports, such as credit guarantee schemes; and (e) support for the development of non-bank market based instruments (such as securitisation of pools of SMEs loans).²¹

To take one example, a 2024 ASEAN Report notes that in six Member States, secured creditors are not paid first in case of bankruptcy, which disincentivises financial institutions to extend loans to small businesses.²² This enhances the importance of informal credit systems and, potentially, their tolerance and acceptance as viable alternatives.

Moreover, with such a strong policy focus on legislating and formalising institutionalised creditor protection,²³ what appears to be missing is an apparent concern for the parallel existence of informal credit systems and adequate regulation for informal debt collection systems, whether conducted by legitimate and recognised entities or not. Indeed, with ongoing secured transaction reforms in Southeast Asia, informal debt collection regulation is secondary and remains scarce in the selected jurisdictions.

In addition, accessing capital and seed money continues to be a problem for SMEs in the region. About 70% of them started operations with money sourced from their own savings and financial support from family and friends. Due to widespread cash flow fluctuations issues, daily operations are also supported by their own funds²⁴ or by resorting to business term loans and credit card payments,²⁵ leading to increases in personal debt. Less than a quarter managed to obtain funding from traditional

¹⁸Funding Societies, 'SME Digital Finance and Payment Behaviours, Southeast Asia Report 2023' (2023) 25 <https://fundingsocieties.com.my/sme-southeast-asia-industry-report-2023?utm_source=news-reader&utm_medium=printed-newspaper&utm_campaign=sme-brand-printed-newspaper-marketingcampaigns> accessed 6 May 2026.

¹⁹ibid.

²⁰ibid.

²¹ERIA/OECD, 'SME Policy Index: ASEAN 2024 – Enabling Sustainable Growth and Digitalisation' (Jakarta 2024) 85, <<https://asean.org/book/sme-policy-index-asean-2024-enabling-sustainable-growth-and-digitalisation/>> accessed 05 Nov 2024.

²²ibid.

²³ibid 90-91, 106.

²⁴Funding Societies (n 18) 29.

²⁵ibid 30.

banks, and fewer than 10% sought alternative funding sources such as FinTech companies,²⁶ leaving them exposed to alternative (non-traditional) lenders.

The need for fast access to capital, unavailable with traditional lenders,²⁷ also pushes SMEs toward informal credit systems, with loan sharks taking centre stage. Thus, informal credit networks fill critical gaps. However, these systems come at a steep cost. Informal debt collection practices are frequently marred by harassment, coercion, and public shaming, undermining debtor dignity and eroding trust in financial institutions.²⁸

Similarly, low-income households and migrant workers, excluded from formal credit systems, rely heavily on informal arrangements. Preexisting problems and structural inequalities affecting the ASEAN region²⁹ were again brought to the forefront during the COVID-19 pandemic, which had devastating effects on socially and economically marginalised groups. While the difficulties in each country remain diverse, there are clear parallels and common threads that underscore the problems posed by informal credit and debt collection systems, as well as the need for policies that address them.

In Singapore, for instance, one of the most vulnerable groups is that of migrant workers, engaged in low-paying jobs in construction, manufacturing and shipyards, most of whom come from India and Bangladesh.³⁰

Women and youngsters are the categories most affected by unemployment,³¹ although levels vary among countries in the region. The pan-regional lack of adequate social protection, especially among vulnerable groups, such as migrants, women or older workers, only exacerbates the problems posed by economic inequality, the pandemic, leading to extreme poverty, which affects not only them, but also their families.³²

In 2020–2021, overall economic stagnation, along with associated income shortfalls and job losses, undermined households' ability to purchase food and other essentials. Poverty rates are higher in rural than urban areas,³³ due to the gap between rural and urban incomes, which contributes to relatively higher income inequality.³⁴ While poverty rates are higher in rural areas, urban poverty will be a major issue in the near future, given the rapid urbanisation.³⁵ Inflation, especially food inflation, is another serious matter, as it forces households to either cut down on their living standard or resort to debt to finance their needs. Once again, this reality has a more significant impact on people with low- or middle-income since they spend a larger share of their earnings on household necessities.³⁶

These realities help explain the survival and prosperity of informal credit systems in the region, including the ancillary informal debt collection systems, which frequently become abusive. Government recognition of the role played by such informal systems can be easily understood from their attempts to regulate ('formalise') and curb abusive practices, often by criminalising them.

²⁶ibid 19.

²⁷ibid 30.

²⁸See above section on 'Common Abusive Practices'.

²⁹United Nations Development Programme, 'Reducing Inequality in the Decade of Action to Achieve the SDGs and Accelerate Post-Pandemic Recovery' (August 2022) 9, 14, <<https://asean.org/wp-content/uploads/2022/08/FINAL-Policy-Brief-on-Reducing-Inequality.pdf>> accessed 05 Nov 2024.

³⁰Dongwoo Kim, To Trieu Hai (Tracy) Ly & Daniela Rodriguez, 'Pushed to the Margin: Vulnerable Groups in the Asia Pacific During COVID-19' (Asia Pacific Foundation of Canada, 14 June 2024) <<https://www.asiapacific.ca/publication/pushed-margin-vulnerable-groups-asia-pacific-during-covid-19>> accessed 05 Nov 2024.

³¹United Nations Development Programme (n 29) 16.

³²ibid 19–20.

³³Embassy of Sweden, 'Multidimensional Poverty Analysis for the Asia Pacific Region 2022' 33, <<https://cdn.sida.se/app/uploads/2022/08/26165454/Sida-MDPA-Regional-Asia.pdf>> accessed 05 Nov 2024.

³⁴United Nations Development Programme (n 29) 25.

³⁵ibid.

³⁶ibid 26.

This, in turn, creates adverse effects. On the one hand, there is now a breach in informal systems, as parts have (*de jure*) been formalised, while others remain on the fringe or outside formalisation. The explanation for this phenomenon can be found in the regulatory requirements that impose burdens on informal creditors, many of whom do not have the financial power to create a viable business. As a result, informal creditors engaged in small-scale local operations persist beneath the regulatory radar despite the risk of criminal penalties. On the other hand, regulating informal lenders has not been accompanied by adequate regulation of informal debt collection practices.

One cannot ignore the other factors favouring informal credit systems, such as historical and cultural influences, which tend to spawn gender, racial, and ethnic bias or foster systems that are semi-feudal or oligarchic, thus constraining the equitable distribution of assets and wealth. The Philippines is a prime example.³⁷ This suggests that not only economic but also political forces contribute to rising inequality and perpetuate informal systems that parallel formal ones. In addition, weak economic institutions are more susceptible to capture, leading to financial liberalisation and deregulation, in which informal systems thrive. While these networks provide a crucial lifeline, they expose borrowers to predatory practices that undermine dignity and trust.

Australia does not fare much better, given the financial hardship caused by the economic downturn that followed the COVID-19 pandemic, the war in Ukraine and growing inflation. In 2020, there were approximately 16.7 million debts under collection, totalling 28 billion dollars.³⁸ As per the 2020 reports of the industry body, there were 2.99 million accounts with a face value of 15.5 billion dollars under collection stemming from NPLs purchased by the debt collection industry. Out of these, 2.37 billion were collected, 2.86 billion were restructured, together with 1.46 billion in hardship arrangements, while 31.3 million owed by vulnerable customers were waived.³⁹

In 2024, Australia's cost-of-living crisis has triggered further concerns about the activity of private debt collectors, with the National Debt Helpline facing a 25% surge in calls and increased reports of debt-related stress, health issues and even suicidal tendencies.⁴⁰ Moreover, advocates and former debt collectors have pointed out that industry oversight is too lax. Debt collectors chase vulnerable debtors for money they do not owe, make misleading and false threats about credit file listings to non-English speakers, use fake social media profiles to find missing debtors and employ underhanded tactics to extend the time limit on collecting debts.⁴¹

Actors: From Licensed Agencies to Unregulated Loan Sharks

The actors involved in informal debt collection are as diverse as the socio-economic contexts in which they operate. Several main categories of debt collectors can be identified, each with a corresponding risk level that tends to vary based on the jurisdiction.

The *first* category is that of debt collectors working *in-house* for banks and other credit institutions. In Singapore, where these institutions are regulated and enjoy a strong reputation in society, they are deemed to pose the least risk.⁴² However, that is not the case in other jurisdictions. At the

³⁷Josef T Yap, 'Addressing Inequality in Southeast Asia through Regional Economic Integration' (2024) 9-10, <https://www.ide.go.jp/library/English/Publish/Reports/Brc/pdf/14_01.pdf> accessed 05 Nov 2024.

³⁸Australian Collectors and Debt Buyers Association <https://acdba.com/images/acdba/submissions/ACDBA_Data_Snapshot_FY2020.pdf> cited in Lucinda O'Brien et al, 'An Impending Avalanche: Debt Collection and Consumer Harm after Covid' (2021) 49 Australian Business Law Review 86.

³⁹Australian Collectors and Debt Buyers Association, 'Submission to Treasury Consultation Licensing of Debt Management Firms, Appendix2 – Debt Purchasing Explained' (February 2021) <https://acdba.com/images/acdba/submissions/ACDBA_Data_Snapshot_FY2020.pdf> accessed 05 Nov 2024.

⁴⁰Christopher Knaus, 'Insidious and unsavoury': how private debt collectors push vulnerable Australians to breaking point' (The Guardian, 22 May 2024) <<https://www.theguardian.com/news/article/2024/may/23/insidious-and-unsavoury-how-private-debt-collectors-push-vulnerable-australians-to-breaking-point>> accessed 05 Nov 2024.

⁴¹*ibid.*

⁴²Interview with Singapore MP 1 (11 Mar 2024).

same time, research revealed that Singaporean banks rarely sell debt portfolios and prefer to manage their debts by themselves.⁴³ These aspects contrast with the situation in other jurisdictions, such as Australia, Thailand or Malaysia, where banks only attempt in-house debt collection for a limited period, after which outstanding debts are bundled in portfolios and outsourced for collection or sold on secondary markets. Indeed, Malaysia is actively pursuing the development of its secondary market, with its Central Bank having recently removed obstacles to foreign investors specialised in acquiring and recovering non-performing loans (NPLs).⁴⁴ Following the Western pattern, the Australian debt collection industry is divided into two categories: (a) contingent collection (collection for another by debt collection agencies) and (b) debt purchase (buying debt and collecting it for oneself).⁴⁵

The *second* category is regulated services, with lawyers, insolvency practitioners, and accountants as prime examples. All of these are governed by their own legislation and supervisory bodies. In the case of lawyers engaging in debt collection, the available case law suggests that misconduct is present and is usually handled via disciplinary actions before specialised bodies, at least in Singapore⁴⁶ and Thailand.⁴⁷

The *third* category is debt-collection agencies. These are mainly registered corporate entities, licensed or otherwise, that recover debts on behalf of creditors (individuals and businesses) or purchase debt portfolios for collection. Until recently, these entities were wholly or partly unregulated in many jurisdictions, meaning anyone could create one and engage in debt recovery activities. The available case law reveals that their employees were charged numerous times with law violations during debt collection. They are the main subject of sector-specific legislation dealing with informal debt collection, such as the Singaporean Debt Collection Act (Singapore DCA)⁴⁸ and Debt Collection Regulations,⁴⁹ the Thai Debt Collection Act (Thai DCA) or the Australian Debt Collection Guideline.⁵⁰ Licensed debt collection agencies now dominate in more formalised markets like Singapore,⁵¹ Thailand,⁵² and Australia,⁵³ where regulations attempt to professionalise and legitimise the industry. However, unlicensed debt collectors continue to operate unchecked in countries such as Malaysia and the Philippines. These entities employ aggressive tactics, including harassment,

⁴³ Interviews with Credit Counselling representatives (February 2024).

⁴⁴ Bank Negara Malaysia, 'Disposal and Purchase of Impaired Loans/Financing' (BNM/RH/PD 029-70 25 Jun 2024) 5 <https://www.bnm.gov.my/documents/20124/938039/pd_Disposal_and_Purchase_of_Impaired_Loans_Financing.pdf?_gl=1*ebos03*_ga*NTI3Nzk5OTI5LjE2NjgxNDQ2ODg.*_ga_QCXYX5C31*MTcxOTQ5OTgyNi4zODEuMS4xNzE5NDk5ODM0LjUyLjAuMA> accessed 05 Nov 2024.

⁴⁵ O'Brien et al (n 38) 86.

⁴⁶ Catalin-Gabriel Stănescu, 'Regulation of Informal Debt Collection in Singapore' Singapore Journal of Legal Studies (forthcoming).

⁴⁷ Thai DCA, s 6.

⁴⁸ Singapore DCA.

⁴⁹ Debt Collection (General) Regulations 2023 (Singapore DCR) <<https://sso.agc.gov.sg/SL/DCA2022-S724-2023?DocDate=20231108&TransactionDate=20231108235959&WholeDoc=1>> accessed 05 Nov 2024.

⁵⁰ Australian Securities and Investments Commission, 'Regulatory Guide 96: Debt Collection Guideline: For Collectors and Creditors' (13 Apr 2021) 8 <<https://download.asic.gov.au/media/hw4nfl1g/rg96-published-13-april-2021.pdf>> accessed 05 Nov 2024.

⁵¹ The main requirement of the DCA is that a person who carries on a debt collection business or undertakes any debt collection activity in Singapore during its business must hold a valid license on or after 1 Mar 2024, see Singapore DCA, s 6.

⁵² See the Debt Collection Supervisory Committee's Regulation regarding the registration of debt collection businesses, BE 2558 (2015), published in the Government Gazette, vol 133, part 4 kor, 1, dated 13 Jan 2559 <<http://report.dopa.go.th/laws/document/sub/2/204.pdf>> accessed 05 Nov 2024.

⁵³ Debt buyers are considered to be engaging in credit activity for the purposes of the National Consumer Credit Protection Act 2009 (NCCPA), and, thus, must hold an Australian credit license. See NCCPA, s 29. At the same time, most state and territory laws require debt collectors to hold an operational license, with the exception of the Australian Capital Territory or Victoria, see O'Brien et al (n 38).

threats of violence,⁵⁴ and public shaming, targeting vulnerable borrowers who lack the resources to seek redress.

Finally, the *fourth* category comprises licensed and unlicensed moneylenders. These are creditors who extend loans directly to individuals or businesses, including formal entities and informal operators, such as loan sharks and their agents (runners). These actors pose the highest legal risks because they often evade regulatory scrutiny and commonly engage in aggressive practices during debt collection, as evidenced by an extensive body of case law.

In recent years, digital lenders have emerged as significant players, particularly in the Philippines, Malaysia,⁵⁵ and Thailand,⁵⁶ where they combine convenience with new risks, such as cyber harassment and unauthorised use of personal data.

Problematic Practices: An Overview of Abusive Informal Debt Collection

Abusive debt collection practices represent a global phenomenon; however, their prevalence and nature vary across jurisdictions owing to differences in socio-economic contexts, regulatory frameworks, and attitudes towards debt. This section compares the practices observed in Singapore, Malaysia, Thailand, the Philippines, and Australia, identifying commonalities while highlighting jurisdiction-specific patterns.

Common Abusive Practices. Across all five jurisdictions, harassment and intimidation are the most pervasive abusive practices. Debt collectors frequently employ relentless contact, threatening language, and coercive tactics to pressure repayment. For instance, excessive phone calls and in-person visits are reported in all jurisdictions, with collectors often contacting debtors multiple times daily in violation of existing guidelines. In Malaysia and the Philippines, collectors have gone as far as causing⁵⁷ or threatening physical harm⁵⁸ or publicly shaming debtors through digital⁵⁹ and in-person confrontations. These practices are echoed in Thailand⁶⁰ and Singapore⁶¹ to varying extents.

⁵⁴‘Peninsula loan shark engages Sibugang for debt recovery’ (The Sun, 27 Sep 2023) <<https://thesun.my/malaysia-news/peninsula-loan-shark-engages-sibu-gang-for-debt-recovery-EB11547740>> accessed 05 Nov 2024.

⁵⁵‘Five nabbed for stealing and selling personal data of Malaysians’ (The Sun, 17 Oct 2024) <<https://thesun.my/malaysia-news/five-nabbed-for-stealing-and-selling-personal-data-of-malaysians-BG13152838>>; Austin Camoens, ‘[Updated] 400 million personal data records stolen and sold, five arrested’ (New Straits Times, 17 Oct 2024) <<https://www.nst.com.my/news/crime-courts/2024/10/1121187/updated-400-million-personal-data-records-stolen-and-sold-five>>, both accessed 05 Nov 2024.

⁵⁶Penchan Charoensuthiphan, ‘Fairer debt collection fees urged’ (Bangkok Post, 10 Oct 2018), <<https://www.bangkokpost.com/thailand/general/1555142/fairer-debt-collection-fees-urged>> accessed 05 Nov 2024.

⁵⁷‘Father and Son Beaten Up at Home by 10 Men Over Debt’ (Free Malaysia Today, 15 Aug 2022) <<https://www.freemalaysiatoday.com/category/nation/2022/08/15/father-and-son-beaten-up-at-home-by-10-men-over-debt/>> accessed 05 Nov 2024.

⁵⁸Hani Shamira Shahrudin, ‘Loan sharks now continue to extort money even after debt is paid off: Michael Chong’ (New Straits Times, 06 Jun 2017) <<https://www.nst.com.my/news/nation/2017/06/246372/loan-sharks-now-continue-extort-money-even-after-debt-paid-michael-chong>> accessed 05 Nov 2024.

⁵⁹‘Debt collectors resorting to scams to scare victims’ (The Sun, 15 Nov 2017) <<https://thesun.my/archive/debt-collectors-resorting-scams-scare-victims-IUARCH503119>> accessed 05 Nov 2024.

⁶⁰Penchan Charoensuthiphan, ‘Fairer debt collection fees urged’ (Bangkok Post, 10 Oct 2018) <<https://www.bangkokpost.com/thailand/general/1555142/fairer-debt-collection-fees-urged>> accessed 05 Nov 2024.

⁶¹The available case law, originating in the Singapore Moneylenders Act and Singapore Protection for Harassment Act, covers a wide array of abusive informal debt collection practices. The most egregious, such as house visits coupled with physical (ie beating) or verbal (ie insults) violence, property damage to the debtor (ie setting doors on fire, destroying personal objects, spraying paint on doors) or to innocent third parties (ie spraying paint on doors, staircase walls) or causing public disturbance have already been addressed. However, more such practices were brought to the attention of courts: public humiliation attempts in front of customers (ie displaying a public banner, shouting slurs at the alleged debtors in the presence of his/her family, disclosing the claim to third parties) or neighbours (ie crying or banging on the door of the debtor or that of neighbours, locking the debtor’s door, showing up dressed in funeral clothes or with t-shirts bearing the inscription ‘debt collection’), see Stănescu (n 46).

Public shaming, including through digital platforms, is another widespread issue. In the Philippines, debt collectors exploit social media to expose debtors' financial situations to their friends, family, and broader networks,⁶² a tactic increasingly mirrored in Thailand.⁶³ In Malaysia,⁶⁴ collectors use platforms like WhatsApp and Facebook to send defamatory messages or publish posts designed to humiliate debtors. Similarly, in Australia, debt collectors have begun using social media to track and harass debtors,⁶⁵ although such antics are explicitly prohibited under Australian law.⁶⁶

Deceptive practices, such as issuing fake legal documents or misrepresenting the consequences of non-payment, are also prevalent. In Malaysia, debtors often receive letters purporting to be from courts or law enforcement, threatening arrest or asset seizure.⁶⁷ This tactic is mirrored in Australia, where collectors have been known to send letters designed to mimic court notices for at least fifty years.⁶⁸ Similarly, in Thailand, collectors frequently exaggerate legal threats, exploiting debtors' lack of awareness regarding their rights.⁶⁹

Jurisdiction-Specific Practices. While many abusive practices overlap, some are more prevalent or pronounced in specific jurisdictions, shaped by local economic and legal factors.

In Singapore, debt collectors often employ public shaming tactics. This includes displaying banners near debtors' homes or workplaces with defamatory messages,⁷⁰ a practice designed to pressure repayment through social embarrassment. Although digital harassment exists,⁷¹ it is less pervasive than in the Philippines due to stricter enforcement of privacy laws despite a surprisingly laxer stance of lawmakers concerning live streaming of debt collection activities on social media.⁷²

Malaysia has witnessed some of the most aggressive forms of debt collection, including physical intimidation and property vandalism. Loan sharks frequently splash red paint on debtors' doors, damage vehicles, or even resort to arson to coerce repayment.⁷³ Syndicated debt collection,⁷⁴ often linked to criminal elements,⁷⁵ adds a layer of fear and lawlessness, with collectors targeting both debtors and their families.⁷⁶

⁶²'Anti-debt collection harassment' (The Daily Tribune, 16 Aug 2021) <<https://conventuslaw.com/report/philippines-anti-debt-collection-harassment/>> accessed 05 Nov 2024.

⁶³Charoensuthipan (n 60).

⁶⁴The Sun (n 59).

⁶⁵Knaus (n 40).

⁶⁶Australian Securities and Investment Commission (n 50) 37.

⁶⁷The Sun (n 59).

⁶⁸Bruce Kercher, 'Debt Collection Harassment in Australia (Part 1)' (1978) 5 Monash University Law Review 90.

⁶⁹Charoensuthipan (n 60).

⁷⁰*PP v Yong Chee Meng* [2017] SGM 36.

⁷¹Debt Collection Bill, Second Reading, 13 Sep 2022, vol 95, sitting 68, Ms Sun Xueling.

⁷²*ibid.*

⁷³'Family of 6 escapes fire trap set over alleged debt' (Free Malaysia Today, 24 Feb 2018), <<https://www.freemalaysiatoday.com/category/nation/2018/02/24/family-of-6-escapes-fire-trap-set-over-alleged-debt/>>, accessed 05 Nov 2024.

⁷⁴'Busted illegal organization involved in 'Ah Long', illegal vehicle repossession activities: Cops' (The Sun, 21 Jan 2023) <<https://thesun.my/home-news/busted-illegal-organisation-involved-in-ah-long-illegal-vehicle-repossession-activities-cops-KA10545539>> accessed 05 Nov 2024; 'Peninsula loan shark engages Sibü gang for debt recovery' (The Sun, 27 Sep 2023) <<https://thesun.my/malaysia-news/peninsula-loan-shark-engages-sibu-gang-for-debt-recovery-EB11547740>> accessed 05 Nov 2024.

⁷⁵'10 telephone operators charged in connection with Macau scam' (The Sun, 12 Jun 2018) <<https://thesun.my/archive/10-telephone-operators-charged-connection-macau-scam-KUARCH554940>> accessed 05 Nov 2024; Ili Shazwani, 'Debt collector gets life sentence for armed robbery' (New Straits Times, 20 Nov 2015) <<https://www.nst.com.my/news/2015/11/112649/debt-collector-gets-life-sentence-armed-robbery>> accessed 05 Nov 2024; Hidir Reduan, 'Debt collector charged with murder of man at pub in Solaris' (New Straits Times, 29 Feb 2016) <<https://www.nst.com.my/news/2016/02/130252/debt-collector-charged-murder-man-pub-solaris>> accessed 05 Nov 2024.

⁷⁶'Father and Son Beaten Up at Home by 10 Men Over Debt' (Free Malaysia Today, 15 Aug 2022), <<https://www.freemalaysiatoday.com/category/nation/2022/08/15/father-and-son-beaten-up-at-home-by-10-men-over-debt/>> accessed 05 Nov 2024.

In Thailand, violent tactics are particularly pronounced, with numerous reports of debt collectors vandalising property or physically attacking debtors.⁷⁷ One case involved a mistaken retaliation that escalated to a bombing⁷⁸ while others involved shootings,⁷⁹ illustrating the extreme risks faced by debtors in conflict with informal lenders. Crime syndicates engaged in loan sharking and debt collection, often with the aid of public officials and law enforcement, are also a common occurrence.⁸⁰

The Philippines stands out for the extent to which debt collectors exploit digital tools to harass and shame debtors.⁸¹ Based on the warnings featured in the Department of Justice's public advisory on online lending companies, collectors who access borrowers' contact lists and send threatening messages to friends and family to amplify social pressure are liable under the Data Privacy Act (Philippines DPA)⁸² and the Cybercrime Prevention Act.⁸³ Public social media posts defaming debtors are widespread, creating a uniquely damaging form of digital harassment, although they expose wrongdoers to criminal punishment.⁸⁴

While reports of physical intimidation are rare in Australia compared to other jurisdictions, debt collectors frequently rely on persistent contact and deceptive tactics. Collectors have been known to misrepresent themselves as legal authorities⁸⁵ or exaggerate the consequences of non-payment.⁸⁶ Unlike in Southeast Asia, public shaming is less common due to stringent privacy protections, but relentless communication continues to cause significant stress for debtors and is, therefore, banned by various instruments.⁸⁷

The comparative analysis reveals that certain practices, such as harassment, public shaming, and deceptive threats, are universally employed across jurisdictions, although their intensity and methods vary. Southeast Asian jurisdictions – particularly Malaysia,⁸⁸ the Philippines, and Thailand⁸⁹ – tend to show more aggressive and violent conduct, often linked to informal lending norms surrounding debt repayment. In Australia, the regulatory framework and enforcement mechanisms appear to have curtailed the most egregious behaviours in the financial sector, at least according to industry

⁷⁷'Debt collectors held for truck theft' (Bangkok Post, 13 May 2012) <<https://www.bangkokpost.com/thailand/politics/293029/debt-collectors-held-for-truck-theft>> accessed 05 Nov 2024.

⁷⁸'Debt collectors hit the wrong home' (Bangkok Post, 16 May 2013) <<https://www.bangkokpost.com/thailand/politics/350322/debt-collectors-hit-wrong-home>> accessed 05 Nov 2024.

⁷⁹'Loan sharks shoot up woman's house over B 4000 debt' (Bangkok Post, 25 Oct 2015) <<https://www.bangkokpost.com/thailand/general/741904/loan-sharks-shoot-up-woman-house-over-b4000-debt>> accessed 05 Nov 2024.

⁸⁰'Raids bring down loan shark network' (Bangkok Post, 24 Dec 2016) <<https://www.bangkokpost.com/thailand/general/1167161/raids-bring-down-loan-shark-network>> accessed 05 Nov 2024.

⁸¹'Anti-debt collection harassment' (The Daily Tribune, 16 Aug 2021) <<https://conventuslaw.com/report/philippines-anti-debt-collection-harassment/>> accessed 05 Nov 2024.

⁸²Data Privacy Act of 2012, Republic Act no 10173 (Philippines DPA) s 25 and 28.

⁸³Cybercrime Prevention Act of 2012, Republic Act no 10175 (Philippines CPA) s 4(a)(1).

⁸⁴*ibid* s 4(c)(4).

⁸⁵O'Brien et al (n 38) 98.

⁸⁶Kercher (n 68) 90. See also *ACCC v Excite Mobile Pty Ltd* [2013] ATPR 42-437; [2013] FCA 350, where the Court learned that a telecommunications company made false representations in its letters to debtors, alleging that a court would make orders requiring customers to pay an additional charge equal to 20% of the debt in case of late payments and claiming that the court would repossess all the customer's assets of value, including children's toys.

⁸⁷Victoria Australian Consumer Law and Fair Trading Act 2012, s 45(m), (n), (o) and (p); Australian Securities and Investments Commission (n 49) 10, 14-15.

⁸⁸Shahrudin (n 58).

⁸⁹Chakrapan Natanri, 'Loan sharking operations raided in Northeast' (Bangkok Post, 03 Mar 2022) <<https://www.bangkokpost.com/thailand/general/2273399/loan-sharking-operations-raided-in-northeast>> accessed 05 Nov 2024.

stakeholders.⁹⁰ However, regulators⁹¹ and consumer advocates⁹² disagree with this assessment and digital harassment and deceptive practices persist, especially in the utilities sector.⁹³

Though diverse in their manifestations, abusive debt collection practices share common threads of harassment, deception, and coercion. The comparison highlights the importance of context-sensitive regulatory frameworks in addressing both universal and jurisdiction-specific abuses.

Regulatory Landscape in Key Jurisdictions

Regulatory responses across Southeast Asia have been uneven, with significant variations in scope and enforcement.

Singapore. Singapore's regulatory framework for informal debt collection has undergone a transformative evolution, marked by the introduction of the Debt Collection Act 2022 (Singapore DCA)⁹⁴ and its accompanying Debt Collection (General) Regulations 2023 (Singapore DCR).⁹⁵ These developments have addressed longstanding gaps in oversight and introduced professional standards for an industry that previously operated in a legislative void. Yet, the DCA sought to regulate informal debt collection by setting entry requirements for the industry and providing enforcement measures against errant debt collectors,⁹⁶ not as much by giving clear guidelines vis-à-vis debt collection conduct.⁹⁷

Notably, the DCA does not distinguish between consumers and businesses. As Ms Sun Xueling noted, '*Individuals and businesses* should not be subjected to debt collection methods that clearly exceed what may be considered reasonable pressure for payment' (emphasis added).

The DCA primarily targets debt collection undertakings that service SMEs or individuals since these are perceived to pose a higher risk to public safety.⁹⁸ All debt collection businesses and agents must obtain licenses,⁹⁹ ensuring that only those deemed 'fit and proper' can operate.¹⁰⁰ It also criminalises unlicensed activities, with strict penalties including fines and imprisonment,¹⁰¹ signalling a clear intent to foster accountability and professionalism in the sector.

Before the enactment of the DCA, debt collection activities in Singapore were governed by more general legal instruments. The Moneylenders Act¹⁰² targeted harassment by unlicensed moneylenders (loan sharks),¹⁰³ while the Protection from Harassment Act¹⁰⁴ provided recourse

⁹⁰Knaus (n 40).

⁹¹Gerard Cockburn, 'ACCC Set to Take Action Against Debt Collectors Serving Up Dodgy Behaviour to Australians' (16 Apr 2021) <<https://www.news.com.au/finance/money/costs/accc-set-to-name-and-shame-debt-collectors-serving-up-dodgy-behaviour-to-australians/news-story/99cb9d5afcee421e97329736c704d2dc>> accessed 05 Nov 2024.

⁹²Gerard Brody, 'COVID is Making the Debt Crisis Worse, Let's Act Now and Treat People Fairly' (Consumer Action Law Centre, 10 Sep 2020) <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://consumeraction.org.au/covid-is-making-the-debt-crisis-worse-lets-act-now-and-treat-people-fairly/&ved=2ahUKewjr5f_wveJAxWWXvEDHXSTERYQFnoECBcQAQ&usq=AOvVaw1AzJAS7BOh8a4dqPLt2YYZ> accessed 05 Nov 2024.

⁹³Financial and Consumer Rights Council, 'Rank the Telco' (2017) 23-24 <<https://accan.org.au/files/Grants/Rank%20the%20Telco%20Report.pdf>> accessed 05 Nov 2024.

⁹⁴Singapore DCA.

⁹⁵Singapore DCR.

⁹⁶A debt collection business is defined as a business carried on by a person of collecting any debt from a debtor on behalf of another person; or where the first mentioned person has acquired the debt.

⁹⁷Jodi Gardner, 'Recent Developments in the Regulation of Consumer Credit' (2023) Singapore Journal of Legal Studies 204.

⁹⁸Debt Collection Bill, Second Reading (n 71).

⁹⁹Singapore DCA, s 6.

¹⁰⁰Ibid s 8(2).

¹⁰¹Ibid s 17(3).

¹⁰²Singapore Moneylenders Act 2008 <<https://sso.agc.gov.sg/Act/MA2008?WholeDoc=1>>, accessed 05 Nov 2024.

¹⁰³Ibid s 47.

¹⁰⁴Singapore Protection from Harassment Act 2014 <<https://sso.agc.gov.sg/Act/PHA2014?WholeDoc=1>> accessed 05 Nov 2024.

for victims of harassment, including debtors and their families.¹⁰⁵ Additionally, the Personal Data Protection Act¹⁰⁶ offered protections against the misuse of personal information, such as unauthorised disclosure to publicly shame debtors.¹⁰⁷ While these laws remain critical in addressing specific issues, they lack the sector-specific focus introduced by the DCA, resulting in a fragmented, albeit complementary, regulatory landscape.¹⁰⁸

Despite these advancements, challenges persist in the enforcement and scope of the framework. The DCA excludes certain entities, such as banks and financial institutions, from the licensing requirements under the assumption that they are adequately regulated elsewhere.¹⁰⁹ Other loopholes stem from partial disregard for the debtor's privacy¹¹⁰ or the exclusion of specific categories of debt collectors, such as individuals collecting their own personal loans.¹¹¹

Thailand. Thailand's regulatory framework for informal debt collection is anchored in the sector-specific Debt Collection Act BE 2558 (2015) (Thai DCA),¹¹² a landmark piece of legislation aimed at professionalising debt collection and safeguarding debtor rights. Complementing the DCA are general laws such as the Consumer Protection Act,¹¹³ and the Personal Data Protection Act,¹¹⁴ which collectively establish general protections against exploitative or abusive practices in creditor-debtor relationships but also the sector-specific notifications and orders issued by the Debt Collection Supervisory Committee.¹¹⁵ So far, the Committee issued several Notifications prescribing rules, procedures, and conditions to facilitate complaints and receiving complaints related to debt collection (November 2015);¹¹⁶ rules for debt collection business conduct (April 2016);¹¹⁷ rules regarding the number of daily contacts for debt collection (July 2019);¹¹⁸ and rules regarding the rate of fees or expenses in debt collection (August 2021).¹¹⁹ There is also a Regulation regarding the registration of debt collection businesses (2015).¹²⁰

The Thai DCA represents Thailand's most comprehensive effort to regulate debt collection practices, addressing a wide range of issues. It applies to all debt collectors, including original creditors

¹⁰⁵ *ibid* s 3-5.

¹⁰⁶ Singapore Personal Data Protection Act 2012 <<https://sso.agc.gov.sg/Act/PDPA2012?WholeDoc=1>> accessed 05 Nov 2024.

¹⁰⁷ *ibid* ss 24, 26A and 48D.

¹⁰⁸ Stănescu (n 46).

¹⁰⁹ Singapore DCA, First Schedule.

¹¹⁰ Debt Collection Bill, Second Reading (n 71), Ms Sun Xueling.

¹¹¹ *ibid*.

¹¹² Debt Collection Act BE 2558 (2015) (Thai DCA), published in the Government Gazette, vol 132, part 16a, 1, dated 6 March BE 2558 (2015), unofficial English translation <<http://report.dopa.go.th/laws/document/2/231.pdf>> accessed 05 Nov 2024.

¹¹³ Consumer Protection Act, BE 2522 (1979) <https://www.aseanconsumer.org/file/post_image/The%20Consumer%20Protection%20Act%201979.pdf> accessed 05 Nov 2024.

¹¹⁴ Personal Data Protection Act, BE 2563 (2019) <<https://thainetizen.org/wp-content/uploads/2019/11/thailand-personal-data-protection-act-2019-en.pdf>> accessed 05 Nov 2024.

¹¹⁵ Thai DCA, s 16(1).

¹¹⁶ Published in the Government Gazette, vol 132, special part 322 ngor, 21, dated 4 Dec 2558, unofficial English translation <<http://report.dopa.go.th/laws/document/sub/2/208.pdf>> accessed 05 Nov 2024.

¹¹⁷ Published in the Government Gazette, vol 133, special part 99 ngor 6, dated 3 May 2559, unofficial English translation <<http://report.dopa.go.th/laws/document/sub/2/206.pdf>> accessed 05 Nov 2024.

¹¹⁸ Published in the Government Gazette, vol 136, special part 210 ngor 20, dated 23 Aug 2562, unofficial English translation <<http://report.dopa.go.th/laws/document/sub/2/207.pdf>> accessed 05 Nov 2024.

¹¹⁹ Published in the Government Gazette on 13 Aug 2021, <<https://www.nishimura.com/en/knowledge/publications/20210827-32571>> accessed 05 Nov 2024.

¹²⁰ Published in the Government Gazette, vol 133, part 4 kor 1, dated 13 Jan 2559 <<http://report.dopa.go.th/laws/document/sub/2/204.pdf>> accessed 05 Nov 2024.

and debt buyers.¹²¹ On the one hand, this term includes both private and institutional creditors (such as banks) and their authorised representatives (such as lawyers or debt collection agencies). On the other hand, it covers both legal and illegal creditors or debt collectors, bringing loan sharks and their runners into the law's ambit,¹²² reflecting the country's diverse landscape of debt recovery. According to the Thai DCA, all debt collection businesses must be registered to be allowed to operate.¹²³ Notably, the law prohibits government officials from operating a debt collection business or collecting debts that are not theirs.¹²⁴

Despite its comprehensive scope, the Act has faced criticism. Legal professionals find its provisions complex and challenging to enforce. Indebted companies, including here a large number of SMEs, are not covered by the law,¹²⁵ which applies only to individuals, and remain exposed to abusive practices. Moreover, amendments during its passage limited the Act's applicability to debts incurred after its enactment, leaving many existing debtors without the protections initially intended. Loan sharking and other informal debt collection practices persist, often exploiting economic vulnerabilities and gaps in enforcement, while limited public awareness of debtor rights under the Thai DCA hampers its effectiveness.

Malaysia. Malaysia's regulatory framework for informal debt collection reflects a complex interplay of evolving policies, institutional gaps, and persistent challenges, the most important of which is the absence of sectoral legislation. While efforts have been made to establish fair and transparent debt recovery practices via soft-law instruments, the framework remains fragmented, leaving significant portions of the sector unregulated.

At the forefront of the regulatory landscape is Bank Negara Malaysia (BNM), the country's central bank, which has introduced principles-based guidelines aimed at promoting fairness and consumer protection. The Circulars on Fair Debt Collection Practices issued in 2007 emphasise the prohibition of harassment, the safeguarding of borrowers' privacy, and the necessity of fairness in collection methods.¹²⁶ However, these guidelines apply only to financial institutions under BNM's supervision,¹²⁷ excluding a substantial number of non-bank creditors and informal debt collectors.

Further developments include the 2023 Exposure Draft on the Fair Treatment of Vulnerable Consumers, which introduced enhanced protections for financially distressed borrowers,¹²⁸ the 2024 Policy Document on Fair Treatment of Financial Consumers¹²⁹ and the subsequent 2024 Policy Document on the Disposal and Purchase of Impaired Loans,¹³⁰ which expanded the obligations set out in the 2007 Circulars to non-bank credit purchasers and their debt collectors.¹³¹ These initiatives extend fair debt collection principles to previously uncovered financial actors, such as non-bank debt buyers.¹³² Still, challenges persist, particularly in ensuring adherence to these principles by unlicensed debt collectors.

¹²¹ Thai DCA, s 3 and 5.

¹²² *ibid* s 3.

¹²³ *ibid* s 5.

¹²⁴ *ibid* s 14.

¹²⁵ Thai DCA, s 3 defines 'debtor' as a natural person, which also includes a surety who is a natural person.

¹²⁶ Bank Negara, 'Circular on Fair Debt Collection Practices issued on 11 September 2007' (BNM/RH/CIR 013-1) and 'Circular on Fair Debt Collection Practices issued on 1 October 2007' (BNM/RH/CIR/005-13) (ie requirements on loan recovery efforts).

¹²⁷ Consumers' Association of Penang, 'Press statement' (25 Jun 2015) <<https://consumer.org.my/debt-collection-must-be-regulated/>> accessed 05 Nov 2024.

¹²⁸ Bank Negara Malaysia, 'Fair Treatment of Vulnerable Consumers' (BNM/RH/ED 028-21, 28 Feb 2023) <https://www.bnm.gov.my/documents/20124/938039/28230228_ED_Fair_Treatment_of_Vulnerable_Consumers.pdf> accessed 05 Nov 2024.

¹²⁹ *ibid*.

¹³⁰ Bank Negara Malaysia (n 44).

¹³¹ *ibid* 13, 21.

¹³² *ibid* 5.

The forthcoming Consumer Credit Act (Malaysia CCA) represents a critical step toward addressing these gaps.¹³³ Designed to bring non-bank creditors and debt collectors under formal oversight,¹³⁴ the Malaysia CCA proposes a licensing regime and enforceable codes of conduct under the Consumer Credit Oversight Board (CCOB) supervision. This new regulatory body will oversee non-bank debt collection practices, ensuring compliance with requirements such as debt validation, fair pricing, and prohibitions against coercive tactics.¹³⁵ The act also introduces mechanisms for monitoring debt transfers and mandates that debt buyers adopt ethical recovery methods.¹³⁶ However, the legislation is still in its proposal stage, and its implementation timeline remains uncertain.

Philippines. The regulatory framework for informal debt collection in the Philippines is both complex and fragmented, encompassing a variety of laws, administrative orders, and agency guidelines. This fragmentation stems from overlapping institutional jurisdictions and varying interpretations of key terms such as ‘reasonable means’ and ‘good faith’. The lack of precise definitions enables creditors and collection agencies to exploit regulatory gaps, perpetuating abusive practices.

At the core of the framework are Bangko Sentral ng Pilipinas (BSP) Circular No 454-2004 (Philippines BSP Circular)¹³⁷ and the Securities and Exchange Commission (SEC) Memorandum Circular 18-2019 (Philippines SEC Circular).¹³⁸ The Consumer Act of the Philippines (Philippines CA),¹³⁹ and the Financial Products and Services Consumer Protection Act (Philippines FPSCPA)¹⁴⁰ further reinforce debtor protections by prohibiting deceptive, coercive, and unfair practices in debt recovery.¹⁴¹ However, these frameworks predominantly apply to licensed financial institutions, leaving significant gaps in the regulation of unlicensed or informal debt collectors.

Data privacy is another key component of the regulatory landscape. The Data Privacy Act of 2012 (Philippines DPA)¹⁴² prohibits debt collectors from disclosing borrower information without consent, particularly for purposes of public shaming or harassment.¹⁴³ The Philippines Credit Card Industry Regulation Law (Philippines CCIRL)¹⁴⁴ complements these protections by outlining specific guidelines for credit card issuers and their collection agents. It mandates that all debt recovery activities adhere to principles of good faith, reasonable conduct, and proper decorum.¹⁴⁵ Importantly, this law requires credit card issuers to notify borrowers when their accounts are outsourced to third-party collectors,¹⁴⁶ ensuring transparency in the collection process.

¹³³ Consumer Credit Oversight Board Task Force, ‘Consumer Credit Act. Public Consultation Paper. Part 2’ (05 Apr 2023) 39-41 <https://ccob.my/wp-content/uploads/2023/04/Consultation-Paper-Pt-2_FINAL_ENG-1.pdf> accessed 05 Nov 2024.

¹³⁴ *ibid* 19.

¹³⁵ *ibid* 39-41.

¹³⁶ *ibid*.

¹³⁷ The BSP Circular no 454-2004 (C no 454/2004/BSP Circular).

¹³⁸ Securities and Exchange Commission, ‘Memorandum Circular no 18/19 Aug 2019 (MC 18/2019), concerning the Prohibition on Unfair Debt Collection Practices of Financing Companies (FC) and Lending Companies (LC)’, published in Manila Bulletin (23 Aug 2019) <<https://www.sec.gov.ph/wp-content/uploads/2019/10/2019MCNo18.pdf>> accessed 05 Nov 2024.

¹³⁹ Consumer Act of the Philippines, Republic Act no 7394/1991 (Philippines CA).

¹⁴⁰ Financial Products and Services Consumer Protection Act, Republic Act 11765/2022 <https://lawphil.net/statutes/repacts/ra2022/ra_11765_2022.html> accessed 05 Nov 2024.

¹⁴¹ *ibid* s 8(d) and CA, ss2 and 28. Debt collection practices fall within the ambit of Philippines CA when they involve harassment or abuse, because according to art 50 of the Philippines CA, ‘a deceptive act or practice...in connection with a consumer transaction violates this Act whether it occurs before, during or *after* the transaction’ (emphasis added).

¹⁴² Philippines DPA (n 82).

¹⁴³ *ibid* s 12.

¹⁴⁴ Philippines Credit Card Industry Regulation Law, Republic Act 10870/2015.

¹⁴⁵ *ibid* s 19.

¹⁴⁶ *ibid* s 21.

Recent initiatives, such as the Department of Justice's Advisory on cyber harassment and unfair collection practices (the Advisory), illustrate the government's intent to address some of the challenges posed by the expansion of digital debt collection.¹⁴⁷ The Advisory explicitly identifies abusive actions, such as accessing borrowers' contact lists without proper authorisation,¹⁴⁸ public shaming,¹⁴⁹ and issuing grave threats, as violations of both criminal and data privacy laws.¹⁵⁰ However, the Advisory's reliance on existing laws highlights the absence of a unified and comprehensive framework for debt collection regulation.

Australia. Australia's regulatory framework for informal debt collection is a patchwork of state and federal laws, industry guidelines, and self-regulatory codes.¹⁵¹ While these mechanisms aim to balance creditor rights with consumer protections, their overlapping nature and inconsistent enforcement have resulted in gaps that leave many debtors vulnerable to abusive practices.¹⁵²

At the federal level, the Australian Competition and Consumer Act of 2010 (Australian CCA)¹⁵³ and the Australian Securities and Investments Commission Act 2001 (ASIC Act)¹⁵⁴ serve as foundational pillars. Both laws prohibit harassment, coercion, and misleading conduct by debt collectors.¹⁵⁵ The ASIC Act extends these protections specifically to financial products and services, while the ACL broadly covers other goods and services. These laws are supplemented by the Privacy Act 1988,¹⁵⁶ which safeguards debtors' personal and credit information, and the National Consumer Credit Protection Act 2009 (NCCPA),¹⁵⁷ which imposes licensing requirements¹⁵⁸ and conduct obligations on debt buyers.¹⁵⁹

To provide clarity and promote compliance, the Australian Competition and Consumer Commission (ACCC) and the Australian Securities and Investments Commission (ASIC) jointly issued the Debt Collection Guideline,¹⁶⁰ which provides specific examples of conduct that might constitute non-compliance in the view of these institutions. While the guideline is influential, it is a soft-law instrument and it is not legally binding. However, some practices, such as those involving physical harm and harassment, are explicitly prohibited under the Australian Consumer Law.¹⁶¹

At the state level, licensing requirements for debt collectors vary widely,¹⁶² adding to the complexity. Most states and territories require debt collectors to hold an operational license.¹⁶³ However,

¹⁴⁷ Department of Justice, Office of Cybercrime, 'Public Advisory on Online Lending Companies (the Advisory)' (23 Apr 2021) <<https://cybercrime.doj.gov.ph/public-advisory-on-online-lending-companies/>> accessed 05 Nov 2024.

¹⁴⁸ Philippines CPA, s 4(a)(1).

¹⁴⁹ *ibid* s 4(c)(4).

¹⁵⁰ Revised Philippines Criminal Code, arts 282, 283, 286 and 287.

¹⁵¹ O'Brien et al (n 38) 115.

¹⁵² *ibid* 118.

¹⁵³ Competition and Consumer Act 2010 (Cth), sch 2 (Australian CCA) <<https://www.legislation.gov.au/C2004A00109/latest/text>> accessed 05 Nov 2024.

¹⁵⁴ Australian Securities and Investments Commission (n 50) 55.

¹⁵⁵ Australian CCA, sch 12 s 18.

¹⁵⁶ Privacy Act 1988 <<https://www.legislation.gov.au/C2004A03712/latest/text>> accessed 05 Nov 2024.

¹⁵⁷ NCCPA.

¹⁵⁸ *ibid* s 29.

¹⁵⁹ *ibid* s 47.

¹⁶⁰ Australian Securities and Investments Commission (n 50) 54.

¹⁶¹ According to Australian Consumer Law concerning unfair business practices, pressuring and harassing consumers is against the law and may also constitute serious criminal law issues that should be reported to the police, see <<https://www.accc.gov.au/consumers/buying-products-and-services/unfair-business-practices#toc-pressuring-and-harassing-consumers>> accessed 12 May 2025.

¹⁶² O'Brien et al (n 38) 89.

¹⁶³ Most state and territory laws require debt collectors to hold an operational license, with the exception of the Australian Capital Territory or Victoria.

differences in scope and rigour across jurisdictions have hindered harmonisation efforts, leaving room for regulatory arbitrage.

The Banking Code of Practice, issued by the Australian Banking Association (ABA), adds another layer of self-regulation.¹⁶⁴ This code, binding on member banks, emphasises fair and ethical treatment of debtors, particularly those in vulnerable circumstances. Updated most recently in 2024, the code prohibits the sale of debts for borrowers experiencing hardship and mandates training for bank employees to recognise and support vulnerable consumers.¹⁶⁵ While the code reflects industry commitments to improving standards, its self-regulatory nature limits enforceability, as compliance is monitored by an independent Banking Code Compliance Committee rather than ASIC. However, consumers may rely on the code in private litigation.¹⁶⁶

Comparative Analysis of Frameworks and Practices

The regulation of informal debt collection in Southeast Asia reflects a mosaic of legal frameworks and socio-economic realities. While all jurisdictions in the region grapple with balancing creditor rights and debtor protections, their approaches vary significantly, shaped by their regulatory capacities and levels of economic development. This comparative analysis explores these frameworks and practices, highlighting their strengths, weaknesses, and the broader patterns they reveal.

Overview of Abusive Debt Collection Practices Covered by Legislation

Common Regulated Practices. Across all five jurisdictions, prohibitions against harassment, coercion, and intimidation are central to debt collection regulations. Most laws explicitly outlaw threats of violence, verbal abuse, and public shaming. For instance, the Singapore DCR,¹⁶⁷ Thai DCA¹⁶⁸ and Australia's Debt Collection Guideline¹⁶⁹ prohibit physical harm and harassment, establishing clear boundaries for acceptable behaviour during debt recovery. Similarly, the BSP Circular No 454-2004¹⁷⁰ and the SEC Circular 18/2019¹⁷¹ in the Philippines and Malaysia's BNM Circulars¹⁷² prohibit coercive tactics such as the use or threats of violence. Norms regarding acceptable forms of communication¹⁷³ and prohibitions of excessive phone calls and unreasonable in-person visits are present in all jurisdictions.¹⁷⁴

Privacy protections are another shared feature. Most jurisdictions include provisions safeguarding debtors' personal information from misuse. The DPA¹⁷⁵ and the SEC Circular 18/2019¹⁷⁶ in the

¹⁶⁴ Australian Banking Association, 'Banking Code of Practice', (01 Jul 2019) 49, para 184 <<https://www.ausbanking.org.au/wp-content/uploads/2020/03/Banking-Code-of-Practice-2019-web.pdf>> accessed 05 Nov 2024.

¹⁶⁵ Australian Securities and Investments Commission 'ASIC Corporations (Approval of February 2025 Banking Code of Practice) Instrument 2024/523, Explanatory Statement' (27 Jun 2024) <<https://www.legislation.gov.au/F2024L00783/asmade/text/explanatory-statement>> accessed 05 Nov 2024.

¹⁶⁶ Australian Securities and Investments Commission, 'ASIC approves an updated Banking Code of Practice' (17 Dec 2019) <<https://asic.gov.au/about-asic/news-centre/find-a-media-release/2019-releases/19-358mr-asic-approves-an-updated-banking-code-of-practice/>> accessed 05 Nov 2024.

¹⁶⁷ Singapore DCR.

¹⁶⁸ Debt Collection Act BE 2558 (2015) <<http://report.dopa.go.th/laws/document/2/231.pdf>> accessed 05 Nov 2024.

¹⁶⁹ Australian Securities and Investments Commission 10.

¹⁷⁰ Respicio & Co, 'Legal Protections Against Unfair Debt Collection Practices in the Philippines' <<https://www.lawyer-philippines.com/articles/legal-protections-against-unfair-debt-collection-practices-in-the-philippines>> accessed 05 Nov 2024.

¹⁷¹ Securities and Exchange Commission Circular 18/2019, s 1, a).

¹⁷² Bank Negara (n 126).

¹⁷³ Securities and Exchange Commission Circular 18/2019, s 1, c).

¹⁷⁴ *ibid* s 1, g).

¹⁷⁵ Philippines DPA, s 12.

¹⁷⁶ Securities and Exchange Commission Circular 18/2019, s 1, d).

Philippines and Singapore's PDPA explicitly prohibit the disclosure of debtor information to third parties or its use for public shaming.¹⁷⁷ In Thailand, debt collectors are barred from leaving open letters or documents revealing debt details,¹⁷⁸ and in Australia, similar restrictions are enforced through the Privacy Act¹⁷⁹ and state-level laws.¹⁸⁰

Debt validation requirements are also common. Collectors in most jurisdictions are required to verify the legitimacy of debts before initiating recovery efforts. For example, the Singapore DCR mandates due diligence to verify debtors' identities and validate the debt amount,¹⁸¹ a standard mirrored in Thailand's DCA.¹⁸²

Jurisdiction-Specific Approaches. While many practices are regulated universally, certain protections and enforcement strategies reflect jurisdiction-specific needs and challenges.

Singapore's DCR and accompanying regulations focus heavily on licensing and professionalising the industry. All debt collectors must obtain licenses and adhere to stringent conduct standards and cease collection efforts during active disputes.¹⁸³ Unlike other jurisdictions, Singapore's framework emphasises the role of licensing as a tool to formalise and monitor the industry.

Malaysia's framework, though fragmented, has begun addressing non-bank debt buyers and their unregulated debt collectors through measures such as the Policy on Disposal and Purchase of Impaired Loans/Financing (2024)¹⁸⁴ and the proposed CCA.¹⁸⁵ A unique trait is the Central Bank's emphasis on regulation by contract. A non-bank buyer must establish monitoring mechanisms, including the conduct of regular reviews, to ensure that their debt collectors adhere to fair debt collection practices.¹⁸⁶ It must be emphasised that since non-bank buyers remain accountable to borrowers for any complaints against their debt collectors and are precluded from disclaiming their misconduct, the monitoring mechanisms act as a precaution against potential liability and represent the legal foundation for the contractual liability that may arise from the debt collector's non-compliance.¹⁸⁷

The Thai DCA includes some of the most detailed restrictions on communication. Collectors can only contact debtors during specific hours (8 am to 8 pm on weekdays, 8 am to 6 pm on holidays) and are limited to one contact attempt per day.¹⁸⁸ These strict rules aim to prevent the overwhelming harassment that is prevalent in other jurisdictions.

The Philippines has made strides in regulating digital harassment, with the Department of Justice, Office of Cybercrime targeting abusive practices by online lending platforms.¹⁸⁹ Specific prohibitions include accessing borrowers' contact lists without authorisation¹⁹⁰ and using social media to shame

¹⁷⁷ Philippines CPA, ss 4, c) (4) and 6; Philippines DPA, s 31; Singapore Personal Data Protection Act, ss 24, 26A and 48D.

¹⁷⁸ Thai DCA, s 11(4).

¹⁷⁹ Privacy Act 1988, s 80Q1.

¹⁸⁰ Victoria's Australian Consumer Law and Fair Trading Act 2012, s 45(h).

¹⁸¹ Singapore DCR, s 14.

¹⁸² Debt Collection Supervisory Committee, 'Notification Prescribing Rules for Debt Collection Business Conduct' (n 116) cl 5(2).

¹⁸³ Singapore DCR, s 15.

¹⁸⁴ Bank Negara Malaysia (n 44).

¹⁸⁵ Consumer Credit Oversight Board Task Force, 'Consumer Credit Act. Public Consultation Paper. Part 2' (05 Apr 2023) 39-41 <https://ccob.my/wp-content/uploads/2023/04/Consultation-Paper-Pt-2_FINAL_ENG-1.pdf> accessed 05 Nov 2024.

¹⁸⁶ Bank Negara Malaysia (n 44) 18.

¹⁸⁷ Ibid 20.

¹⁸⁸ Thai DCA, s 9(2) corroborated with the Debt Collection Supervisory Committee's Notification Regarding the Number of Times for Debt Collection (n 117), cl 3.

¹⁸⁹ Department of Justice (n 146).

¹⁹⁰ Philippines CPA, s 4(a)(1); DPA, s 25 and 28.

debtors publicly.¹⁹¹ These provisions reflect the unique challenges posed by the rapid growth of digital lending in the country, making the Philippines a regional pioneer in addressing this emerging issue.

Australia's debt collection regulations, including the Debt Collection Guideline and the Banking Code of Practice, emphasise consumer-centric protections and accessible dispute resolution mechanisms. The Banking Code prohibits debt sales involving financially distressed individuals, protecting vulnerable debtors from additional harm.¹⁹² Moreover, strict limits on contact frequency¹⁹³ and comprehensive guidance on ethical behaviour¹⁹⁴ reflect Australia's advanced, yet not entirely successful, regulatory environment.

While these regulatory approaches attempt to curb abusive practices, significant gaps remain. The following section examines these challenges and their implications for the effectiveness of regulation.

Comparative Analysis of Regulatory Shortcomings in Informal Debt Collection

Informal debt collection regulation across Singapore, Malaysia, Thailand, the Philippines, and Australia faces notable shortcomings, which can be grouped into four major themes: legislative and regulatory fragmentation, institutional fragmentation, complex and incomplete legal frameworks, and inefficient enforcement. Each country demonstrates unique challenges within these dimensions, yet common patterns of regulatory inadequacy emerge across the region.

Legislative and Regulatory Fragmentation. A pervasive issue across all jurisdictions is the fragmented nature of debt collection laws. Singapore introduced the Debt Collection Act (DCA) in 2022 to address gaps left by earlier laws such as the Moneylenders Act (MLA) and the Protection from Harassment Act (PFHA). These normative acts are complementary, but given the DCA's limited scope in regulating collection activities, there are overlaps and a risk of confusion.¹⁹⁵

In Thailand, the adoption of the Debt Collection Act BE 2558 (2015) brought sector-specific legislation but did little to integrate existing laws like the Consumer Protection Act and the Civil and Commercial Code, resulting in a patchwork of regulations. The additional layer of orders and notices issued by the sectoral supervisory agency further increases fragmentation and complexity.¹⁹⁶

According to Bank Negara, the regulatory framework governing the provision of consumer credit in Malaysia, including debt collection, remains fragmented, given the involvement of multiple authorities and the diversity of credit providers in the market (banks, credit co-operatives and non-bank credit providers). This invariably leads to inconsistent expectations and enforcement of fair and responsible practices. Thus, the BNM endorses the idea of a more comprehensive and consistent framework that should address, among others, debt collection and debt restructuring.¹⁹⁷ The Central Bank undertook to work with the relevant Ministries and the Government to enact sectoral legislation; however, that has not led to any concrete results.

The Philippines faces similar challenges, with overlapping soft law rules issued by the BSP, the SEC, and hard law-based rules stemming from the Philippines DPA, each addressing different aspects of debt collection without creating a unified framework.

¹⁹¹ Philippines CPA, s 4(c)(4); DPA, s 31.

¹⁹² Australian Banking Association (n 164) 49, para 184.

¹⁹³ Australian Consumer Law and Fair Trading Act 2012, s 45 (n), (o), (p).

¹⁹⁴ James Morris et al., 'ASIC approves ABA's revised Banking Code: What you need to know' (Jul 2014) <<https://www.nortonrosefulbright.com/en/knowledge/publications/66428537/asic-approves-abas-revised-banking-code-what-you-need-to-know#section5>> accessed 05 Nov 2024.

¹⁹⁵ Stănescu (n 46).

¹⁹⁶ Harwell Legal, 'Thailand's New Debt Collection Act' (12 Jul 2020) <https://harwell-legal.com/news_management/thailands-new-debt-collection-act/> accessed 05 Nov 2024.

¹⁹⁷ Bank Negara, 'Market Conduct and Consumer Empowerment' (2012) 124 <<https://www.bnm.gov.my/documents/20124/856383/cp04.pdf>> accessed 05 Nov 2024.

Although advanced in consumer protection, Australia suffers from inconsistent rules across federal and state levels. Laws such as the Australian Consumer Law (ACL) and state-specific licensing requirements create jurisdictional discrepancies, complicating enforcement. According to a 2021 study, the Australian debt collection industry is governed by a complex, overlapping and inconsistent set of laws and guidelines that are unevenly enforced and poorly understood by consumers.¹⁹⁸

This fragmentation undermines clarity for stakeholders, enabling abusive practices to persist in regulatory blind spots.

Institutional Fragmentation. Institutional responsibilities for regulating and enforcing debt collection laws are often unclear or overlapping, leading to confusion and inconsistencies.

In Malaysia, Bank Negara and the Consumer Credit Oversight Board Task Force, together with the police, are the institutions entrusted with enforcing rules on fair debt collection practices. The central bank is and will remain the principal regulator of the financial sector, while the Consumer Credit Oversight Board will be responsible for enforcing the upcoming CCA, mainly concerning non-banking actors. Thus, although the implementation of the CCA should remove some of the regulatory gaps and bring non-regulated entities under state supervision,¹⁹⁹ it will also enhance institutional fragmentation. Bank Negara may require non-bank buyers to appoint an independent party to assess the buyer's compliance with the conditions imposed by the bank. The policy document does not specify what the outcome of this assessment can be.²⁰⁰

Singapore suffers from similar issues, with enforcement shared among the police (for criminal offences), the Ministry of Law, and licensing authorities under the DCA. This results in limited oversight of non-criminal yet unethical practices.

In Thailand, the Debt Collection Supervisory Committee, a governmental agency established by the Thai DCA to ensure that debt collection takes place lawfully in Thailand, has the power to outline rules and regulations that debt collectors must abide by.²⁰¹ In addition, the Department of Special Investigation,²⁰² a national investigative body specialising in criminal financial activities,²⁰³ is empowered to enforce the law in the event of a crime during debt collection. Other categories, such as lawyers who collect debts on behalf of their clients and must comply with the behavioural rules of the Thai DCA, are under the supervision of the Committee of the Lawyers' Council.²⁰⁴

The Philippines relies on multiple agencies, including the BSP, SEC, but also the Office of the Prosecutor, the National Bureau of Investigation (Cybercrime Division), the Philippine National Police (Anti-Cybercrime Group) and the National Privacy Commission,²⁰⁵ leading to overlapping jurisdictions and inefficiencies in addressing complaints.

In Australia, while the ACCC²⁰⁶ and the ASIC²⁰⁷ jointly issue guidelines, the lack of a single, overarching regulatory authority results in a fragmented approach to oversight and compliance. In addition, each state has its own supervisory institutions.

Institutional fragmentation allows abusive practices to fall through the cracks, particularly when multiple agencies must coordinate enforcement efforts.

¹⁹⁸ O'Brien et al (n 38) 115.

¹⁹⁹ Consumer Credit Oversight Board Task Force, 'What are the functions of CCOB' <<https://ccob.my/about/>> accessed 05 Nov 2024.

²⁰⁰ Bank Negara Malaysia (n 130) 21.

²⁰¹ Thai DCA, s 16 (1).

²⁰² Department of Special Investigations <<https://www.dsi.go.th/en>> accessed 05 Nov 2024.

²⁰³ Department of Special Investigations, 'Mission and Duty' <<https://www.dsi.go.th/en/Detail/Mission-and-Duty>> accessed 05 Nov 2024.

²⁰⁴ Thai DCA, s 6.

²⁰⁵ Department of Justice, (n 146).

²⁰⁶ Australian Securities and Investments Commission (n 50) 54.

²⁰⁷ *ibid* 55.

Complex and Incomplete Legal Frameworks. The regulatory frameworks governing debt collection in these countries are often overly complex, with notable omissions.

Malaysia's legal framework, though expansive, excludes informal debt collectors from most regulations, leaving abusive practices by non-bank institutions and debt collectors largely unchecked. The proposed Consumer Credit Act (CCA) aims to address these gaps but remains under development.

In Singapore, while the DCA brought much-needed oversight to debt collectors, it failed to provide clear guidelines on acceptable debt collection practices,²⁰⁸ relying instead on supplementary albeit lacklustre regulations like the DCR.

Despite its broad scope, the Thai DCA excluded loans contracted before its enactment and provided limited protections against systemic abuse.

The Philippines has extensive rules addressing specific practices, such as harassment and deceptive tactics, but these are scattered across multiple statutes and fail to cover digital debt collection comprehensively. Moreover, the framework addressing abusive debt collection practices is mainly based on soft law.

Australia's framework includes detailed guidelines under the ACCC-ASIC Debt Collection Guideline; however, state-level licensing and enforcement variations can confuse both debtors and collectors.

These complexities make it difficult for debtors to understand their rights and for collectors to navigate compliance, increasing the likelihood of abuses.

Inefficient Enforcement. Enforcement mechanisms across these jurisdictions are underfunded, inconsistent, or overly reliant on individual complaints.

In Malaysia, enforcement of BNM's guidelines is limited to licensed institutions, leaving non-bank institutions, debt collectors, and loan sharks unchecked.

Singapore's reliance on criminal remedies under the PFHA and Penal Code has proven inadequate, with only a small fraction of complaints resulting in prosecutions.²⁰⁹ As I stated elsewhere,²¹⁰ a more effective solution would have been to implement a mechanism that empowered aggrieved debtors to act independently in individual cases,²¹¹ allowing the police to concentrate on investigating and addressing systemic violations. Unfortunately, the Minister of State rejected this idea, leaving debtors reliant on traditional civil remedies, which are often too costly and time-consuming to warrant action.

In Thailand, while the DCA empowers the Debt Collection Supervisory Committee to act against violations, enforcement often depends on the willingness and capacity of debtors to lodge complaints. Complaints against abusive debt collection or debt collectors can be submitted verbally or in writing, according to a procedure prescribed by the Committee,²¹² using multiple venues that should enable aggrieved debtors to seek redress: provincial administration offices and district offices, the Department of Provincial Administration²¹³ and Legal Affairs Bureau, the Metropolitan Police Division²¹⁴ or a police station, and the Fiscal Policy Office's²¹⁵ Bureau of Financial Inclusion Policy and Development.²¹⁶ Complaints are then forwarded to the relevant authority holding

²⁰⁸ Jodi Gardner (n 97) 204.

²⁰⁹ Debt Collection Bill, Second Reading (n 71) Mr Yip Hon Weng, Mr Dennis Tan Lip Fong and Mr Leon Perera.

²¹⁰ Stănescu (n 46).

²¹¹ Debt Collection Bill, Second Reading (n 71) Mr Leon Perera.

²¹² Thai DCA, s 23.

²¹³ *ibid* s 25.

²¹⁴ *ibid* s 27 and 29.

²¹⁵ *ibid* s 26.

²¹⁶ Debt Collection Supervisory Committee, 'Notification regarding the rules, procedures, and conditions to facilitate complaints and receiving complaints related to debt collection' (n 116) cl 4 and 5.

jurisdiction over the relevant province for fact-gathering and evidence.²¹⁷ However, the process is highly bureaucratic and likely to cause delays, thus undermining its effectiveness.

Resource constraints and bureaucratic inefficiencies in the Philippines prevent agencies such as the SEC and BSP from effectively dealing with the high volume of complaints.

Australia's self-regulatory mechanisms, such as the Banking Code of Practice, rely heavily on voluntary compliance and have limited deterrents for violations.

Weak enforcement diminishes the impact of existing regulations, perpetuating a cycle of abuse and non-compliance.

Positive Aspects of Informal Debt Collection Regulation: Expanding Protections and Ensuring Fairness

While informal debt collection regulation in Southeast Asia and Australia faces significant challenges, several positive developments have emerged. These include expanding protections to cover SMEs, the imposition of fair practices on previously unregulated actors like loan sharks, and an increasing emphasis on safeguarding vulnerable consumer groups. These advancements signal a gradual shift toward more equitable and inclusive regulatory frameworks.

Expanding Protection Against Abusive Debt Collection to SMEs. As key drivers of economic growth, SMEs are increasingly recognised as needing protection against abusive debt collection practices. In many jurisdictions, SMEs face unique vulnerabilities due to cash flow, making them frequent targets of informal debt collectors.

In Malaysia, the Exposure Draft on Fair Treatment of Vulnerable Consumers²¹⁸ sets out regulatory requirements and further guidance aimed at ensuring vulnerable consumers are treated fairly and equitably, and provided with the appropriate assistance in their dealings with financial service providers. Financial consumers are defined broadly, including individuals and micro or small businesses.²¹⁹

Notably, the Singapore DCA does not distinguish between consumers and businesses. As Ms Sun Xueling, the Home Affairs minister, noted, '*Individuals and businesses* should not be subjected to debt collection methods that clearly exceed what may be considered reasonable pressure for payment' (emphasis added).²²⁰ By requiring all collectors to adhere to licensing standards and prohibiting harassment, the DCA reduces the risk of aggressive recovery tactics that disproportionately harm smaller businesses with limited legal resources.

These advancements highlight a growing recognition of SMEs' role in national economies and the need for tailored protections to shield them from predatory debt collection practices. In contrast, in Thailand, indebted companies, including a significant number of SMEs, are not covered by the law,²²¹ which applies solely to individuals, and remain exposed to abusive conduct.

Expanding the Duty to Act Fairly to Loan Sharks and Other Unregulated Debt Collectors. Including informal and unregulated actors, such as loan sharks, under formal regulatory frameworks represents a significant step forward in curbing abusive practices.

In Thailand, the Debt Collection Act BE 2558 (2015) explicitly applies to all debt collectors, including informal lenders.²²² By imposing a duty to act fairly and prohibiting practices like threats and

²¹⁷ibid cls 11, 13-14.

²¹⁸Bank Negara Malaysia, 'Fair Treatment of Vulnerable Consumers, Exposure Draft' (BNM/RH/ED 028-21, 28 Feb 2023) <https://www.bnm.gov.my/documents/20124/938039/28230228_ED_Fair_Treatment_of_Vulnerable_Consumers.pdf> accessed 05 Nov 2024.

²¹⁹ibid 4-5.

²²⁰Debt Collection Bill, Second Reading (n 71) Ms Sun Xueling.

²²¹Thai DCA, s 3 defines 'debtor' as a natural person, which also includes a surety who is a natural person.

²²²ibid.

public shaming, the law addresses systemic abuses by loan sharks, a persistent issue in the country, even after the adoption of the DCA.²²³ This comprehensive approach reflects an acknowledgement of the informal sector's role in the economy and the need to hold its actors accountable.

In the Philippines, the Department of Justice, Office of Cybercrime's public advisory on online lending companies extends fair practice obligations to online lenders and unlicensed collectors.²²⁴ By addressing digital harassment and other modern abuses, the regulation effectively brings previously unregulated actors under its purview, promoting accountability in a rapidly evolving debt collection landscape.

Expanding these duties is essential for protecting borrowers relying on informal credit sources and fostering trust in financial systems.

Express Care for Vulnerable Categories of Consumers. Modern regulatory frameworks increasingly emphasise the protection of vulnerable consumer groups, recognising the disproportionate harm they face from abusive practices.²²⁵ While this section focuses in depth on Australia and Malaysia, this is not due to selective emphasis but rather to the relative maturity and explicitness of regulatory provisions in those jurisdictions. By contrast, Singapore's 2022 DCA does not include targeted safeguards for vulnerable categories. Thailand's 2015 DCA and related instruments contain general protections but do not specifically identify or prioritise vulnerable consumers. In the Philippines, while BSP Circular No 1160 calls for fair treatment and sensitivity to borrower hardship, it does not impose enforceable duties or define vulnerability in operational terms. These variations underscore a broader pattern: although concern for consumer protection is widely shared, the concept of *vulnerability* as a distinct legal category remains underdeveloped in much of Southeast Asia's debt collection regulation.

In Australia, the ASIC and ACCC Debt Collection Guideline contains only one explicit reference to economic abuse, merely as an example of when it may not be reasonable to continue contacting the debtor.²²⁶ Still, courts held that where consumer vulnerability stems from their particular characteristics, this may amount to unconscionable conduct under the ACL, as illustrated by available case law.²²⁷

The Australian Banking Code of Practice mandates special consideration for vulnerable consumers, including individuals experiencing financial hardship, domestic violence, or mental health issues.²²⁸ Debt collectors are required to engage sensitively, provide flexible repayment options, and avoid aggressive tactics.²²⁹ These provisions demonstrate the banking industry's commitment to strike a balance between creditor rights and debtor dignity.

However, vulnerability is very problematic in the collection of utility debts. Several empirical studies indicated that relatively few consumers obtained help through hardship schemes. A 2019 study revealed that only 25% received assistance from an energy or water company, 14% from a bank or other credit provider and 12% from a phone or internet company.²³⁰ A 2020 Report of the Energy

²²³ Natanri (n 89).

²²⁴ Department of Justice (n 147).

²²⁵ O'Brien et al (n 38) 115.

²²⁶ Australian Securities and Investments Commission (n 50) 39.

²²⁷ See *Collection House Ltd v Taylor* (2004) 21 VAR 333 [58]; [2004] VSC 49, where unconscionable treatment was found in the case where a debt collector sought to pressure the debtor to repay a statute-barred debt. Among others, the debt collector called the debtor at 6:30 pm inquiring about her personal and financial circumstances, threatening her with legal proceedings in case of non-payment, disregarding her meagre financial status, her ignorance and emotional suffering but also the fact that she was the mother of a disabled dependent child.

²²⁸ Australian Banking Association, 'Banking Code of Practice' (28 Feb 2025) 16-17, para 52 <https://www.ausbanking.org.au/wp-content/uploads/2024/06/Banking-Code-of-Practice_2025.pdf> accessed 05 Nov 2024.

²²⁹ *ibid* 12 para 7.

²³⁰ Evgenia Bourova, Ian Ramsay & Paul Ali, 'The Experience of Financial Hardship in Australia: Causes, Impacts, and Coping Strategies' (2019) 42 *Journal of Consumer Policy* 189, 206-207.

and Water Ombudsman Victoria found hardship assistance by energy retailers to be patchy, while vulnerable customers continued to face difficulties with affording payments.²³¹ A 2017 Financial and Consumer Rights Council survey of hardship practices in the telecommunications industry revealed worse standards than those of the debt collection industry.²³²

Another aspect concerning creditors' failure to identify consumer hardship or vulnerability is its disproportionate effect on people affected by family violence that encompasses economic abuse.²³³ According to available research, victims of family violence are frequently pursued for debts incurred by their abusive partners or for debts they can no longer pay due to economic abuse.²³⁴ Thus, victims of economic abuse are frequently contacted by debt collectors. Moreover, abusive partners sometimes misuse debt collection by deliberately sending debt collectors to harass their victims.²³⁵

As a result, an increasing number of self-regulations, such as ABA's Code of Practice or ABA's Industry Guideline on Financial Abuse and Family and Domestic Policies²³⁶ or on Preventing and Responding to Financial Abuse (Including Elder Financial Abuse)²³⁷ refer specifically to this issue, demonstrating an increased awareness on the part of the banking industry and a commitment to improve industry practice in this regard.²³⁸

Unfortunately, this approach is not replicated by other sectors. Energy and water providers are bound by their industry guidelines to consider family violence as a cause of payment difficulty and the potential impact of debt recovery actions on the affected consumer, but allow them the discretion of waiving the debt or not.²³⁹

In Malaysia, the Bank Negara Exposure Draft on Fair Treatment of Vulnerable Consumers²⁴⁰ sets out regulatory requirements and further guidance aimed at ensuring vulnerable consumers are treated fairly and equitably and provided with the appropriate assistance in their dealings with financial service providers. The requirements were incorporated in the Fair Treatment of Financial Consumers policy document issued by Bank Negara in 2024. However, the requirements were principle-based, allowing financial service providers the flexibility to determine the most appropriate and relevant measures to their business strategies, product offerings and interactions with their target consumers.²⁴¹

On the positive side, vulnerability is understood as a shifting stance, depending on individual circumstances at a specific moment, varying with one's health, employment status, life events or other

²³¹Energy and Water Ombudsman Victoria, 'Missing the Mark' (2020) 3 <https://www.ewov.com.au/uploads/main/Reports/missing_the_mark_-report_ewov.pdf> accessed 05 Nov 2024.

²³²Financial and Consumer Rights Council, 'Rank the Telco' (2017) 12 <<https://accan.org.au/files/Grants/Rank%20the%20Telco%20Report.pdf>> accessed 05 Nov 2024.

²³³O'Brien et al (n 38) 115, fn 182.

²³⁴Australia's National Research Organization for Women's Safety, 'Landscapes' (2015) 7 <<https://anrows-2019.s3.ap-southeast-2.amazonaws.com/wp-content/uploads/2019/02/19024756/4.6-Cortis-Bullen-150821-1.pdf>> accessed 05 Nov 2024.

²³⁵Tanya Corrie & Magdalena McGuire, 'Economic Abuse: Searching for Solutions' (May 2013) 13 <https://goodshep.org.au/wp-content/uploads/2020/12/economic-abuse_final-report.pdf> accessed 4 May 2026.

²³⁶Tamimah Bretzke, 'AB issues guideline for dealing with financial abuse' (23 Nov 2016) <<https://www.brokerdaily.au/economy/10533-new-guideline-for-dealing-with-financial-abuse>> accessed 05 Nov 2024.

²³⁷Australian Banking Association, 'Industry Guideline on Preventing and Responding to Financial Abuse (Including Elder Financial Abuse)' (2021) <<https://www.ausbanking.org.au/wp-content/uploads/2021/03/ABA-Financial-Abuse-Industry-Guideline.pdf>> accessed 05 Nov 2024.

²³⁸O'Brien et al (n 38) 117.

²³⁹Essential Services Commission, 'Energy Retail Code' (1 Oct 2024) 104 s 152 <<https://www.esc.vic.gov.au/sites/default/files/documents/Energy%20Retail%20Code%20of%20Practice%20%28version%203%29%20%28PDF%29.pdf>> accessed 05 Nov 2024.

²⁴⁰Bank Negara Malaysia (n 218).

²⁴¹Ibid 2.

factors resulting in financial distress.²⁴² The draft recognises that such consumers face a broader risk of unfair treatment, undue financial hardship or financial exclusion.²⁴³

The draft implements a new principle regarding vulnerable consumers: a financial service provider must take appropriate actions to ensure their fair and equitable treatment. Ideally, financial service providers should understand the needs of vulnerable consumers and ensure that their staff have the right skills to take appropriate action. Yet, the standard is less ambitious, only requiring financial service providers to ensure the internal policies and procedures regarding vulnerability are clearly communicated to the relevant staff so that they are implemented effectively.²⁴⁴

Among the most critical standards concerning vulnerable consumers facing an inability to service their debts is to ensure that customer service processes are adaptable, enabling staff and representatives to deliver tailored responses appropriate to the individual needs and circumstances of vulnerable consumers. For instance, such circumstances should be considered when assessing potential solutions, including whether the vulnerable consumer faces a temporary or long-term hardship and displaying flexibility in applying terms and conditions tailored to the consumer's circumstances.²⁴⁵

Finally, financial service providers are expected to embed considerations on fair treatment of vulnerable consumers to meet the additional requirements set under a set of policy documents, including the Bank Negara Circular on Fair Debt Collection Practices.²⁴⁶

As it stands, the draft should rehumanise consumers and improve responsiveness, ultimately personalising financial services based on collaboration, partnership, understanding, and respect. The issue is that implementation is left to the policy subjects, with no proper enforcement mechanism.

These provisions reflect a shared commitment to addressing the socio-economic vulnerabilities that exacerbate the impact of abusive debt collection practices, signalling a shift toward more equitable regulatory systems.

The positive developments in informal debt collection regulation across Southeast Asia and Australia demonstrate significant progress in expanding protections. By targeting SMEs, holding informal actors accountable, and prioritising the needs of vulnerable groups, these jurisdictions are laying the groundwork for fairer and more inclusive financial systems. While challenges remain, these advancements underscore the potential for ongoing reform and international collaboration to foster more ethical and effective debt collection practices.

Policy Recommendations

Reforming informal debt collection in Southeast Asia requires a phased approach that balances immediate corrective measures with long-term structural changes. By integrating modern technological tools and fostering ethical practices, these recommendations aim to create a fairer and more transparent debt collection ecosystem across the region.

Short-Term Interventions: Mandatory Licensing for All Debt Collectors

Addressing the immediate challenges of informal debt collection requires regulatory consistency and accountability to curb abusive practices. A short-term intervention would be the introduction of operational licenses. All debt collectors and debt buyers who engage in the collection of their own debts should be required to obtain licenses. This process should include background checks, vetting for 'fit and proper' standards, and regular audits to ensure compliance with ethical guidelines.

²⁴² *ibid* 5-6.

²⁴³ *ibid* 3.

²⁴⁴ *ibid* 8-9, 12-13.

²⁴⁵ *ibid* 14.

²⁴⁶ *ibid* 15-16.

Licensing should extend to both individual agents and collection agencies. National governments could mandate licensing frameworks modelled on Singapore's DCA. Other informal actors, such as loan sharks, could also be brought under regulatory purview. The Thai DCA offers a partial model, although more substantial penalties and enforcement mechanisms are required.

The licensing requirement could also be used to further professionalise the debt collection industry, thereby reducing abusive practices and fostering trust. Debt collectors should be required to complete mandatory training programs covering ethical practices, consumer rights, and conflict resolution. These programmes could be developed in collaboration with universities and industry associations, ensuring cost-effectiveness and accessibility. In addition, agencies that demonstrate consistent compliance with ethical standards should be publicly recognised and granted incentives, such as reduced licensing fees or access to government-supported debt resolution platforms. This would encourage self-regulation within the industry and make the best use of the reputational capital.

Long-Term Structural Reforms

Sustainable reform requires embedding debt collection oversight into broader financial inclusion policies while fostering regulatory harmonisation.

Harmonising and Consolidating Regulatory Frameworks. Fragmented regulations across the surveyed Southeast Asian countries and Australia make it challenging for aggrieved debtors to navigate the legal maze and allow for inconsistent protections. A harmonised framework adapted to one's socio-economic realities could reduce these disparities by establishing clear licensing requirements, identifying prohibited practices (eg harassment and public shaming), and setting minimum protections for debtors. Unfortunately, regional harmonisation is highly improbable given the diversity of legal systems, institutional capacities and political priorities across the surveyed jurisdictions.

It is therefore crucial to distinguish between two distinct processes: *harmonising national frameworks*, which entails consolidating overlapping or fragmented domestic regulations and *standardising regional protections*, which involves promoting a common set of substantive norms. The latter does not imply formal legal unification, but rather convergence around basic principles such as protecting debtor dignity, bans on coercive practices, and procedural fairness. These minimum standards could be advanced through soft-law instruments, regional policy dialogues, or transnational industry initiatives, providing a shared normative foundation without overriding domestic legal autonomy.

Against this backdrop, jurisdictions such as Malaysia and the Philippines should prioritise internal consolidation. In Malaysia, this could mean aligning existing Bank Negara guidelines with the proposed CCA to create a unified and enforceable legal regime. The Philippines would benefit from codifying currently dispersed or proposed rules into a coherent legislative framework. Australia's own experience, marked by persistent divergence among state-level laws, demonstrates the challenges of coordination even within a single federation. Still, national consolidation remains the most viable path toward meaningful regulatory coherence.

Strengthening Oversight and Enforcement. Weak enforcement undermines even the best-intentioned regulations. Effective oversight mechanisms are critical to ensuring compliance and protecting debtors. All jurisdictions should create independent bodies to oversee debt collection practices. These authorities should have the power to license agencies, investigate abuses, and impose penalties. Singapore's structured approach under its DCA could serve as an inspiration for the operational framework of such bodies, albeit with broader scopes that include unregulated entities.

Debt collection agencies should also be required to submit regular reports on their activities, including methods used, complaints received, and resolution outcomes. This data would enable regulators to identify systemic abuses and monitor trends, particularly in the digital sphere.

Strengthened Consumer Complaint Mechanisms. Accessible and affordable dispute resolution systems are critical to the legitimacy and functionality of debt collection frameworks. Most jurisdictions rely on internal dispute resolution schemes in addition to contraventional and criminal enforcement. Nevertheless, consumers should also be empowered and incentivised to pursue redress through private action, supported by external, independent dispute resolution bodies. Financial Ombudsman Services, funded through small levies on licensed agencies, could play a key role in ensuring access to justice and institutional accountability.

Beyond procedural access, all debtors require targeted protections to ensure equitable treatment and dignity. Given the expansion of cross-border collections, comprehensive lists of banned practices, such as public shaming, excessive contact, and threats of violence, should be standardised across jurisdictions. Enforcement should be credible and immediate, ensuring that these prohibitions are not merely symbolic but actionable.

These protections should be complemented by regulatory requirements for flexible repayment plans tailored to low-income households, SMEs, and individuals facing financial distress. Special provisions should address the vulnerabilities of migrant workers and women, whose exposure to abusive practices is often exacerbated by structural inequalities.

While such proposals may appear to impose quasi-social burdens on private lenders, in practice, many jurisdictions already internalise the costs of borrower hardship through regulatory or market-based mechanisms. In Singapore, Credit Counselling Singapore (CCS), a non-profit supported by the Monetary Authority of Singapore and major banks, facilitates structured repayment plans without direct creditor compensation.²⁴⁷ In Australia, hardship schemes supported by ombudsman offices and consumer protection bodies enable negotiated waivers or rescheduling.²⁴⁸ In the EU, the revised Consumer Credit Directive mandates creditor forbearance, including grace periods and restructuring, particularly for vulnerable consumers.²⁴⁹ Meanwhile, in both the EU and the United States, creditors routinely absorb losses on non-performing debt portfolios, selling them on secondary markets at discounts of 3–10% of face value.²⁵⁰ These examples demonstrate that full recovery is neither the empirical norm nor a regulatory imperative. In modern credit economies, mechanisms for loss absorption, whether formalised or market-driven, are integral to maintaining systemic stability and ethical standards in debt collection.

Leveraging Technology for Ethical Reform. Digital debt collection presents both opportunities and risks. Regulators must leverage technology to protect debtors while ensuring accountability. Governments and regulators should invest in platforms that empower debtors, such as apps that provide repayment tracking, financial counselling, and complaint filing. These tools can bridge gaps in access and lessen reliance on informal mechanisms.

A notable example is the Estonian legal tech company Hugo.legal, which has developed an AI-powered chatbot to assist consumers in challenging debt collection claims related to expired debts.²⁵¹ The chatbot automated the legal assessment process, guiding users through a series of questions to determine whether their debt was legally enforceable. If the debt was found to be expired, the system generated a formal application that consumers could submit to bailiffs to request debt cancellation. By streamlining this process, the chatbot reduced the need for costly legal assistance and improved

²⁴⁷ Credit Counselling Singapore, 'About Us' <<https://www.ccs.org.sg/About-Us>> accessed 12 May 2025.

²⁴⁸ National Debt Helpline, 'Debt Solutions' <<https://ndh.org.au/debt-solutions/>> and Energy and Water Ombudsman Victoria, 'Trouble Paying a Bill' <<https://www.ewov.com.au/common-complaints/trouble-paying-a-bill>> both accessed 12 May 2025.

²⁴⁹ Directive (EU) 2023/2225 of the European Parliament and of the Council of 18 Oct 2023 on credit agreements for consumers and repealing Directive 2008/48/EC [2023] OJL 2023/2225 <<http://data.europa.eu/eli/dir/2023/2225/oj>> art 35.

²⁵⁰ Cătălin-Gabriel Stănescu, *EU Informal Debt Collection Regulation: Failure by Design?* (Oxford University Press 2025) 83, fn 9.

²⁵¹ The chatbot is accessible at: <<https://app.hugo.legal/hugoapp?bot=64ae7505ac5e6886a2e41547&lang=et>> accessed 30 Jan 2025.

access to justice for financially vulnerable individuals.²⁵² This example reflects how legal automation could be used to mitigate power imbalances in debt collection by equipping consumers with the necessary tools to assert their rights.

Simultaneously, AI-based monitoring tools can identify abusive practices in real time, enabling regulators to respond proactively. These systems ought to be connected to mandatory reporting mechanisms, ensuring ongoing oversight.

Broader Lessons and Global Implications

The challenges and opportunities posed by informal debt collection in Southeast Asia resonate far beyond the region, offering valuable lessons for other jurisdictions grappling with similar issues. The persistence of abusive practices, the reliance on informal credit systems, and the rise of digital debt collection reflect broader global trends that demand nuanced, context-sensitive governance. This section explores the broader lessons drawn from Southeast Asia's experiences and the global implications for debt collection regulation.

Informal Debt Collection as a Mirror of Financial Exclusion

At its core, the prevalence of informal credit reflects systemic gaps in financial inclusion. Throughout Southeast Asia, limited access to formal credit drives individuals and SMEs into informal lending arrangements, exposing them to predatory practices, including abusive debt collection. This pattern is not unique to the region; in many emerging markets, financial exclusion creates parallel economies that operate outside formal oversight (eg Nigeria²⁵³).

The lesson here is clear: tackling abusive debt collection requires more than regulatory fixes. It necessitates broader structural reforms to expand access to affordable and transparent credit. Policymakers must view debt collection not as an isolated issue but as part of a larger strategy to bridge financial inclusion gaps and reduce dependency on informal systems.

Balancing Flexibility and Regulation

Southeast Asia's regulatory approaches illustrate the tension between flexibility and formalisation. In Malaysia and the Philippines, fragmented systems provide flexibility but fail to offer sufficient protections, allowing abuses to proliferate. Conversely, Singapore's and Thailand's sectoral laws introduced formal structures but leave gaps in enforcement and still fail to tame unlicensed actors. The common fears are not to over-burden financial players; not to scare off international investors;²⁵⁴ and not to create moral hazard and encourage debtors not to pay.²⁵⁵

²⁵² Heveli Tuisk, 'Juristid ehitasid roboti, mis aitab võlgadest vabaks Saada' (20 May 2021) <<https://kuuuriija.postimees.ee/7252635/juristid-ehitasid-roboti-mis-aitab-volgadest-vabaks-saada>> accessed 30 Jan 2025.

²⁵³ Ogochukwu Monye, 'Strengthening Nigeria's digital money lending ecosystem' (2024) 47 Journal of Consumer Policy 447.

²⁵⁴ One frequently cited reason for regulatory hesitation is the fear of scaring off international investors, particularly those active in cross-border lending, fintech, and distressed debt markets. These actors often rely on predictable recovery environments, streamlined enforcement practices, and regulatory lightness to ensure profitability, especially in jurisdictions with weak formal legal systems. Stricter regulation, such as licensing requirements, enhanced debtor protections, or limitations on secondary market debt trading, may be perceived as raising compliance costs, delaying recoveries, or diminishing portfolio value. The World Bank has noted that ambiguity or inconsistency in creditor-debtor frameworks can erode investor confidence, leading to capital withdrawal or higher risk premiums. World Bank, 'Principles for Effective Insolvency and Creditor/Debtor Regimes' (World Bank 2016) 6-9 <<https://documents1.worldbank.org/curated/en/557581467990960136/Principles-for-effective-insolvency-and-creditor-debtor-rights-systems.pdf>> accessed 12 May 2025.

²⁵⁵ World Bank and Ministry of Foreign Affairs of the Kingdom of the Netherlands, 'Towards Effective Enforcement of Uncontested Monetary Claims: Lessons from Eastern and Central Europe' (World Bank, June 2017) 32 <<https://openknowledge.worldbank.org/server/api/core/bitstreams/370c48d2-1bee-5898-995d-c9375bdfc6dd/content>> accessed 12

While these concerns merit consideration, they are often overstated and must be weighed against the long-term risks of sustaining abusive collection ecosystems: loss of consumer trust, political instability, and the erosion of financial inclusion. Clear communication, regulatory transparency, and phased implementation strategies can mitigate investor uncertainty without compromising debtor dignity or equity.

This dynamic underscores the importance of balance. Overly rigid frameworks risk alienating informal actors and driving practices further underground, while excessively loose regulations fail to provide meaningful safeguards. A globally applicable lesson is the need for adaptable frameworks that respect local socio-economic contexts while ensuring adequate standards for fairness and accountability.

Protecting Vulnerable Consumers

The disproportionate impact of informal debt collection on vulnerable groups, such as low-income households, women, migrant workers, and SMEs, is a universal issue. In Southeast Asia, marginalised populations bear the brunt of abusive practices, reflecting systemic inequities that transcend borders.

Globally, this calls for targeted protections for these groups. Regulatory frameworks must incorporate provisions that address their specific vulnerabilities, such as flexible repayment plans, restrictions on coercive practices, and accessible, affordable complaint mechanisms. By embedding social equity into debt collection governance, policymakers can create systems that prioritise dignity and resilience.

The path forward requires not just technical reforms but a fundamental reimagining of the relationship between creditors, debtors, and society.

Conclusion

Informal debt collection represents both a regulatory gap and a socio-economic necessity, particularly in jurisdictions marked by low financial inclusion and inadequate institutional enforcement. This study has shown how fragmented oversight, weak enforcement, and persistent exclusion contribute to the continued reliance on informal collection methods, often at the expense of debtor rights. While jurisdictions such as Singapore and Thailand have introduced sector-specific legislation, enforcement deficits remain. Even in comparatively well-regulated settings like Australia, structural limitations persist, highlighting the insufficiency of legal intervention alone.

Despite these limitations, recent trends indicate a shift toward more balanced and inclusive approaches. Expanding protections for SMEs, extending fair practice obligations to unregulated collectors, and embedding debtor-centred principles into regulatory design all reflect a growing recognition that informal debt collection must be governed not only through legal controls but also through normative commitments to equity and institutional trust.

Still, technical legal reforms are not enough. The broader lesson from Southeast Asia is that informal debt collection is not simply a regulatory shortcoming but a reflection of deeper structural imbalances: limited access to formal credit, the inefficacy of judicial enforcement, and the normalisation of extra-legal remedies. Addressing these challenges requires a more integrated agenda centred on financial inclusion, institutional accountability, and distributive fairness.

Accordingly, Southeast Asian jurisdictions require context-sensitive solutions tailored to their distinct legal, economic, and institutional configurations. While this study rejects one-size-fits-all templates, its comparative analysis supports the articulation of differentiated policy strategies.

Jul 2023. See also International Monetary Fund, 'Romania: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding' (International Monetary Fund, 10 Jun 2013) 17, para 37 <<https://www.imf.org/external/np/loi/2013/rou/091213.pdf>> accessed 1 Jul 2024; Joseph Spooner, 'The Quiet-Loud-Quiet Politics of Post-Crisis Consumer Bankruptcy Law: The Case of Ireland and the Troika' (2018) 81 *Modern Law Review* 790.

In Singapore, the priority lies in strengthening enforcement and refining standards of conduct. Thailand should extend the reach of its 2015 DCA to include SME and legacy debts while simplifying its complaint mechanisms. Malaysia's proposed CCA offers an opportunity to consolidate fragmented oversight and clarify regulatory mandates. In the Philippines, where regulatory gaps remain especially stark, unified and codified protections are urgently needed. Across all jurisdictions, bespoke protections for vulnerable populations, including migrant workers, rural borrowers, and informal entrepreneurs, must be grounded in socio-economic realities rather than legal abstraction. These proposals aim not merely to curb abuse but to reorient debt collection governance toward a model anchored in responsiveness and dignity.

Australia, included as a comparator, illustrated both the potential and the limitations of mature regulatory frameworks. Its hybrid regime combining statutory protections with industry codes demonstrates the strengths of institutionalised redress and ombudsman-led oversight. Yet its persistent enforcement asymmetries and regulatory fatigue show that even sophisticated systems are not immune to failure. In some respects, regulatory innovations emerging from Southeast Asia go beyond Australia's predominantly soft-law approach. Rather than providing a prescriptive model, Australia offered a functional mirror through which the diversity, experimentation, and potential of Southeast Asian regulatory development became legible.

Beyond existing architectures, the expansion of digital debt collection, particularly through fintech and online lending platforms, introduces additional complexity. In jurisdictions such as the Philippines and Malaysia, collectors increasingly exploit social media and messaging platforms to contact, pressure, or publicly shame debtors, often without legal authorisation or oversight. While digital tools may streamline communication and improve traceability, they also risk enabling cyber harassment, reputational coercion, and unauthorised data extraction. Current legal frameworks tend to respond to these harms through fragmented criminal and data protection laws, rather than integrated regulatory regimes. Future reforms must therefore incorporate digital safeguards into debt collection oversight to ensure that technological innovation does not undermine ethical standards or regulatory accountability.

Ultimately, informal debt collection regulation must be reimagined not as a tool for creditor dominance and economic extraction but as a mechanism for financial stability, social justice, and debtor empowerment. Achieving this requires bold, coordinated action from governments, regulators, and industry stakeholders. The challenge is significant, but so are the potential rewards: a more trustworthy financial system, equitable access to credit, and reduced socio-economic harm. The path forward begins by recognising that behind every debt is a person, and that the legitimacy of debt collection hinges not only on its efficiency, but on its fidelity to the principles of fairness, dignity, and justice.

Acknowledgements. I wish to thank Sandra Annette Booysen, Jodi Gardner and Asress Adimi Gikay for their constructive comments and feedback on the earlier draft of this article. I would also like to thank Dora Neo, Sandra Annette Booysen and the Centre for Banking and Finance Law, National University of Singapore, for their support in conducting the research that laid the foundation of this article.

Competing Interests Statement. The author declares that there are no competing interests that could have influenced the research, analysis, or conclusions presented in this article.