Fintech Innovation Versus Consumer Welfare: A Critical Assessment of Malaysia's Consumer Credit Act 2025

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ABSTRACT

The rapid expansion of Buy Now Pay Later (BNPL) services has transformed consumer credit by combining short-term financing with digital platforms, instant approval, and accessible payment interfaces. In Malaysia, this development has highlighted limitations in the historically fragmented regulation of non-bank credit activities. This article critically examines the regulatory transformation introduced by the Consumer Credit Act 2025 (Act 873), with particular attention to BNPL and Islamic credit business. Employing a qualitative doctrinal legal research methodology, the study analyses the Consumer Credit Act 2025, the Consumer Credit (Fees) Regulations 2026, the Authorisation Standards and the Conduct Standards, complemented by selected scholarly literature on BNPL, Islamic finance and consumer protection. The analysis demonstrates that the new framework represents more than a licensing reform. It establishes a layered regulatory architecture encompassing market entry, governance, responsible lending, affordability, pricing, debt collection, financial hardship, complaints, information management and Shariah compliance. BNPL-specific requirements adopt a risk-calibrated approach, including a RM1,000 affordability threshold, restrictions on pricing methodologies, controls on late-payment charges and safeguards for white-labelling arrangements. For Islamic BNPL, the framework further requires end-to-end Shariah compliance and appropriate Shariah governance. Nevertheless, multi-agency implementation presents continuing challenges concerning regulatory coordination, credit visibility and consumer outcomes. The article argues that the success of the CCA 2025 should ultimately be measured not by the number of licensed providers, but by its capacity to prevent avoidable financial harm while preserving responsible FinTech innovation and meaningful financial inclusion.

Keywords: Buy Now Pay Later; Consumer Credit Act 2025; non-bank credit; consumer protection; Islamic finance.

INTRODUCTION

Financial technology has altered the traditional boundaries between payment services, financing, and consumer commerce. Buy Now Pay Later (BNPL) is a prominent example. Rather than requiring consumers to obtain a conventional loan through a bank, BNPL integrates a short-term credit facility into a digital purchasing journey. The attraction of BNPL lies in convenience, speed, and the possibility of spreading payment over instalments. The model has expanded internationally and has become an important component of the Malaysian digital-finance landscape (Cornelli et al. al, 2023; Zainudin & Othman, 2024).

The convenience of BNPL, however, produces a regulatory paradox. The same technological characteristics that make BNPL accessible may also reduce the psychological and informational barriers normally associated with borrowing. Digital applications can separate the act of purchasing from the longer-term financial consequences of repayment. Where several BNPL facilities are used simultaneously, the consumer's total obligations may be difficult to appreciate. The resulting policy question is therefore not whether innovation should be permitted, but how innovation can be governed so that accessibility does not become a mechanism for avoidable financial harm.

The Malaysian position is particularly significant because consumer credit regulation has historically involved several legal and institutional regimes. The Consumer Credit Act 2025 (CCA 2025) now provides a more comprehensive statutory framework for consumer credit. The Act expressly includes conventional and Islamic BNPL within the concept of credit business and identifies BNPL as a business requiring licensing. At the same time, the Act preserves the operation of other relevant written laws and recognises a multi-agency regulatory structure (Malaysia, 2025).

The significance of the CCA 2025 should therefore not be reduced to the statement that BNPL is now licensed. The substantive change is the creation of a regulatory architecture in which authorisation requirements are complemented by conduct standards and business-specific safeguards. The Authorisation Standards and Conduct Standards issued in 2026 provide operational detail concerning licensing, financial adequacy, fit-and-proper requirements, transparency, affordability, debt collection, financial hardship, complaints, information management and Shariah matters (Suruhanjaya Kredit Pengguna [SKP], 2026a, 2026b).

This article asks three questions. First, how does the CCA 2025 restructure the regulation of non-bank consumer credit in Malaysia? Second, to what extent do the Authorisation Standards and Conduct Standards translate the statutory objectives of consumer protection into specific safeguards for BNPL? Third, does the new framework achieve an appropriate balance between FinTech innovation, financial inclusion and consumer welfare, particularly in the context of Islamic BNPL? The article argues that the framework represents a movement from fragmented sectoral oversight towards a layered, risk-calibrated model of consumer-credit governance, but its effectiveness will depend on implementation, supervisory coordination and the ability of the regulatory system to produce meaningful consumer outcomes.

RESEARCH METHODOLOGY

This study adopts a qualitative doctrinal legal research methodology. It focuses on the interpretation and critical evaluation of primary legal materials governing consumer credit and Buy Now Pay Later (BNPL) services in Malaysia. The principal sources comprise the Consumer Credit Act 2025 (Act 873), the Consumer Credit (Fees) Regulations 2026, and the Authorisation Standards and Conduct Standards issued under the Act. These instruments are examined in terms of their statutory hierarchy, regulatory objectives, scope of application, and interaction with one another.

Secondary sources include scholarly literature on BNPL, consumer protection, Islamic finance and Shariah-compliant BNPL arrangements. In particular, the present study draws on an earlier study by Ali et al. (2025), which examined the contractual structures, Shariah compliance and consumer-protection implications of selected BNPL platforms in Malaysia. While that study focused primarily on the Shariah and consumer-protection dimensions of existing BNPL arrangements, the present research extends the analysis by examining the regulatory developments following the enactment of the Consumer Credit Act 2025 (Act 873). Accordingly, the earlier study provides a contextual and analytical foundation, whereas the present article focuses on the statutory and regulatory framework governing BNPL providers and its implications for consumer welfare.

The analysis employs content analysis and normative legal analysis. Content analysis is used to identify and examine the regulatory obligations imposed on credit providers, particularly BNPL providers. Normative legal analysis is subsequently applied to evaluate whether these obligations adequately address the consumer-welfare risks identified in the literature and whether the regulatory framework is consistent with the principles of responsible lending, transparency, fairness and, where applicable, Shariah compliance. The research is library-based and does not seek to measure the actual behavioural effects of the new regulatory regime. Accordingly, conclusions concerning regulatory effectiveness are evaluative and doctrinal rather than empirical.

BNPL AND THE REGULATORY PROBLEM OF NON-BANK CREDIT

The Nature and Attraction of BNPL

BNPL may be understood as a form of short-term consumer credit embedded in a purchase transaction. Under Schedule 2 of the CCA 2025, a BNPL scheme is an arrangement between a credit consumer and a third-party

credit provider for the purchase of goods or services where the provider gives credit to the consumer and repayment is deferred, either as a single payment or by instalments. The definition expressly distinguishes BNPL from moneylending and credit-sale transactions (Malaysia, 2025, Schedule 2).

The model has gained attention because it combines credit with digital commerce. Earlier Malaysian research identified Atome, Grab PayLater, Shopee PayLater and other services as examples of BNPL arrangements and highlighted the convenience of instalment payment alongside concerns relating to indebtedness, transparency and Shariah compliance (Ali et al., 2025). International research similarly recognises that BNPL has expanded because of its accessibility and integration into online purchasing environments (Cornelli et.alo, 2023).

Consumer-Welfare Risks

Consumer welfare theory provides an important analytical lens for assessing whether financial innovation ultimately enhances or diminishes consumer well-being (Mas-Colell et al., 1995). In the context of consumer credit, welfare should not be measured solely by accessibility, convenience or immediate consumer utility. It must also consider consumers' capacity to make informed decisions, understand the financial consequences of credit commitments and sustain their repayment obligations. Accordingly, affordability, transparency, fair contractual terms and protection against excessive indebtedness are essential dimensions of consumer welfare.

Prelec and Loewenstein (1998), through their theory of double-entry mental accounting, provide an important theoretical explanation of how payment arrangements influence consumer spending behaviour. They argue that consumers experience the benefits of consumption and the costs of payment as psychologically distinct components of a purchasing decision. When payment is separated from consumption, the immediate psychological burden associated with spending may be reduced, potentially weakening consumers' sensitivity to the actual cost of their purchases. This insight is particularly relevant to BNPL arrangements, where consumers obtain immediate access to goods or services while postponing payment through instalments. Although their study does not examine BNPL products directly, its theoretical framework helps explain why deferred payment mechanisms may influence spending decisions and consumers' perceptions of available financial resources. From a regulatory perspective, this suggests that consumer protection should extend beyond disclosure requirements to include effective affordability assessments and the monitoring of cumulative credit commitments.

Empirical evidence from Malaysia further demonstrates the relevance of behavioural factors in BNPL-related over-indebtedness. Harun and Ab Aziz (2025), in a survey involving 200 Malaysian BNPL borrowers, found that self-control deficits significantly increased the likelihood of over-indebtedness. Interestingly, overconfidence and mental accounting were associated with lower levels of debt delinquency, suggesting that certain behavioural tendencies may also have protective effects depending on how they influence consumers' repayment decisions. Availability bias, however, produced mixed results: although it was not statistically significant in the baseline model, further analysis indicated an association with more severe repayment delinquency. These findings suggest that behavioural vulnerabilities among BNPL consumers are not uniform and should not be treated as producing identical outcomes. Nevertheless, the consistent relationship between self-control deficits and repayment difficulties highlights the importance of regulatory safeguards that consider consumers' actual repayment capacity rather than relying exclusively on transaction-level assessments. While the study provides useful Malaysian evidence, its relatively small sample and focus on younger, lower- to middle-income borrowers limit the extent to which its findings can be generalised to the wider population.

Further empirical support for the behavioural dimensions of BNPL-related consumer risks is provided by Jose et al. (2025), in a nationally representative online experiment involving approximately 3,000 consumers in Ireland. Their findings demonstrate that participants spent, on average, 4.39% more when using BNPL compared to debit cards. More significantly, prior BNPL use increased the likelihood of purchasing a discretionary product by 22.2%, suggesting that deferred payment arrangements may create an inflated perception of available financial resources. The study also identified an anticipatory effect, whereby information about future BNPL availability increased current debit card spending by 3.1%. Notably, although salient risk disclosures improved consumers' understanding of BNPL risks by 10%, they did not significantly alter BNPL usage or overall spending patterns. This finding raises an important regulatory concern: disclosure-based consumer protection,

while necessary, may be insufficient to address behavioural vulnerabilities associated with deferred payment arrangements. Accordingly, effective consumer credit regulation should complement disclosure requirements with substantive safeguards, particularly robust creditworthiness assessments and the monitoring of consumers' cumulative financial commitments. These findings reinforce the need to assess the effectiveness of Malaysia's Consumer Credit Act 2025 not merely by the adequacy of information provided to consumers, but also by its capacity to prevent unsustainable borrowing and promote actual consumer welfare.

These concerns have direct implications for the regulation of consumer credit. Where consumers may underestimate their aggregate liabilities or prioritise immediate consumption, affordability assessments should not be confined to the value of an individual transaction. Regulatory safeguards should also consider cumulative credit commitments, repayment capacity and the potential interaction between multiple BNPL facilities. This provides a behavioural justification for assessing whether the RM1,000 affordability threshold under Malaysia's Consumer Credit framework is sufficient to identify risks arising from repeated low-value borrowing.

These considerations are equally relevant to Islamic BNPL. Consumer welfare must operate alongside Shariah compliance, particularly the principles of justice, transparency and the preservation of wealth (*hifz al-mal*). The validity of an underlying sale or financing contract does not, on its own, establish that the overall credit arrangement produces a fair consumer outcome. The assessment must also consider whether the pricing structure, repayment obligations, administrative charges and treatment of late payments protect consumers from unjustified financial burdens. In this regard, the distinction between permissible profit arising from a valid sale and charges associated with a loan remains important, particularly in relation to the application of *ta'widh* and the actual-cost principle (Ali et al., 2025; Katterbauer et al., 2023; Saiman, 2023; Ulum & Asmuni, 2023).

Accordingly, this study adopts an integrated consumer-welfare perspective that considers economic affordability, behavioural vulnerabilities and Shariah-based principles of fairness. This approach provides the analytical basis for evaluating whether the Consumer Credit Act 2025 and its subsidiary regulatory instruments adequately balance the promotion of financial innovation with the protection of consumers against unsustainable credit commitments.

From Fragmented Oversight to Comprehensive Consumer-Credit Regulation

The CCA 2025 responds to a structural regulatory problem rather than merely addressing the risks associated with a particular credit product. Section 2 establishes the Act's application to persons carrying on credit business or credit service business involving credit consumers, subject to the statutory exclusions under Schedule 1. Importantly, section 2(3) provides that the CCA must be read together with relevant written laws and that its provisions operate in addition to, and not in derogation of, those laws. These include the Financial Services Act 2013, Islamic Financial Services Act 2013, Development Financial Institutions Act 2002, Capital Markets and Services Act 2007, Securities Commission Malaysia Act 1993, Hire-Purchase Act 1967, Consumer Protection Act 1999, Moneylenders Act 1951, Pawnbrokers Act 1972, Co-operative Societies Act 1993 and Malaysia Co-operative Societies Commission Act 2007 (Malaysia, 2025, s. 2; Ilias, 2024). This provision demonstrates that the CCA is designed to complement the existing legal framework while introducing a more comprehensive regulatory foundation for consumer-credit activities.

The need for a more integrated framework is also reflected in the challenges associated with regulating digital commerce. In Malaysia, consumer protection in online transactions is supported by several legislative instruments, including the Consumer Protection Act 1999, the Electronic Commerce Act 2006 and the Consumer Protection (Electronic Trade Transactions) Regulations 2012. However, the distribution of regulatory responsibilities across different legal instruments may create gaps and inconsistencies in the protection afforded to consumers engaging in digital transactions (Roslan et al., 2022). Although these instruments address broader aspects of electronic commerce, their relevance to the present discussion lies in illustrating the regulatory challenges that may arise when consumer transactions involve multiple legal and institutional frameworks. Similar concerns arise in the consumer-credit sector, particularly where digital credit products operate across traditional regulatory boundaries.

Nevertheless, the CCA 2025 should not be understood as replacing all existing sectoral regulatory regimes or transferring every supervisory function to a single authority. Instead, section 34 identifies several Regulatory and Supervisory Authorities (RSAs), comprising the Consumer Credit Commission, Bank Negara Malaysia, the Securities Commission Malaysia, the Ministry of Domestic Trade and Cost of Living, the Ministry of Housing and Local Government, and the Malaysia Co-operative Societies Commission. These authorities exercise regulatory and supervisory functions over credit providers and credit service providers falling within their respective jurisdictions (Malaysia, 2025, s. 34). The framework therefore adopts a multi-agency regulatory structure in which consumer-credit regulation operates alongside existing sectoral supervision. While this arrangement preserves institutional expertise and established regulatory responsibilities, it also makes effective coordination, consistent standards and clear allocation of supervisory responsibilities essential to achieving the Act's consumer-protection objectives.

THE CONSUMER CREDIT ACT 2025: A NEW REGULATORY ARCHITECTURE

Statutory Recognition of BNPL as Regulated Credit

The CCA 2025 expressly recognises conventional BNPL and Islamic BNPL as forms of credit business under Schedule 2, while Schedule 4 subjects these activities to licensing by the Consumer Credit Commission (Malaysia, 2025, Schedules 2 and 4). This statutory recognition marks a significant regulatory shift by bringing BNPL within a dedicated consumer-credit framework rather than leaving its oversight dependent on the application of broader consumer-protection provisions.

The licensing framework, supported by the Authorisation Standards, requires providers to satisfy requirements relating to financial adequacy, fitness and propriety, governance and ongoing compliance (SKP, 2026a). This approach strengthens regulatory accountability by subjecting BNPL providers to formal market-entry controls. Nevertheless, licensing should be regarded as a foundational safeguard rather than conclusive evidence of responsible lending or effective consumer protection. Its effectiveness ultimately depends on how authorisation requirements interact with continuing conduct obligations and safeguards against unsustainable consumer borrowing.

Institutional Governance and Supervisory Coordination

The CCA 2025 establishes a multi-agency regulatory structure rather than concentrating all consumer-credit supervision within a single authority. While the Consumer Credit Commission is assigned functions relating to consumer-credit policy, industry development and proper conduct, section 34 preserves the roles of other Regulatory and Supervisory Authorities (RSAs). Sections 36–38 further provide for an Advisory Committee comprising representatives from relevant ministries and regulatory institutions, with responsibilities that include policy coordination, consistent implementation, supervisory cooperation, regulatory reform and financial education (Malaysia, 2025, ss. 34, 36–38).

This arrangement recognises that consumer-credit activities may intersect with different sectoral regulatory jurisdictions. However, institutional coordination does not automatically eliminate regulatory fragmentation. The effectiveness of the framework will depend on timely information sharing, consistent regulatory interpretation and clear allocation of supervisory and enforcement responsibilities. Accordingly, the multi-agency model offers institutional flexibility, but its success requires effective coordination to prevent regulatory gaps and inconsistent consumer-protection outcomes.

The Layered Nature of Authorisation

The Authorisation Standards establish that licensing is not merely an administrative registration exercise. Applicants must satisfy general and business-specific eligibility requirements, while authorised entities remain subject to continuing compliance obligations. BNPL providers must therefore comply not only with the Authorisation Standards but also with the Conduct Standards and other applicable regulatory instruments (SKP, 2026a).

For Islamic credit businesses, the Standards additionally require end-to-end Shariah compliance through appropriate governance arrangements, internal policies and controls addressing Shariah non-compliance risk. They also require Shariah-compliant funding arrangements, segregation of funds in Islamic window operations and annual representation by the Shariah adviser or Shariah committee (SKP, 2026a). These requirements provide an institutional foundation for integrating Shariah compliance into the authorisation process. Nevertheless, the existence of formal Shariah governance arrangements does not, by itself, establish that every product structure or operational practice achieves substantive Shariah compliance. This distinction is particularly relevant to Islamic BNPL, where contractual structures, payment obligations and late-payment charges require continuing scrutiny.

CONDUCT REGULATION AND CONSUMER PROTECTION

Fair, Responsible and Professional Conduct

Section 84 of the CCA 2025 establishes a general statutory obligation requiring credit providers and credit service providers to conduct their businesses in a fair, responsible and professional manner when dealing with credit consumers. Section 85 identifies areas that may be regulated through subsidiary legislation, standards and guidelines, including marketing practices, transparency, contractual fairness, interest and fees, affordability assessments, debt collection, financial hardship, complaints handling and consumer information management (Malaysia, 2025, ss. 84–85).

The significance of these provisions lies in their lifecycle-based approach to consumer protection. Rather than focusing exclusively on remedies following consumer harm, the framework extends regulatory obligations across the different stages of a credit relationship, from product promotion and disclosure to credit assessment, repayment, debt collection and complaints handling. For BNPL, this approach is particularly relevant because consumer risks may arise not only from the credit agreement itself but also from the manner in which products are marketed, offered and administered. Nevertheless, the effectiveness of this general duty depends on the extent to which the relevant standards translate broad statutory principles into enforceable operational requirements.

Transparency and Informed Decision-Making

The Conduct Standards require authorised entities to provide information about credit products and services that is accurate, clear, timely and not misleading. Information must be presented in plain language, with unnecessary technical or legal terminology avoided or adequately explained, to enable consumers to make informed decisions (SKP, 2026b, paras. 8.1–8.5).

The Standards further identify information to be disclosed, where applicable, including the financing amount, tenure, method of calculating interest or profit, effective interest or profit rate, periodic and total repayment amounts, outstanding balance and associated fees. These requirements seek to improve consumers' understanding of the financial implications of credit commitments and facilitate comparison between products (SKP, 2026b, paras. 8.5–8.6).

For BNPL, the emphasis on digital disclosure is particularly important because credit facilities are frequently presented within an online purchasing interface, where the immediate focus may be on the instalment amount rather than the total financial commitment. Although clear and accessible disclosure is necessary, it may not, by itself, overcome behavioural tendencies that influence consumers' spending decisions. As discussed in Section 3.2, the separation between consumption and payment may weaken consumers' perception of the actual cost of a purchase. Accordingly, transparency requirements should operate alongside substantive affordability assessments and controls over cumulative credit commitments. This distinction is important in evaluating whether the Conduct Standards provide protection that extends beyond formal disclosure compliance.

Fair Terms, Prohibited Conduct and Accountability

The CCA 2025 addresses unfair market practices through statutory provisions and Schedule 6, which identifies prohibited conduct, including misleading or deceptive representations concerning the nature, features, terms or

price of credit products and services, as well as undue pressure, harassment and coercion (Malaysia, 2025, Schedule 6). These provisions establish an important basis for protecting consumers against practices that may undermine informed and voluntary credit decisions.

The Conduct Standards further address accountability in circumstances involving representatives and white-labelling arrangements. A BNPL provider remains responsible for compliance with applicable regulatory requirements even where another entity markets or offers the product under its own brand. Consumers must also receive clear information concerning the identity of the provider and its partner, together with their respective responsibilities (SKP, 2026b, paras. 18.4–18.7).

This approach is significant in digital BNPL arrangements, where the consumer-facing platform, merchant and actual credit provider may be different entities. Without clear accountability, consumers may face uncertainty regarding the party responsible for contractual obligations, complaints and redress. Nevertheless, the effectiveness of these requirements depends on their consistent enforcement and the availability of accessible mechanisms through which consumers can seek remedies when prohibited conduct occurs.

BNPL-Specific Regulation: From Generic Protection to Risk-Calibrated Regulation

The most distinctive feature of the new framework is Chapter 18 of the Conduct Standards. The regulator expressly recognises that BNPL has unique features and risks and therefore requires additional safeguards covering white-labelling, pricing methodology, affordability thresholds, late-payment practices, merchant conduct, digital authentication and Shariah compliance (SKP, 2026b, paras. 18.1–18.2).

This represents a movement beyond a purely technology-neutral approach. The regulatory question is not only whether a provider is engaged in credit, but also whether the particular characteristics of BNPL require additional controls. The approach is therefore better characterised as risk-calibrated regulation: general consumer-credit obligations apply across the sector, while BNPL receives additional safeguards where its business model creates distinctive risks.

BNPL-SPECIFIC CONSUMER PROTECTION: AFFORDABILITY, PRICING AND RESPONSIBLE CREDIT PRACTICES

Affordability Assessment and the RM1,000 Threshold

Paragraph 18.10 requires a BNPL provider to conduct an affordability assessment where the credit limit exceeds an affordability threshold (AT) of RM1,000 per credit consumer. Providers may adopt a lower or tiered threshold for consumer segments presenting higher affordability risks. Importantly, the Standards clarify that the threshold does not operate as a cap on the credit limit (SKP, 2026b, paras. 18.10–18.11).

The threshold reflects the regulatory balancing exercise at the heart of BNPL regulation. Requiring a comprehensive affordability assessment for every low-value transaction could potentially undermine the speed and convenience that distinguish BNPL from conventional forms of consumer credit. Conversely, allowing transactions below the threshold to proceed without meaningful affordability controls may expose consumers to repeated borrowing and the accumulation of unaffordable obligations. The regulatory approach therefore adopts a threshold-based intervention while allowing providers to impose lower or tiered thresholds where consumer characteristics or risk indicators justify stronger safeguards.

Nevertheless, the RM1,000 threshold should not be regarded as a definitive measure of affordability. Transaction value is only one indicator of credit exposure and does not, by itself, establish a consumer's capacity to meet repayment obligations. A consumer with limited disposable income may experience financial distress from several relatively small BNPL commitments, even where each facility remains below the threshold. The central regulatory concern is therefore not merely whether an individual facility triggers an affordability assessment, but whether the provider can adequately assess the consumer's overall credit commitments.

This concern is particularly significant in the BNPL environment, where digital platforms facilitate repeated and relatively frictionless credit use. Where consumers hold several BNPL facilities simultaneously, an assessment conducted solely at the individual transaction level may provide an incomplete picture of their indebtedness. This limitation becomes more pronounced where information about existing obligations with other providers is not sufficiently visible or accessible. Consequently, a threshold based primarily on the value of an individual facility may address certain forms of high-value borrowing while remaining less effective in identifying cumulative low-value indebtedness.

From a consumer-welfare perspective, the RM1,000 threshold should therefore be understood as a minimum regulatory trigger rather than a safe-harbour threshold below which affordability concerns cease to exist. Its effectiveness depends on the quality of the affordability assessment, the availability and accuracy of relevant credit information, and the ability of providers to identify cumulative indebtedness. The possibility of adopting lower or tiered thresholds is consequently important, particularly for consumers exhibiting vulnerability, repeated use, previous defaults or other indicators of elevated affordability risk.

The regulatory framework should accordingly move beyond a transaction-centred understanding of affordability towards a more holistic assessment of the consumer's overall credit position. Such an approach would better reconcile the objectives of preserving BNPL's convenience and accessibility with the need to prevent avoidable financial harm.

Pricing Methodology

Paragraph 18.8 prohibits BNPL providers from computing interest or profit using the flat-rate and Rule of 78 methods. The Standards permit fixed or variable rates calculated on a reducing-balance basis, whereby the charge is applied to the outstanding principal (SKP, 2026b, paras. 18.8–18.9).

This constitutes a significant form of substantive regulation because it governs the method of calculating the cost of credit rather than relying exclusively on disclosure. It reflects the principle that transparency is meaningful only where the underlying pricing methodology enables consumers to understand the actual cost of borrowing. The restriction may also facilitate comparison between credit products by reducing reliance on pricing structures that can obscure the effective cost of financing.

For Islamic BNPL, however, the regulatory treatment of profit requires a further distinction. The use of the term *profit* does not, by itself, establish that a product is Shariah-compliant. Unlike an interest-bearing loan, the profit charged under an Islamic financing arrangement must arise from a valid Shariah contract and comply with its applicable requirements. Accordingly, the distinction between interest and profit must be reflected not merely in terminology or pricing disclosure, but also in the contractual structure and actual operation of the product.

The reducing-balance requirement therefore addresses the methodology for calculating financing charges, while Shariah compliance raises a separate question concerning the legal and contractual basis upon which the profit is earned. Both dimensions are necessary to ensure that Islamic BNPL products satisfy the relevant regulatory and Shariah requirements.

Late-Payment Charges and Account Suspension

The Conduct Standards require late-payment charges to cover only the actual costs incurred in recovering overdue instalments and prohibit predetermined minimum late-payment charges. Where a credit consumer misses up to two consecutive payments, the BNPL provider must suspend the account from further transactions until the missed payments and applicable late-payment charges are settled. Providers may adopt a more prudent approach by suspending an account after a single missed payment (SKP, 2026b, paras. 18.12–18.15).

These provisions connect conventional consumer-protection objectives with principles recognised in Islamic finance. Earlier Malaysian scholarship has identified the risk that late-payment charges may resemble interest where they generate additional income for the financier. The distinction between compensation for actual costs and a penalty that becomes a source of profit is therefore central to the Shariah analysis (Ali et al., 2025; Bank

Negara Malaysia, 2010). The new Conduct Standards provide a regulatory structure that may reinforce the Shariah requirements applicable to Islamic BNPL, although regulatory compliance and substantive Shariah compliance remain distinct considerations.

A further distinction is necessary between compensation for actual recovery costs and any additional penalty imposed to discourage late payment. In Islamic finance, the treatment of *ta'widh* and *gharamah* raises different considerations, particularly concerning the basis of the charge and the treatment of any penalty amount. Accordingly, the requirement that late-payment charges reflect actual recovery costs is significant, but the Shariah assessment should also consider whether the contractual and operational arrangements clearly distinguish compensatory charges from punitive amounts and address the treatment of any amount that cannot be recognised as the provider's income.

The policy rationale extends beyond Shariah compliance. Restricting late-payment charges to actual recovery costs reduces the possibility that financial distress will be aggravated by charges disproportionate to the costs incurred. Suspension of further BNPL transactions following repeated missed payments also operates as a preventative mechanism against the accumulation of additional short-term debt. Nevertheless, its effectiveness depends on whether account suspension is accompanied by appropriate treatment of consumers experiencing genuine financial hardship.

Merchant Conduct and Digital Purchasing Environments

Under paragraphs 18.16–18.18 of the Conduct Standards, a BNPL provider that is not a registered merchant acquirer must ensure that merchants do not set BNPL as the default payment mode. Where a merchant imposes BNPL as the default option, the provider is required, on a best-effort basis, to take corrective measures, which may include suspending the merchant’s acceptance of BNPL payments. The Standards also require transparency concerning the costs applicable to merchants.

This requirement is significant because consumer choice may be influenced by the design of the digital purchasing interface. Presenting BNPL as the default payment option may encourage consumers to use credit without making an active and informed decision to do so. This concern is consistent with the behavioural risks discussed in Section 3.2, particularly the possibility that the presentation of instalment payments may influence purchasing decisions and reduce the prominence of the consumer's overall payment commitment.

Consumer protection in digital finance must therefore extend beyond the contractual relationship between the BNPL provider and the consumer. It must also address the wider transaction environment, including default settings, marketing practices and the role of merchants in promoting credit use. The requirement to prevent BNPL from being imposed as the default payment mode is an important safeguard because it preserves the consumer's ability to make an affirmative payment choice.

However, the effectiveness of this requirement depends on the provider's capacity to monitor merchant conduct and take corrective action where non-compliance occurs. The involvement of third-party platforms and merchants may complicate accountability, particularly where the consumer-facing purchasing process is designed or controlled by an entity other than the BNPL provider. The regulatory framework must therefore ensure that responsibility for compliance remains sufficiently clear and that consumers are not left uncertain about the party accountable for addressing problematic merchant practices.

FINANCIAL HARDSHIP, COMPLAINTS AND CONSUMER OUTCOMES

Financial Hardship as a Statutory Consumer Protection

Section 86 of the CCA 2025 establishes a statutory framework for financial hardship assistance. The Conduct Standards identify circumstances that may constitute financial hardship, including critical illness, critical injury, involuntary loss of income, natural disaster and the death of a breadwinner, together with other reasonable causes determined by SKP. Credit providers are required to consider appropriate relief where genuine financial hardship

materially affects a consumer's ability to meet repayment obligations (Malaysia, 2025, s. 86; SKP, 2026b, para. 13.1).

The Standards further require providers to establish an accessible contact point for hardship assistance and implement procedures for assessment and appeal. An end-to-end hardship assessment must be completed within 90 calendar days. The framework also provides for the suspension of relevant recovery action during specified stages of the hardship process (SKP, 2026b, paras. 13.3–13.26).

These requirements represent an important conceptual shift in consumer-credit regulation. Responsible lending is not confined to preventing credit from being granted to consumers who may be unable to afford it. It must also recognise that a consumer's financial circumstances may deteriorate after the credit facility has been granted. A regulatory framework that focuses exclusively on pre-contractual affordability assessments would therefore provide incomplete protection. Statutory hardship assistance addresses this limitation by requiring providers to consider the consumer's changing financial circumstances and the possibility of appropriate repayment relief.

Nevertheless, the effectiveness of hardship protection depends on more than the existence of formal procedures. Accessibility, timely assessment and the availability of meaningful repayment arrangements are equally important. The 90-day assessment period provides a procedural timeframe, but its practical value ultimately depends on whether consumers receive appropriate assistance before their financial difficulties become more severe. This is particularly relevant to BNPL consumers, whose relatively short repayment cycles may leave limited room for delayed intervention.

Complaints as a Regulatory Feedback Mechanism

The Conduct Standards require authorised entities to serve as the first point of contact for consumer complaints and to establish effective complaint-handling functions that are independent, impartial, adequately resourced and supported by appropriate procedures. Complaint records and outcomes must be tracked, while senior management should receive information concerning complaint volumes, categories, resolution times and consumer experience (SKP, 2026b, paras. 14.1–14.6).

This framework treats complaints not merely as individual disputes requiring resolution, but also as a source of regulatory intelligence. Repeated complaints concerning particular fees, disclosure practices, digital interfaces or debt-collection activities may indicate weaknesses in a provider's business practices or reveal broader consumer-protection concerns. The systematic monitoring of complaints can therefore assist providers and regulators in identifying recurring problems and improving regulatory responses.

This function is particularly important in the FinTech sector, where digital products and business models may evolve more rapidly than conventional regulatory processes. Complaint patterns can provide an early indication of emerging risks that may not be apparent from formal compliance reporting alone. In this respect, effective complaint management should form part of the broader supervisory framework rather than operate solely as an internal administrative function.

However, the effectiveness of this mechanism depends on whether consumers can access complaint channels easily, receive timely and impartial responses, and obtain meaningful remedies. The collection of complaint data is of limited value if recurring problems do not lead to corrective action. Accordingly, complaint handling should be assessed not only by the existence of internal procedures, but also by the extent to which complaint outcomes inform management decisions, provider conduct and regulatory supervision.

ISLAMIC CREDIT AND SHARIAH GOVERNANCE

From Shariah Labelling to End-To-End Compliance

One of the most significant developments under the CCA 2025 is the statutory and regulatory recognition of Islamic credit as a distinct category requiring substantive Shariah governance. Part VI of the CCA 2025 expressly addresses Islamic credit business through sections 80–83, including the obligation to ensure Shariah compliance,

the establishment of internal policies and procedures, and the role of the Shariah Advisory Council (SAC) (Malaysia, 2025, Part VI).

The Authorisation Standards further require an Islamic credit provider to ensure end-to-end Shariah compliance before representing itself as carrying on Islamic credit business. Its internal policies must address Shariah compliance across governance, infrastructure and product development, including measures to manage Shariah non-compliance risk. The Standards also require an annual representation from the Shariah adviser or Shariah committee (SKP, 2026a).

The Conduct Standards complement this institutional framework by requiring Islamic credit products to be structured on appropriate underlying Shariah contracts that are consistent with the provider's business model, product features and contractual terms. The structure must preserve the primary objective of the underlying contract and avoid riba. Where multiple Shariah contracts are combined, each contract must be permissible, and the combination must not contravene established Shariah restrictions (SKP, 2026b, para. 17.1).

These requirements indicate a shift from Shariah labelling towards a more comprehensive compliance framework. The use of Islamic terminology or the identification of a Shariah contract is insufficient if the actual product structure, contractual documentation and operational arrangements do not reflect the requirements of that contract. Accordingly, end-to-end compliance requires consistency between the legal form of the transaction and its substantive implementation. This is particularly important for Islamic BNPL products, where the interaction between financing arrangements, payment obligations, fees and other contractual elements may raise distinct Shariah issues.

The Role of the Shariah Advisory Council

The Conduct Standards recognise the SAC as the authoritative body for Shariah rulings in Islamic credit business where Shariah matters are ambiguous or uncertain. New Shariah contracts must be referred to the SAC to determine their consistency with Shariah, with the relevant requests channelled through SKP (SKP, 2026b, paras. 17.4–17.6). The CCA 2025 further provides that a ruling made by the SAC following a statutory reference is binding on the court or arbitrator making that reference (Malaysia, 2025, s. 83).

This institutional arrangement strengthens legal certainty by providing an authoritative mechanism for resolving Shariah questions arising in Islamic credit business. It also demonstrates that Shariah governance is not treated merely as a marketing attribute attached to an otherwise conventional credit product. Instead, the framework connects product development and institutional governance with authoritative Shariah interpretation.

Nevertheless, the effectiveness of this arrangement depends on the extent to which Shariah issues are identified and referred for authoritative determination when necessary. The existence of a statutory reference mechanism does not eliminate the responsibility of individual providers to maintain appropriate internal Shariah governance and compliance controls. The SAC's authoritative role and the provider's institutional responsibility therefore serve complementary functions in ensuring the integrity of Islamic credit products.

Maqasid Al-Shariah and Consumer Welfare

From a normative Islamic-law perspective, the regulatory framework can be assessed against the objective of protecting wealth (*hifz al-mal*). Earlier BNPL scholarship has identified excessive fees, ambiguous contractual terms, and debt accumulation as potential sources of financial harm that may undermine the protection of wealth (Agzah & Fageh, 2024; Ali et al., 2025). The regulatory framework provides mechanisms through which these concerns may be addressed, including affordability assessments, transparent pricing, restrictions on late-payment charges, and financial hardship assistance.

The significance of Maqasid al-Shariah in this context extends beyond determining whether an individual contract is formally permissible. It provides a broader normative basis for evaluating whether the overall design and operation of an Islamic BNPL product promote justice, transparency, responsible financial conduct and

protection against avoidable financial harm. A product may satisfy the formal requirements of its underlying contract, but its wider implementation should also be assessed in terms of its consequences for consumer welfare.

Accordingly, Shariah compliance and consumer welfare should be treated as complementary dimensions of Islamic BNPL governance. The former establishes the contractual and normative requirements of the product, while the latter provides a basis for evaluating whether its operation is consistent with the broader objectives of Islamic law. Integrating these dimensions would strengthen the substantive contribution of the CCA 2025 by ensuring that Islamic BNPL regulation is concerned not only with contractual permissibility, but also with the protection of consumers from unsustainable financial commitments.

REGULATORY FEES AND THE COST OF COMPLIANCE

The Consumer Credit (Fees) Regulations 2026, which came into operation on 5 June 2026, establish fees payable to the Commission for applications, licensing or registration and certain subsequent applications. The Regulations define revenue by reference to income generated from credit business or credit service business and provide for different fee structures (Malaysia, 2026).

The revenue-based approach to annual authorisation fees illustrates an attempt to align regulatory cost with the scale of business. The Authorisation Standards illustrate this approach through a tiered annual licensing fee structure. For example, a BNPL provider generating RM5 million in annual revenue falls within Category 2, which attracts an annual licensing fee of RM20,000, compared with RM8,000 for Category 1 providers generating less than RM3 million (SKP, 2026a).

Regulatory fees inevitably create compliance costs. However, a proportionate fee structure may reduce the risk that regulation becomes disproportionately burdensome for smaller providers while requiring larger market participants to contribute more significantly to supervisory infrastructure. The more important policy question is whether the fees are accompanied by effective supervision; licensing costs without substantive enforcement would not materially improve consumer welfare.

Table 1: Annual Licensing Fees for BNPL and Other Credit Businesses

Category	Annual Revenue (RM)	Annual Licensing Fee (RM)
Category 1	Below RM3 million	8,000
Category 2	RM3 million to below RM15 million	20,000
Category 3	RM15 million to below RM50 million	40,000
Category 4	RM50 million and above	100,000

Source: Author's compilation based on Schedule 6 of the Authorisation Standards (SKP, 2026a).

Note: The table reflects the fee structure for BNPL, Islamic BNPL, leasing, Islamic leasing, factoring and Islamic factoring businesses.

The tiered fee structure demonstrates an attempt to align regulatory costs with the revenue scale of credit providers. Smaller providers are subject to lower annual licensing fees, while entities generating higher revenues are required to contribute more towards the regulatory framework. This approach may promote proportionality, although the overall compliance burden should also be considered when assessing its potential impact on smaller providers and market participation.

CRITICAL ASSESSMENT: DOES THE FRAMEWORK BALANCE INNOVATION AND CONSUMER WELFARE?

Strengths of the New Framework

The CCA 2025 introduces several important improvements to the regulation of BNPL in Malaysia. First, it provides clear statutory recognition of BNPL as regulated credit, reducing uncertainty concerning regulatory jurisdiction and establishing a legal foundation for consistent consumer-protection obligations. Secondly, its layered regulatory structure combines licensing requirements with continuing conduct obligations, recognising that authorisation alone is insufficient to ensure responsible credit provision. Thirdly, BNPL-specific requirements address risks arising from the distinctive characteristics of digital short-term credit. Fourthly, the inclusion of Islamic credit within the statutory framework establishes Shariah compliance as part of the formal regulatory architecture rather than treating it as a separate voluntary ethical consideration.

The framework also demonstrates a broader understanding of consumer protection throughout the credit lifecycle. Transparency requirements seek to improve the information available to consumers when making digital credit decisions, while affordability assessments, pricing restrictions and controls on late-payment charges address substantive sources of potential consumer harm. Financial-hardship assistance and complaints-handling requirements further recognise that consumer protection must continue beyond the initial provision of credit. These measures collectively provide a more comprehensive foundation for responsible BNPL operations.

Importantly, the framework adopts a risk-calibrated approach by combining general consumer-credit obligations with additional safeguards specifically directed at BNPL activities. This approach is preferable to relying exclusively on general regulatory requirements because it allows the law to respond to risks associated with digital purchasing environments, short repayment cycles, and the involvement of merchants and third-party platforms. The recognition of Islamic BNPL also creates an opportunity to integrate consumer welfare and Shariah governance within a common regulatory framework.

Remaining Limitations and Implementation Challenges

Despite these strengths, several challenges may affect the effectiveness of the new regulatory framework.

First, cumulative indebtedness remains a significant concern. An affordability assessment conducted by an individual provider may not fully capture the risks arising from multiple BNPL facilities obtained from different providers. A consumer may appear financially capable of meeting each individual repayment obligation while accumulating substantial commitments across several platforms. The regulatory framework therefore requires effective credit-information infrastructure, reliable reporting and appropriate supervisory attention to aggregate consumer exposure. Without adequate information sharing, individual providers may comply with their own assessment procedures while remaining unable to identify the consumer's overall indebtedness.

Secondly, regulatory coordination must translate into consistent supervisory outcomes. The CCA 2025 preserves the operation of other financial and sectoral laws and identifies multiple Regulatory and Supervisory Authorities (RSAs). Section 34 recognises, among others, the Consumer Credit Commission, Bank Negara Malaysia, the Securities Commission Malaysia, the Ministry of Domestic Trade and Cost of Living, the Ministry of Housing and Local Government, and the Malaysia Co-operative Societies Commission. The Advisory Committee established under sections 36–38 is intended to support policy coordination, consistent implementation, supervisory and enforcement cooperation, regulatory reform and financial education (Malaysia, 2025, ss. 34, 36–38).

Although this multi-agency structure allows regulators to contribute their respective areas of expertise, institutional pluralism may also create challenges involving overlapping responsibilities, differences in supervisory priorities and inconsistent regulatory interpretation. These concerns are particularly relevant to BNPL transactions, which may involve credit providers, merchants, digital platforms and payment-related infrastructure operating within different regulatory environments. Accordingly, the effectiveness of the Advisory

Committee will depend not merely on its statutory establishment, but on the extent to which inter-agency cooperation produces clear regulatory responsibilities, effective information sharing and consistent enforcement.

Thirdly, the transition to the new regulatory framework presents practical implementation challenges. The Authorisation Standards and Conduct Standards took effect on 5 June 2026, while certain post-authorisation reporting obligations operate according to different timelines. Providers must therefore adapt their governance arrangements, internal procedures, technological infrastructure and compliance systems to meet the applicable requirements. The transition may be particularly demanding for smaller providers with limited financial and administrative resources. A proportionate implementation approach is consequently important to ensure that regulatory compliance does not unnecessarily restrict market participation or discourage responsible innovation.

Fourthly, there is a potential tension between consumer protection and the cost of regulatory compliance. Licensing fees, governance requirements, reporting obligations, technological investment, and internal compliance arrangements may increase the operating costs of BNPL providers. Although these requirements are justified by the need to protect consumers, their cumulative effect may disproportionately affect smaller market participants. If compliance costs become excessive relative to the scale of their operations, some providers may withdraw from the market or reduce their services. Such developments could affect competition, product innovation and access to alternative credit facilities, particularly for consumers who may have limited access to conventional financing. The regulatory challenge is therefore to maintain sufficiently robust consumer safeguards while ensuring that compliance requirements remain proportionate to the nature, scale and risk profile of each provider.

Fifthly, formal regulatory compliance does not necessarily guarantee substantive consumer welfare. A provider may satisfy disclosure requirements while consumers remain unable to understand complex pricing arrangements or the cumulative financial consequences of multiple credit commitments. Similarly, formal Shariah approval does not, by itself, establish that a product's operational practices are consistently aligned with the ethical objectives of Shariah. Effective supervision should therefore examine not only whether providers have complied with prescribed documentation and procedures, but also whether their actual practices produce fair, transparent and responsible outcomes for consumers.

Finally, the effectiveness of the framework will depend on enforcement, access to redress and adequate data protection. Regulatory standards may have limited practical impact if breaches are not detected, investigated and addressed through effective supervisory and enforcement measures. Consumers must also have access to clear and accessible avenues for resolving disputes, including appropriate external redress mechanisms where applicable. In addition, the collection, sharing and use of consumer credit information must be supported by adequate safeguards to protect personal data and maintain consumer confidence. The interaction between the CCA 2025, applicable data-protection requirements and credit-reporting arrangements therefore warrants continued attention.

Taken together, these challenges do not undermine the significance of the CCA 2025. Rather, they demonstrate that the success of the new framework cannot be measured solely by the enactment of legislation or the introduction of regulatory standards. Its effectiveness will ultimately depend on the quality of implementation, institutional coordination, proportionate compliance requirements and the ability of regulators to ensure that innovation in digital credit develops without compromising consumer welfare.

A Proposed Regulatory Model

The preceding analysis suggests a three-layer regulatory model for evaluating consumer-credit governance in Malaysia. The proposed model integrates the principal regulatory requirements under the CCA 2025 into three interconnected layers. The first layer concerns market-entry governance, encompassing licensing, financial adequacy, fit-and-proper requirements, corporate governance, and audit. The second layer focuses on product and conduct governance, covering transparency, fair contractual terms, affordability assessment, pricing, late-payment practices, merchant conduct, debt collection and information management. The third layer addresses consumer-outcome governance, including financial-hardship assistance, complaints handling, access to redress

and credit-information visibility. For Islamic credit products, Shariah governance operates as an additional cross-cutting dimension throughout these layers.

The significance of this model lies in its recognition that effective consumer protection cannot depend on a single regulatory intervention. Market-entry requirements establish the institutional foundation for responsible credit provision, while product and conduct requirements regulate how credit is designed, marketed and administered. Consumer-outcome governance, in turn, ensures that protection extends beyond the initial credit transaction to address financial difficulties, complaints and other adverse consequences experienced by consumers.

The model also provides a basis for reconciling financial innovation with consumer welfare. Rather than prohibiting BNPL innovation, it proposes that market participation and product development should operate within a regulatory structure that promotes responsible conduct and measurable consumer protection. The three layers are therefore complementary: innovation is facilitated through a regulated market-entry framework, disciplined through product and conduct requirements, and evaluated against the protection and welfare outcomes experienced by consumers.

Table 2. Proposed Three-Layer Consumer-Credit Governance Model

Regulatory layer	Core regulatory focus	Consumer-welfare objective
1. Market-entry governance	Licensing, financial adequacy, fit-and-proper requirements, governance and audit	Prevent unsuitable or inadequately governed providers from entering the market and establish institutional accountability.
2. Product and conduct governance	Transparency and disclosure, fair contractual terms, affordability, pricing, late-payment practices, merchant conduct, debt collection and information management	Reduce information asymmetry, prevent unfair practices and promote responsible and affordable credit provision.
3. Consumer-outcome governance	Financial-hardship assistance, complaints handling, access to redress and credit-information visibility	Mitigate financial harm and ensure effective consumer protection throughout the credit lifecycle.

Cross-cutting dimension: Shariah governance applies throughout the three layers where Islamic credit products are offered, ensuring that institutional arrangements, product structures and operational practices remain consistent with Shariah requirements.

Source: Author's own model, developed from the analysis of the Consumer Credit Act 2025 and its related regulatory standards.

RECOMMENDATIONS FOR LEGAL AND REGULATORY REFORM

The analysis identifies several areas in which the existing regulatory framework under the Consumer Credit Act 2025 and its subsidiary instruments could be further strengthened. The following recommendations focus on legal and regulatory improvements to address the identified gaps and enhance the effectiveness of consumer-credit governance in Malaysia.

Strengthen the Legal Framework for Cumulative Affordability Assessment

The existing affordability requirements should be further developed to address cumulative indebtedness arising from multiple BNPL facilities. Although the Conduct Standards provide for affordability assessment based on a

prescribed threshold, the regulatory framework should expressly recognise the need to consider a consumer's aggregate credit commitments across different providers.

SKP should consider introducing more detailed regulatory provisions requiring BNPL providers to assess existing credit obligations, repeated borrowing patterns, and relevant indicators of financial vulnerability. The framework should also clarify that the prescribed affordability threshold does not exempt providers from responsible assessment where other indicators suggest potential over-indebtedness. This would strengthen the legal basis for assessing affordability beyond individual transactions.

Establish a Comprehensive Legal Framework for Credit-Information Sharing

The existing requirements concerning the submission of consumer-credit information provide a foundation for improving credit visibility. However, further regulatory clarification is necessary concerning the scope, frequency, accuracy, and permissible use of information shared among credit providers and relevant credit-reporting agencies.

SKP, in coordination with the relevant authorities, should consider developing specific regulatory requirements governing the reporting and exchange of positive and negative credit information, including BNPL obligations. These requirements should also clarify the responsibilities of providers concerning data accuracy, correction of inaccurate records, confidentiality and consumer access to relevant information. Such provisions should operate consistently with applicable personal data protection legislation.

Clarify Regulatory Jurisdiction and Inter-Agency Responsibilities

The multi-agency structure established under the CCA 2025 requires clearer operational rules to address potential overlaps in regulatory jurisdiction. Although sections 34 and 36–38 provide for Regulatory and Supervisory Authorities and an Advisory Committee, further clarification may be necessary concerning the allocation of supervisory and enforcement responsibilities where BNPL activities intersect with other regulated financial or commercial activities.

SKP should consider developing binding coordination protocols or supplementary regulatory instruments that specify the responsibilities of the relevant authorities, procedures for information sharing, mechanisms for referring regulatory matters, and arrangements for coordinated enforcement. Such clarification would reduce uncertainty and minimise the possibility of regulatory gaps or duplication.

Strengthen Statutory Enforcement and External Dispute-Resolution Mechanisms

The effectiveness of consumer-protection standards depends on the availability of appropriate enforcement mechanisms and accessible remedies for consumers. The regulatory framework should therefore be reviewed to ensure that breaches involving misleading disclosures, unfair contractual terms, inappropriate debt-collection practices and failures to provide financial-hardship assistance can be addressed through effective supervisory and enforcement action.

In addition, the legal framework should clarify the availability and scope of external dispute-resolution mechanisms for consumers dealing with licensed BNPL providers. Where existing mechanisms do not adequately cover BNPL-related disputes, consideration should be given to establishing or extending an appropriate statutory redress mechanism. This would complement the internal complaints procedures required under the Conduct Standards and strengthen the enforceability of consumer rights.

Strengthen the Legal Requirements on Digital Disclosure and Consumer Protection

The existing disclosure requirements should be further developed to address the specific characteristics of digital BNPL transactions. Regulatory standards should expressly require the presentation of material credit information before a consumer confirms a transaction, including the total repayment obligation, applicable charges, repayment schedule and consequences of default.

Further requirements should also address the use of digital interfaces, default payment settings and merchant arrangements that may influence consumer decisions. The Conduct Standards could provide more specific legal safeguards against interface designs or marketing practices that obscure the credit nature of BNPL products or encourage consumers to enter into credit commitments without adequate consideration of their financial obligations.

Strengthen the Legal Framework for Substantive Shariah Compliance

For Islamic BNPL products, the existing Shariah governance requirements should be further supported by specific regulatory guidance concerning the application and combination of Shariah contracts in digital credit arrangements. Such guidance should clarify the legal and Shariah treatment of contractual profit, administrative charges, actual-cost compensation (*ta'widh*), and penalty charges (*gharamah*).

The regulatory framework should also require appropriate documentation and monitoring to ensure consistency between the approved Shariah structure and the actual operation of the product. This should include the treatment of contractual obligations, payment sequencing, charges and the handling of Shariah non-compliance events. Strengthening these requirements would promote greater legal certainty and ensure that Shariah governance remains substantive rather than merely formal.

CONCLUSION

The Consumer Credit Act 2025 marks a significant development in Malaysia's regulation of non-bank consumer credit by establishing a layered framework that integrates market entry, business conduct and consumer protection. Through its Authorisation Standards and Conduct Standards, the framework introduces general and BNPL-specific safeguards addressing affordability, pricing, late-payment practices, transparency, financial hardship and complaints handling. Nevertheless, its effectiveness depends on addressing challenges involving cumulative consumer indebtedness, credit-information integration, regulatory coordination and consistent enforcement. For Islamic credit, the framework also provides an important foundation for integrating substantive Shariah governance with contractual integrity and the protection of consumer wealth (*hifz al-mal*). This study argues that the success of the CCA 2025 should not be measured solely by formal regulatory compliance, but by its ability to mitigate consumer-credit risks while preserving responsible financial innovation and financial inclusion. Accordingly, the proposed three-layer consumer-credit governance model, comprising market-entry governance, product and conduct governance, and consumer-outcome governance, represents the principal analytical contribution of this study. The model demonstrates that innovation and consumer welfare are not necessarily competing objectives; rather, sustainable FinTech development requires a comprehensive legal and regulatory framework that facilitates responsible market participation, ensures fair business conduct and protects consumers throughout the credit lifecycle.

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