



**Joint media statement by The Association of Banks in Malaysia (ABM),
Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) and
the Association of Development Finance Institutions of Malaysia (ADFIM)**

FOR IMMEDIATE RELEASE

**BANKS ANNOUNCE GOODWILL DISCOUNTS FOR EARLY SETTLEMENT OF
EXISTING HIRE-PURCHASE AGREEMENTS, TO COMMENCE UPON THE
EFFECTIVE DATE OF THE HIRE PURCHASE (AMENDMENT) ACT**

Kuala Lumpur, 2 December 2025: In a continued effort to support and treat customers fairly, following the passing of the Hire-Purchase (Amendment) Bill at Dewan Negara yesterday, The Association of Banks in Malaysia (ABM), Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) and the Association of Development Finance Institutions of Malaysia (ADFIM) today announced a collective goodwill initiative for hire-purchase customers. Under this initiative, banks will offer goodwill discounts at the point of early settlement for existing fixed-rate hire-purchase agreements and/or which apply the Rule of 78 method, in anticipation of the implementation of the Hire-Purchase (Amendment) Act (HPAA).

Under the HPAA, the flat rate and the Rule of 78 method will be abolished for new customers, marking a major shift in how hire-purchase financing is calculated. To ensure fairness for customers who entered into agreements prior to the HPAA or during the permitted grace period, the banking industry will offer goodwill discounts for early settlement of these fixed-rate hire-purchase agreements.

Our priority is to ensure every customer feels supported and valued during this change. The goodwill discount is an industry-wide measure designed to provide affected customers with treatment comparable to that of new customers under the HPAA when they choose to settle their hire-purchase financing early.

We applaud the initiative by the Ministry of Domestic Trade and Cost of Living (KPDN) and Bank Negara Malaysia (BNM) in driving these important reforms to enhance fairness and transparency in hire-purchase financing. Their leadership and collaborative approach have paved the way for a more equitable framework that benefits consumers and strengthens trust in the financial system.

Key Points

- **Who qualifies?**

Individuals and micro or small businesses with fixed-rate hire-purchase agreements and/or which apply the Rule of 78 method:

- entered into before the HPAA takes effect; or
- entered into during the 18-month grace period allowed under the amended Act; and
- who choose to settle their hire-purchase financing early i.e. any time before loan or financing maturity.

- **Eligibility criteria**

At the point of early settlement, accounts should:

- not be in arrears exceeding 90 days;
- not be under legal action or issued with repossession order; or
- not be under an existing restructuring and rescheduling (R&R) or enrolled in a formal debt management programme.

- **What's the discount?**

- The goodwill discount will be calculated based on the features of the existing hire-purchase agreement (such as timing of early settlement and rate structure) and applied to the net balance due. The intention is to offer early settlement treatment that is broadly comparable to the approach under the amended Act.
- The exact calculation and amount of goodwill discount may vary by bank and by product, and will be explained to customers at the point of application for early settlement.

- **Effective date:** The goodwill discount programme will be effective starting from the effective date of the HPAA, **which is expected in the first quarter of 2026**. The banking industry will notify the public once the HPAA has come into effect.

- **Duration:** The programme will remain available until all fixed rate hire-purchase agreements under Rule of 78 method have reached maturity or early settled (estimated 9 years, in line with the maximum vehicle financing tenure).

- **What you need to do:** Customers who wish to settle their hire-purchase financing early will be provided comprehensive details upon application for early settlement.

Customers who continue making payments according to their agreed schedule until the end of the tenure will not be affected by the Rule of 78 method. As such, customers may continue to pay the same instalments as originally agreed and do not need to take any action.

Once the HPAA has come into effect, customers are encouraged to visit official bank websites or branches for more information, contact their respective banks for guidance on eligibility and application procedures for the goodwill discount, and stay informed through announcements from industry associations.

Customers can refer to each association's official website to obtain the contact details of their respective member banks:

- ABM at <https://www.abm.org.my/about-us/abm-members/>
- AIBIM at <https://aibim.com/members>
- ADFIM at <https://adfim.com.my/members-directory/>

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About The Association of Banks in Malaysia

Since its establishment in 1973, The Association of Banks in Malaysia (ABM) has been dedicated to fostering a robust, and customer-centric banking industry while advancing the interests of its 26 member banks. ABM collaborates with regulators and stakeholders to uphold ethical banking practices and to cultivate a resilient banking environment in Malaysia.

In line with evolving industry needs, ABM champions initiatives to integrate sustainable banking practices aligned with Environmental, Social, and Governance (ESG) principles, drives digital transformation, and strengthens consumer protection measures. These efforts reinforce its role as a vital intermediary between the banking sector and the public, ensuring a well-balanced and progressive financial ecosystem.

Further, ABM continues to promote financial literacy among Malaysians, aiming to empower consumers with the knowledge to make informed financial decisions. For more information, please visit: www.abm.org.my.

About Association of Islamic Banking and Financial Institutions Malaysia

Established in 1995 as Association of Interest-free Banking Institutions Malaysia, the association was rebranded in May 2018 to Association of Islamic Banking and Financial Institutions Malaysia (AIBIM). Over the past three decades, AIBIM has grown into a dynamic, visible, and responsive association, championing the advancement of Islamic finance in Malaysia and beyond.

AIBIM advocates for a Shariah-based, ethical, and socially responsible financial system aligned with both national priorities and global aspirations. In fulfilling its mandate, AIBIM

provides strategic advisory and support to its members, fosters industry-wide collaboration, strengthens human capital development, and promotes greater public understanding of Islamic finance.

Driven by its renewed aspiration, AIBIM aims to be the foremost voice in driving Shariah-based values financing and leading transformation, sustainable growth, and ethical practices in the financial industry.

As of today, AIBIM comprises 26 member banks, including 11 domestic Islamic banks, 3 development financial institutions, 10 locally incorporated foreign Islamic banks, and 2 Islamic digital banks. For more information, please visit: www.aibim.com.

About the Association of Development Finance Institutions of Malaysia (ADFIM)

ADFIM was established on 12 January 1981 with only 10 members and has now grown to 17 organisations with a mandate to enhance knowledge, expertise and effectiveness in all aspects of development financing and research among its members.

ADFIM also aims to encourage the strengthening of institutional structures and good practices in development finance businesses and professions and in research among its member organisations.

ADFIM members are divided into two main clusters:

1. Development Financial Institutions (DFIs), consisting of 6 banks under the Development Financial Institutions Act (DFIA 2002), namely Agrobank, Bank Pembangunan Malaysia Berhad, Bank Simpanan Nasional, Bank Rakyat, SME Bank, and EXIM Bank.

Seven (7) other DFIs are under the supervision of various ministries and government agencies:

Borneo Development Corporation (Sabah and Sarawak), Credit Guarantee Corporation, Sabah Development Bank Berhad, Sabah Credit Corporation, and Development Bank of Sarawak Berhad.

2. Entrepreneurship Development Organisations, consisting of Perbadanan Nasional Berhad, Perbadanan Usahawan Nasional Berhad, Majlis Amanah Rakyat, Amanah Ikhtiar Malaysia, and Malaysian Technology Development Corporation.

For more information, please visit: www.adfim.com.my.