

Get help in getting out of debt trap

AMP's Debt Advisory Centre has assisted more than 270 people with money problems

Janice Tai

A centre set up to help individuals break out of the vicious circle of debt has seen encouraging results.

The Debt Advisory Centre, launched in April by the Association of Muslim Professionals (AMP), has assisted more than 270 people in reducing their debts by about 30 per cent. The total amount of loans they owe has shrunk from about \$7.2 million to \$5 million.

They also feel the pinch less on a day-to-day basis. After receiving financial advice, they now have to pay only 10 per cent to 30 per cent of their income to repay loans, compared to the 70 per cent to 90 per cent beforehand.

Such initial signs of success come at a time when a rising number of people find themselves bankrupt or saddled with burgeoning debt.

"The debt problem within the community is akin to an undetected cancer which is slowly but surely spreading," said Madam Hameet Khane, a senior manager at AMP.

The number of people made bankrupt rose by 14.5 per cent to 1,748 last year, after a seven-year decline. Other signs that increasing numbers may be in financial distress include the snowballing amount on rollover credit card balances, which shot up from \$3.4 billion in 2008 to \$5 billion last year.

Monetary Authority of Singapore (MAS) data also shows that the amount of credit card bad debt written off nearly doubled from \$115 million in 2008 to \$227 million last year.

Almost half of the centre's clients are in debt because their low household income is insufficient to meet day-to-day expenses. Working-class families might resort to using credit cards to get by and find themselves in trouble when they cannot pay what they owe.

The social fallout can be equally serious. "Especially so when debtors borrow money without informing their family members and are later harassed by moneylenders," said Mr Mohd Anuar Yusop, executive director of AMP.

Thirteen per cent of the centre's clients have family, marital and child custody issues which are often a consequence of their debt problems.

The centre was set up to help troubled debtors come up with a



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Mr Saiful Nizam Jemain, a senior executive officer at the Debt Advisory Centre, together with participants at a sharing session. Many of the participants share their experiences of falling into debt at these sessions, which can last up to four hours.

Like a cancer

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road map of the steps they can take to manage their debts.

These may involve negotiating with banks or moneylenders to work out a more manageable repayment schedule or making a bankruptcy declaration. The centre also refers clients to national agencies, if necessary.

It is open to people with all

types of debts, unlike Credit Counselling Singapore, which mainly attends to cases involving bank loans. Most of the centre's clients are Malays or Muslims, but anyone is welcome to seek its help.

"Our objective is to eventually become a national institution," said Madam Hameet. "Debt is not only a financial issue but also a so-

cial problem with long-term effects on familial relationships."

One client told how he had hit "rock bottom" before seeking its help. Driver Rahim (not his real name) camped in his company van with his family of five when they were thrown out of his in-laws' flat.

The in-laws had become fed up with the nightly verbal harassment from moneylenders, from whom Mr Rahim had borrowed \$600 as his \$1,900 monthly salary was not enough to cover food and school expenses for his three children. He was also supporting four in-laws.

The amount owed later spiralled to \$8,000 when he approached nine moneylenders in total, borrowing from one to repay another.

"The financial stress caused my relationship with my wife to sour," said Mr Rahim, 48, who used to spend \$1,700 of his salary on repaying loans.

A friend referred him to the centre in April. A volunteer guided him in talks with the moneylenders on extending his repayment period from a month to a year.

Although his marriage could not be saved and ended in divorce, Mr Rahim now commits 30 per cent of his salary to repaying loans and is expected to be debt-free within two years. He said: "I am thankful for the financial guidance and emotional support given at a time when we were at a loss."

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