



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Personal Financing

Applicable to:

1. Licensed banks
2. Licensed Islamic banks
3. Prescribed development financial institutions

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PART A OVERVIEW

1 Introduction

- 1.1 A credit market that functions effectively contributes significant benefits to the economy, helping financial consumers capitalise on economic opportunities and build wealth, and businesses to grow and create jobs.
- 1.2 With intense competition in the retail credit market, changes are being observed in the lending practices of credit providers in the personal financing segment which are contributing to unaffordable borrowing by households. Of specific concern, there has been the emergence of new financing products that give the appearance of affordable borrowing but actually encourage the imprudent accumulation of debt that financial consumers cannot really afford without significant risk of hardship over the duration of the financing facility due to inadequate financial buffers.
- 1.3 While financial service providers (FSPs) are already required to conduct suitability and affordability assessments for each new and additional financing facility offered to financial consumers, more specific requirements are necessary to prevent unhealthy developments in the personal financing segment.

2 Policy objective

- 2.1 This Policy Document aims to promote prudent and responsible financing practices with respect to the provision of personal financing by FSPs, while encouraging responsible borrowing behaviours by financial consumers.
- 2.2 This Policy Document complements the Policy Document on Responsible Financing issued on 30 September 2025 in promoting a sustainable retail credit market and a resilient household sector.

3 Applicability

- 3.1 This Policy Document is applicable to -
 - (a) a FSP as defined in paragraph 6.2;
 - (b) with respect to paragraphs 9 and 10, a FSP as defined in paragraph 6.2 that offers a personal financing product as defined in paragraph 6.2(a);and

- (c) with respect to paragraph 11, a FSP as defined in paragraph 6.2 that offers a personal financing product as defined in paragraph 6.2(b)¹.
- 3.2 This Policy Document is **not** applicable to any of the following financing products -
- (a) financing for the purchase of residential and non-residential property;
 - (b) vehicle financing;
 - (c) credit card and credit card-i, including an easy payment plan using the same credit limit;
 - (d) charge card and charge card-i;
 - (e) overdraft and revolving credit facilities with no fixed repayment or payment tenure;
 - (f) micro-financing product or financing to a sole proprietor for purposes of its business;
 - (g) financing for the purchase of securities²;
 - (h) financing granted to employees of FSPs;
 - (i) pawnbroking or Ar-Rahnu; and
 - (j) financing for education purposes.
- 3.3 A personal financing product for which the mode of repayment is facilitated through a salary deduction scheme is included within the scope of this Policy Document.

4 Legal provisions

- 4.1 The requirements in this Policy Document are specified pursuant to -
- (a) sections 47(1), 123(1) and 143(2) of the Financial Services Act 2013 (FSA);
 - (b) sections 29(1), 29(2), 57(1), 135(1) and 155(2) of the Islamic Financial Services Act 2013 (IFSA); and
 - (c) sections 41(1), 42C(1) and 116(1) of the Development Financial Institutions Act 2002 (DFIA).
- 4.2 The guidance in this Policy Document is specified pursuant to section 266 of the FSA, section 277 of the IFSA and section 126 of the DFIA.

¹ Licensed banks and licensed Islamic banks can only offer buy now pay later (BNPL) facilities as part of their banking business and Islamic banking business. For prescribed development financial institutions, it is subject to their mandated roles.

² This includes units of funds managed by Amanah Saham Nasional Berhad and other unit trusts.

5 Effective date

- 5.1 This Policy Document comes into effect on 30 September 2025, except for the following paragraphs, which will come into effect on 1 January 2027 -
- (a) paragraphs 10.3 to 10.13; and
 - (b) paragraphs 10.17 to 10.18.

6 Interpretation

- 6.1 The terms and expressions used in this Policy Document shall have the same meanings assigned to them in the FSA, IFSA and DFIA, as the case may be, unless otherwise defined in this Policy Document.

- 6.2 For the purpose of this Policy Document -

“**S**” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretive, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“**G**” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**board**” means the board of directors of a FSP, including a committee of the board where the responsibilities of the board set out in this Policy Document have been delegated to such a committee;

“**fixed rate**” refers to loans/financing with an interest/profit rate that will remain at a specified rate, which is determined on or prior to the disbursement of funds, for the whole tenure of the loan/financing. The interest/profit is calculated based on the reducing balance method;

“**flat rate**” refers to loans/financing with an interest/profit rate that will remain at a specified rate for the whole tenure of the loan/financing. The interest/profit is calculated based on the amount of the original loan/financing disbursed at the beginning of the loan/financing period;

“**floating rate**” refers to loans/financing with an interest/profit rate that is allowed to fluctuate with the rest of the market or along with an index. The rate may vary at periodic intervals, or in accordance with any formula in the loan/financing agreement;

“financial service provider” or “FSP” means -

- (a) a licensed bank under the FSA;
- (b) a licensed Islamic bank under the IFSA; and
- (c) a prescribed institution under the DFIA;

“personal financing product” means any of the following -

- (a) a financing product that is offered either directly by a FSP or jointly with another entity, or through the FSP’s intermediary, to individuals for personal, domestic or household purposes; and
- (b) any buy now pay later arrangement, however designed or by whatever name called (BNPL)³, entered into between a financial consumer with a FSP, or in the case of a jointly provided product, with a FSP and the FSP’s partner, for the purchase of goods or services where -
 - (i) the FSP pays the seller for such purchase and credit is provided to the financial consumer; and
 - (ii) the payment due from the financial consumer to the FSP is deferred and may be made in a single payment or by instalments over an agreed period of time in accordance with the terms and conditions of the arrangement,

but does not include an arrangement comprising moneylending as defined in the Moneylenders Act 1951 and credit sales transaction as defined in the Consumer Protection Act 1999;

“repayment” in the context of an Islamic personal financing product, shall include payment by a financial consumer to a FSP under the terms of the Islamic personal financing product;

“Rule of 78 method” refers to an interest/profit calculation method by multiplying the total interest/profit payable over the loan/financing tenure by a fraction, the numerator of which is the number of periods remaining on such financing at the time the calculation is made, and the denominator of which is the sum of all the whole numbers from one to the number which is the total number of complete months in the period of the loan/financing agreement.

7 Related policy documents

- 7.1 This Policy Document must be read together with other relevant documents, guidelines and policy documents issued by Bank Negara Malaysia (BNM), as amended from time to time, in particular -

³ For the avoidance of doubt, BNPL does not cover any easy payment plan offered by an issuer of credit card/credit card-i to financial consumers by way of monthly instalments over a specific period of time, for the purchase of goods or services.

- (a) Guidelines on the Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012 (BNM/RH/GL 016-2);
- (b) Operational Procedures for Submission of Application for the Imposition of Fees and Charges on Financial Products and Services issued on 23 January 2017 (JKAP7500/POL/3/1);
- (c) Guidelines on Late Payment Charges for Islamic Financial Institutions issued on 31 January 2013 (BNM/RH/GL 012-6);
- (d) Policy Document on Merchant Acquiring Services issued on 15 September 2021 (BNM/RH/PD 028-119);
- (e) Policy Document on Risk-Informed Pricing issued on 16 December 2013 (BNM/RH/STD 028-3);
- (f) Policy Document on Introduction of New Products issued on 7 March 2014 (BNM/RH/STD 028-5);
- (g) Policy Document on Prohibited Business Conduct issued on 15 July 2016 (BNM/RH/PD 028-21);
- (h) Policy Document on Responsible Financing issued on 30 September 2025 (BNM/RH/PD 028-95);
- (i) Policy Document on Fair Treatment of Financial Consumers issued on 27 March 2024 (BNM/RH/PD 028-103);
- (j) Policy Document on Product Transparency and Disclosure issued on 2 December 2024 (BNM/RH/PD 028-136);
- (k) Policy Document on Credit Reference Information System (CCRIS): Requirements on the Submission, Usage and Protection of Credit Information, issued on 18 December 2024 (BNM/RH/PD 028-17); and
- (l) Shariah Resolutions in Islamic Finance.

8 Policy documents and legal instruments superseded

8.1 This Policy Document supersedes the following -

- (a) Policy Document on Personal Financing issued on 15 December 2023 (BNM/RH/PD 028-130); and
- (b) Letter on specifications pursuant to sections 47(1) and 123(1) of the Financial Services Act 2013 (FSA), sections 57(1) and 135(1) of the Islamic Financial Services Act 2013 (IFSA), and sections 41(1) and 42C(1) of the Development Financial Institutions Act 2002 (DFIA) relating to Enhanced Consumer Safeguards for Personal Financing, issued on 10 January 2025.

PART B POLICY REQUIREMENTS

9 Submission requirements (*Operational requirements for FSPs only*)

FSPs to refer to the Policy Document on Personal Financing as published in BNM's Regulatory Handbook for requirements on product submissions.

10 General requirements

Maximum tenure

- S** 10.1 The tenure of a personal financing product shall not exceed **10 years**. This requirement applies to all new and additional personal financing applications received from the effective date of this Policy Document. The requirement also applies to the restructuring or rescheduling of existing personal financing facilities which involve an increase in the amount of financing.
- S** 10.2 Paragraph 10.1 does not apply to existing personal financing products which are restructured or rescheduled based on the specific circumstances of a financial consumer (e.g. distressed borrower), provided that the restructuring or rescheduling does not involve an increase in the amount of financing.
- S** 10.3 A FSP shall treat the following types of financing offered under a home financing product for personal, domestic or household purposes, as a personal financing product -
- (a) additional financing amount in excess of an outstanding home financing amount being refinanced;
 - (b) additional financing that, when combined with the remaining outstanding balance of the financial consumer's home financing, exceeds the original home financing amount; and
 - (c) financing secured by an unencumbered property.
- S** 10.4 For the types of financing specified under paragraph 10.3, a FSP shall ensure the computation of the debt service ratio (DSR) and the contractual monthly repayment period shall not exceed **10 years**.
- S** 10.5 The requirements in paragraphs 10.3 and 10.4 do not apply to the following -
- (a) additional financing taken under a home financing product to be used solely for renovation, mortgage reducing term assurance/takaful, legal fees, or for education or business purposes as specified under paragraph 3.2;
 - (b) additional financing offered under a home financing where -

- (i) the financial consumer has paid down the home financing - the new financing amount and the outstanding balance does not exceed the original home financing amount and the tenure for the new financing does not exceed the remaining tenure of the original home financing tenure; or
- (ii) the financing is up to the amount that has been pre-paid based on the financial consumer's repayment schedule or where extra repayments were made by the financial consumer in advance.

- S** 10.6 For additional financing offered under a home financing product in relation to paragraph 10.5, the FSP shall take reasonable steps to verify the actual purpose of the financing, including by requesting the relevant supporting documents from the financial consumer prior to treating the additional financing as home financing.

Reporting requirements

- S** 10.7 A FSP shall report the financing offered under a home financing product described in paragraph 10.3(a) as -
- (a) a sub-account of the financial consumer's housing loan or financing facility in the Central Credit Reference Information System (CCRIS); and
 - (b) a facility named "Personal Loan under Refinancing (Secured against Property)".
- S** 10.8 A FSP shall report the financing offered under a home financing product described in paragraph 10.3(b) as -
- (a) a sub-account of the financial consumer's original housing loan or financing facility in CCRIS; and
 - (b) a facility named "Personal Loan through Top-up (Secured against Property)".
- S** 10.9 A FSP shall report all financing as described in paragraph 10.3(c) as a facility in CCRIS named "Personal Loan Secured against Unencumbered Property".
- G** 10.10 For the avoidance of doubt, there are no changes in the capital treatment on the financing offered under paragraph 10.3, where a FSP is expected to continue to apply real estate or residential mortgage risk-weights, where relevant, on these secured exposures.

Prohibition of flat rate and/or Rule of 78 method

- S** 10.11 A FSP is prohibited from offering personal financing where the interest/profit charge is computed using flat rate and/or Rule of 78 method.

- G** 10.12 For the avoidance of doubt, with respect to paragraph 10.11, a FSP may offer personal financing with any of the following features -
- (a) with a fixed rate or a floating rate; or
 - (b) where the interest/profit is charged on the outstanding balance of principal remaining, after deducting from the original principal the total payments made by or on behalf of the financial consumer which are appropriated to the principal.
- S** 10.13 A FSP shall inform financial consumers of the expected interest/profit rate that will be imposed on a personal financing product at the pre-contractual stage, in line with paragraph 1.1.1 of Schedule 1 of the Policy Document on Product Transparency and Disclosure, as follows -
- (a) the effective interest/profit rate and total repayment amount, including in advertisements and in any promotional materials when interest/profit rate is included;
 - (b) how interest/profit on the personal financing product will be calculated, i.e. whether it would be calculated on a daily or monthly rest basis; and
 - (c) for floating rate loans/financing, the FSP shall disclose the circumstance(s) under which the interest/profit rate may increase and the effect of such increase.

Prohibitions on personal financing offerings

- S** 10.14 A FSP is prohibited from offering any form of pre-approved personal financing product. Personal financing shall only be granted upon receiving a financial consumer's verbal or written acceptance of the offer and the FSP is satisfied based on affordability assessment, that the financial consumer has the capacity to repay the personal financing.
- G** 10.15 The prohibition in paragraph 10.14 does not extend to sending promotional materials or informing pre-selected financial consumers of new personal financing products.
- S** 10.16 A FSP is prohibited from offering any personal financing product where the total or bulk of repayments, whether principal only or principal plus interest/profit, is due only at the end of the financing tenure and is to be repaid from the retirement funds of the financial consumer. Retirement funds include the Employees Provident Fund, pensions and gratuity payments.

Financial education

- S** 10.17 To assist financial consumers in making prudent and smart financial decisions, a FSP shall ensure that financial consumers attend and complete

a financial education module by the FSP or Agensi Kaunseling dan Pengurusan Kredit prior to applying for any new personal financing product for which the financing amount exceeds RM100,000.

- G** 10.18 A FSP may also encourage financial consumers who are assessed to be of higher risk⁴ to attend and complete a financial education module prior to applying for any new personal financing product.

11 Additional requirements on BNPL

- S** 11.1 Prior to granting BNPL to a financial consumer, a FSP shall assess the financial consumer's ability to make full repayment of the BNPL without resulting in the financial consumer undergoing undue financial hardship. At a minimum, the FSP must consider the financial consumer's repayment history on existing credit facilities.
- S** 11.2 For a financial consumer who does not have any credit repayment history, a FSP shall evaluate the financial consumer's repayment history on other recurring payment obligations, such as utility or telecommunication bills.
- S** 11.3 A FSP shall not offer a BNPL facility to financial consumers who have been declared bankrupt⁵.

Affordability assessment

- S** 11.4 For a financial consumer who has a cumulative BNPL credit limit⁶ of RM1,500 or above, a FSP is required to conduct an affordability assessment to ascertain the financial consumer's ability to fully repay the new BNPL facility by observing a prudent debt service ratio as specified in the Policy Document on Responsible Financing.
- G** 11.5 In ascertaining the cumulative BNPL credit limit of a financial consumer, a FSP may refer to CCRIS for BNPL granted by other CCRIS participating institutions.

⁴ An example of a financial consumer of higher risk is an individual who meets the vulnerable consumer definition under BNM's policy document on Fair Treatment of Financial Consumers. In particular, a financial consumer who has an inadequate level of financial literacy or experience in using financial services or products.

⁵ The restriction does not apply to financial consumers who have been discharged from bankruptcy.

⁶ This refers to the total credit limits on BNPL granted to a financial consumer by all BNPL providers, including the FSP.

- G** 11.6 For BNPL granted by other providers not covered by CCRIS, the FSP may request for the financial consumer to declare information on their credit limit or may refer to other credit reporting agencies for such information.
- G** 11.7 Notwithstanding paragraph 11.4, a FSP may set a lower cumulative BNPL credit limit for determining when an affordability assessment is required.
- S** 11.8 In carrying out the affordability assessment as required under paragraph 11.4, a FSP shall -
- (a) obtain and verify the financial consumer's income; and
 - (b) establish the financial consumer's overall indebtedness by obtaining information on the financial consumer's existing debt repayment obligations.

Fees and charges

- S** 11.9 In determining the late payment charge (LPC) and any other fees imposed on financial consumers, a FSP shall comply with the requirements within the following documents⁷, as the case may be -
- (a) Guidelines on Imposition of Fees and Charges on Financial Products and Services issued on 10 May 2012;
 - (b) Operational Procedures for Submission of Application for the Imposition of Fees and Charges on Financial Products and Services issued on 23 January 2017; and
 - (c) Guidelines on Late Payment Charges for Islamic Financial Institutions issued on 31 January 2013.
- S** 11.10 In accordance with paragraph 5.1 of the Guidelines on Imposition of Fees and Charges on Financial Products and Services, a FSP shall obtain BNM's approval prior to introducing any fees and charges on BNPL or increasing the current fees and charges on BNPL, including the LPC.
- S** 11.11 A FSP shall ensure the LPC is imposed at an amount that only covers the actual costs⁸ incurred for recovering overdue instalments from financial consumers. In addition, a FSP must not set a minimum LPC.
- G** 11.12 The LPC is not subject to the cap of 1% per annum under paragraph 5.9.1 of the Guidelines on Imposition of Fees and Charges on Financial Products and Services. For an Islamic BNPL, the LPC is not subject to the cap of 1% per

⁷ Including any amendments or modifications made after the issuance date.

⁸ This is consistent with the concept of *ta'widh* under the Guidelines on Late Payment Charges for Islamic Financial Institutions, whereby an Islamic financial institution shall be compensated up to the amount of actual cost incurred as a direct result of the delay in repayment by the financial consumer.

annum as specified in paragraph 5.2.2.A (i) of the Guidelines on Late Payment Charges for Islamic Financial Institutions.

- S** 11.13 A FSP shall observe the following principles and requirements to ensure that the LPC imposed on financial consumers is fair and reasonable -
- (a) the quantum of LPC shall not be excessive (i.e. disproportionate when compared to the actual costs incurred for recovering overdue instalments);
 - (b) the LPC shall exclude costs that are not relevant to the recovery of overdue instalments, such as the cost of funding, marketing and advertising, opportunity costs or any other operating costs not attributable to late payments by financial consumers;
 - (c) any unpaid LPC shall not be added to the outstanding amount (i.e. there must not be any compounding when computing LPC for the next repayment cycle); and
 - (d) the FSP shall not consider LPC as an additional source of income for a BNPL facility.
- S** 11.14 The basis for deriving the LPC shall be properly documented and supported with information relevant to the decision of a FSP. Such information shall be made available upon request by BNM.
- S** 11.15 At the point of offering BNPL to financial consumers, a FSP shall clearly inform financial consumers about the imposition of LPC if they fail to make payment by the due date. The FSP shall also provide a simple illustration on when the LPC will be imposed and the amount of the LPC.
- S** 11.16 A FSP shall send a reminder to financial consumers at least three calendar days before the payment due date. In the reminder, the FSP shall clearly state the amount due and that a LPC will be imposed if the payment is missed, including a simple illustration on when the LPC will be imposed as well as the amount of the LPC.
- G** 11.17 The reminder specified in paragraph 11.16 may be made to financial consumers through the most effective communication channels such as short message service (SMS) or in-app notification.
- S** 11.18 Subject to paragraph 11.19, in the event a financial consumer has missed three consecutive payments for a purchase, a FSP shall suspend the consumer's BNPL account from being further utilised for new transactions until the missed payments have been fully settled. In relation to paragraph 11.16, the reminder notification sent by the FSP must clearly state that the

BNPL account will be suspended after a specified number of missed payments.

- G** 11.19 A FSP may suspend a financial consumer's BNPL account from being further utilised even if the financial consumer has missed less than three payments for a purchase, subject to the terms and conditions of the BNPL agreement.

Shariah requirements on Islamic BNPL

- S** 11.20 A FSP that offers an Islamic BNPL facility shall ensure its compliance with Shariah, including compliance with applicable rulings of the Shariah Advisory Council on Islamic Finance (SAC BNM) at all times. At minimum, the FSP must ensure that -
- (a) an Islamic BNPL facility is structured based on appropriate underlying Shariah contracts that are consistent with the business and operational models, product features and contractual terms of the Islamic BNPL facility, preserves the primary objective of the contract (*muqtada`aqad*) and does not give rise to usury (*riba*) practices;
 - (b) the collective use of Shariah contracts as the underlying structure for an Islamic BNPL facility observes the relevant Shariah requirements which are applicable to each Shariah contract and where several contracts are adopted for one single product, a FSP must ensure that-
 - (i) each Shariah contract is permissible in accordance with Shariah;
 - (ii) there is no clear Shariah injunction on such Shariah contracts to be used collectively, such as restrictions on the combination of sales and loan contracts (*bai` wa salaf*); and
 - (iii) there is no contradiction between Shariah principles governing each contract, such as gift (*hibah*) and lease of the same asset to the same recipient simultaneously; and
 - (c) where applicable -
 - (i) the LPC must reflect the actual cost⁹ to the FSP as compensation (*ta`widh*)¹⁰ by the financial consumer;
 - (ii) for an Islamic BNPL facility offered on a platform which sells Shariah non-compliant goods and services, the FSP must ensure that -
 - (A) the transaction conducted using the Islamic BNPL facility is confined only to Shariah compliant goods and services; and

⁹ This paragraph shall be read together with the SAC BNM resolutions on "Method of Late Payment Charge on Judgement Debt" at the SAC BNM's 50th meeting, 61st meeting and 100th meeting. Refer to paragraph 83 (page 133) of the Shariah Resolutions in Islamic Finance (Second Edition) issued on 26 October 2010.

¹⁰ For the avoidance of doubt, unless otherwise specified in this Policy Document, the FSP shall also observe requirements under the Guidelines on Late Payment Charges for Islamic Financial Institutions.

- (B) safeguards are put in place to ensure no transaction involving Shariah non-compliant goods and services can be facilitated; and
- (iii) for Islamic BNPL facility used for the purchase of gold and silver (*ribawi* items) that have the *`illah* (effective cause) of money, the transaction must be conducted on spot basis. However, the settlement period of up to T+2 is permitted due to operational constraints and business customary practices (*`urf tijari*).

- S** 11.21 The Shariah committee of a FSP offering Islamic BNPL shall provide objective and sound advice to the FSP to ensure its aims and operations, business, affairs and activities are in compliance with Shariah. At minimum, the Shariah committee shall ensure that the Islamic BNPL facility complies with requirements under paragraph 11.20, including the components of actual cost as compensation (*ta`widh*) for the LPC, prior to providing any written endorsement.

Merchant requirement

- S** 11.22 A FSP shall ensure that merchants do not set BNPL as the default payment option for financial consumers.
- G** 11.23 In complying with the requirement under paragraph 11.22, a FSP may consider stipulating the restriction in its Service Legal Agreement (SLA) with the merchants to ensure that they fulfil their obligations in accordance with the SLA. In addition, the FSP may leverage on its existing complaints handling mechanism should there be any complaint on a breach of the requirement under paragraph 11.22, from financial consumers.

Reporting requirement

- S** 11.24 A FSP shall report both conventional and Islamic BNPL in CCRIS as a facility named "Buy Now Pay Later".