



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 in Malaysia Introduce Changes to Hire-Purchase Financing with Early Settlement Discounts

Kuala Lumpur, 16 March 2026 — Banks in Malaysia will introduce certain key amendments to hire-purchase financing practices following the implementation of the Hire-Purchase (Amendment) Act 2026 (“HPAA”), which will take effect on 1 June 2026.

As part of the transition to the new framework, banks will offer goodwill discounts for eligible customers who choose to early settle their existing fixed rate hire-purchase financing which apply the Rule of 78 method.

The industry-led initiative, supported by The Association of Banks in Malaysia (“ABM”), Association of Islamic Banking and Financial Institutions Malaysia (“AIBIM”) and Association of Development Finance Institutions of Malaysia (“ADFIM”), reflects the banking industry’s commitment to supporting customers during the transition while ensuring transparency in hire-purchase financing.

The Ministry of Domestic Trade and Cost of Living (“KPDN”) has confirmed that the HPAA will take effect on 1 June 2026, with a transition period until 31 March 2027 for banks to perform necessary systems, processes and infrastructure enhancements. During this period, banks may continue to provide new hire-purchase financing under the Rule of 78 method while updating their systems and processes. Nevertheless, some banks will also be ready to offer the reducing balance method during this transition period.

Key Changes Under the HPAA

Under the HPAA, several key changes will be introduced to fixed rate hire-purchase financing:

- The Rule of 78 calculation method for early settlement will be abolished.
- The flat interest rate structure will be abolished.
- All hire-purchase financing will transition to a reducing balance method together with usage of the Effective Interest Rate (“EIR”), enabling customers to better understand the true cost of financing.

These changes aim to empower consumers to make informed decisions and facilitate easier comparison of hire-purchase financing products across banks.

Goodwill Discounts for Early Settlement

Starting 1 June 2026, banks will provide goodwill discounts to eligible customers who opt to early settle their existing fixed rate hire-purchase financing which apply the Rule of 78 method.

With the goodwill discounts, customers who entered into hire-purchase agreements before banks’ implementation of the HPAA and choose to early settle their hire-purchase financing early will have an outstanding balance that is more comparable with what it would have been under the reducing balance method.

Each bank will calculate goodwill discounts based on features of the customer’s existing agreement, including the financing tenure and the timing of early settlement. The exact discount and details will be given to customers when they request for early settlement.

Who is eligible?

Goodwill discounts will apply to individuals and micro and small businesses with fixed rate hire-purchase agreements which apply the Rule of 78 method where:

- the hire-purchase agreement was entered into **before 1 June 2026** or **during the transition period** ending 31 March 2027; and
- the customer chooses to **settle early** (before maturity).

At the point of application for early settlement, the customer's account **must not be**:

- in arrears exceeding 90 days;
- under legal action or issued with a repossession order; or
- under an existing restructuring and rescheduling ("R&R") or enrolled in a formal debt management programme.

Supporting Customers through the Transition

The banking industry remains committed to supporting customers throughout this transition and will continue working closely with regulators to ensure a smooth and transparent implementation of the HPAA.

Hire-purchase financing is widely used in Malaysia, particularly for vehicle purchases. The enhancements under the HPAA are expected to strengthen consumer protection and improve transparency in the hire-purchase market.

With the effective date approaching in June 2026, customers who are looking to apply for hire-purchase financing are encouraged to:

- Ask the banks whether they offer the new reducing balance method during the transition period; and
- Use the EIR to compare financing options across banks.

A list of banks ready to offer the reducing balance method during the transition period is made available on the websites of all three associations as listed below:

- ABM: www.abm.org.my
- AIBIM: www.aibim.com
- ADFIM: www.adfim.com.my

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About The Association of Banks in Malaysia

The Association of Banks in Malaysia (ABM) stands as a catalyst for progress in the nation's financial landscape. Since its inception in 1973, ABM has remained unwavering in its mission to shape a future-ready, customer-centric banking industry, while safeguarding the collective interests of its 27 member banks. Guided by principles of integrity and innovation, ABM is committed to building a resilient ecosystem that embraces Environmental, Social and Governance (ESG) values and harnesses the power of digital transformation to drive sustainable growth.

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.