

Frequently Asked Questions – Hire Purchase (Amendment) Act [HPAA]

| Question | Answer |
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| Is it true that the government has passed a new law to change the old Hire Purchase Financing Profit calculation? | Yes, that is correct. The government has announced the Hire Purchase (Amendment) Bill 2025 , which aims to introduce a fairer profit calculation method for consumers. It is a new development, and we are currently reviewing the official details. |
| What is the new amendment to the Hire Purchase Act (“HP Act”) or Hire Purchase (Amendment) Bill 2025? | The key change is to replace Rule of 78 with the reducing balance method for the calculation of term charges for fixed-rate hire-purchase (HP) agreements. |
| Does this new law mean my current Hire Purchase Financing profit or monthly payment will change right now? | No, we want to assure you that these changes will not impact your current financing account or monthly payment amount immediately . There are no changes to your current financing. |
| When exactly will these new rules take effect? | Hire Purchase (Amendment) Act will tentatively be gazetted in Q1 2026. New HP agreements that adopt the reducing balance method will tentatively be effective upon the expiry of 18 months once HPAA is gazetted. We do not have an exact date yet. We will officially communicate the full details, including the exact effective date, to all our customers once they are finalised. |
| Should I wait for the new method to become effective before I settle my financing early? | I am not in a position to advise you about that. For now, no action is needed from you and we will ensure you are well-informed before any changes are made. |
| What is the advantage of the reducing balance method? | The reducing balance method allows more savings for customers who make early settlement of their HP agreements. Customers enjoy improved financing calculations that ensure they only pay profit on the amount they still owe. |
| Are Islamic HP agreements included? | Yes, provided they apply the Rule of 78 for the computation of term charges. |
| How does the reducing balance method work? | Profit is calculated monthly only on the <i>outstanding balance</i> of your financing. It is similar to property financing. As you pay down your principal, the amount of profit you pay each month also decreases. The total profit cost for the full financing tenure for both Rule of 78 and the reducing balance method is the same. |
| What are the other amendments of the HP Act? | <ul style="list-style-type: none"> • All HP agreements will start adopting the use of Effective Profit Rate (“EPR”) to replace the current Annual Percentage Rate (APR). The use of EPR will allow customers to perform comparisons of different financing packages and understand the true cost of financing. • Adoption of digital and electronic signatures for execution or variation of the HP agreement can be done. • The documents and notices under the HP Act can be issued to the customers via electronic channels. |