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KUALA LUMPUR: The Covid-19 pandemic has disrupted the earning capacity of many Malaysians, and this could tempt some to turn to the time-tested way of raising some hard cash through tontine, which is known locally as kootu.

But several lawyers have advised the people to exercise caution when participating in tontine lest they be caught on the wrong side of the law.

Some aspects of how locals operate could violate Section 3 of the Kootu Funds (Prohibition) Act 1971 (Act 28), they said.

Lawyer Teeruvrasu K Muthusamy said tontine is loosely defined as a pool of money raised from contributions made by a group of individuals at regular intervals, on a weekly or monthly basis.

The money is then withdrawn from the pool by the group leader and given to a participant, mainly by a lottery mechanism to determine the sequence of distribution among the participants.

He said while playing the traditional kootu fund among friends and family is legal according to the Registrar of Societies, it can be illegal in two situations.

It becomes an offence when the leader charges a membership fee from the participants to join the scheme. It also becomes illegal when the leader claims profits from the contributions to enrich himself, he told Bernama.

Teeruvrasu said the other scenario that would render the activity illegal is when the fund is advertised or promoted among the general public.

Act 28 clearly states that it shall be unlawful for any person to carry on the business of promoting kootu funds and any person who carries on such business shall be guilty of an offence, he said.

He said matters pertaining to Act 28 are under the purview of the domestic trade and consumer affairs ministry, and any irregularities can be reported to the Companies Commission of Malaysia and the police.

Another lawyer, Nor Zabetha Muhammad Nor, advised people against joining tontine, saying they risk losing their money or getting into trouble with the law.

There are so many ways that kootu funds are being carried out today, and they're even being run through WhatsApp groups. There are many who join these schemes without even knowing who the leader is.

The more a group's fund

keeps increasing, the more it becomes black money and that is what usually turns it into an offence," she explained.

Prominent criminal lawyer N Sivananthan echoed Nor Zabetha's sentiment, saying in the event a member lodged a report against the group leader, both players and the leader could be charged.

Theoretically, the police can charge the player for playing and the leader for collecting (money) and also for theft or cheating depending on the facts, he said.

Source: <https://www.freemalaysiatoday.com/category/nation/2021/02/07/exercise-caution-when-playing-kootu-funds-say-lawyers/>