

## New Straits Times : Most pawnshops under-insured

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BY law, the pawnbroker who is robbed is only required to pay 25 per cent of the value of the loan for a pawned item. Right? Not necessarily so. "It is not true that the compensation is only 25 per cent of the loan taken (according to the Pawnbrokers Act, 1972)," said Housing and Local Government Ministry enforcement director G. Parameswaran. "People are unaware of the existence of a provision Section 22 (4) in the Act which says they can get a reasonable compensation by suing the pawnshop operator if they are dissatisfied with the quantum paid." The hefty increase in gold price and recent cases of pawnshops being robbed have raised concerns that those who pawned their valuables will be at the losing end. Two months, burglars drilled their way into a pawnshop strong room in Alor Star and made off with jewellery worth about RM3 million. In 2004, thousands were affected when a pawnshop in Jalan Ipoh in Kuala Lumpur was robbed of jewellery worth almost RM10 million. In Bidor, hundreds of customers lost close to RM1 million when a pawnshop was robbed, also in 2004. Parameswaran said the ministry was reviewing several provisions in the Act, including the 25 per cent compensation. The other provision under review pertains to insurance coverage. It was discovered that some pawnshops did not have insurance coverage for the pawned items. "Some pawnshops pay low premiums for insurance. If they are robbed, they cannot even afford to pay the full 25 per cent." The ministry has introduced a requirement whereby pawnshops must produce their insurance certificates when renewing their licences. Parameswaran said operators who do not have insurance can be jailed for up to two months if they are unable to pay the victims. On complaints that the 24 per cent per annum interest charged by pawnbrokers was excessive compared to the 12 per cent by money lenders, Parameswaran disagreed. "Pawnbrokers, he said, were only allowed to give RM10,000 in short term loans compared to the unlimited amount allowed for licensed moneylenders. "Also, a moneylender pays only RM2,000 for a two-year licence compared to a pawnbroker, who has to pay between RM12,000 and RM48,000."