

Malaysia: banks collude with speculators to force house sales

The poor are the first victims of Malaysia's house price bubble

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Banks are using a fast-track procedure to repossess and sell houses of poorer Malaysians who fall behind with mortgage repayments. The Malaysian Socialist Party (PSM) demands an investigation. Many of the victims are former urban poor, rehoused 10 years ago in slum clearance programmes. Because their new houses have increased rapidly in value, banks and speculators are keen to get their hands on this real estate, without regard to the human cost.

The Malaysian Socialist Party (PSM) has urged the National Bank (Bank Negara) to investigate whether there is a secret partnership between banks and property agents for the forced sale of low cost housing when working class Malaysians' fall behind with their mortgage payments.

Malaysian banks have begun requiring apartment buyers to sign agreements giving the banks the right to auction the apartment without prior notice at the bank's discretion.[1]

PSM secretary-general A Sivarajan said his party has come across cases where apartments have been quickly auctioned off to property agents..

"The original buyer had failed to pay the loan for a couple of months and as has happened numerous times, the apartment was auctioned off without the original buyer's prior knowledge," he said.

According to Sivarajan, PSM investigations suggest that most of the apartment houses which have been auctioned off in this manner are those that belong to the poorest 40% of society. Richer Malaysians get several opportunities to reschedule their payments or, in the worst case, to organise the sale of their apartment to pay their debts. In contrast, it seems that banks move quickly to sell the apartments of poorer Malaysians to property developers, with callous indifference to the misery this causes.

According to Sivarajan, most of the cases the PSM has identified relate to people, especially those living in the country's biggest cities, who had been forced out of their squatter houses during state-wide operations between 2004 and 2005.

"They were asked to move to low cost houses, and they bought these apartments for around RM42,000. Now, more than 10 years later, these houses have gone up in value with some costing as much as RM150,000."

By forcing a non-transparent sale of these apartments, the banks and their connected property dealers benefit from the rise in property prices, while the owners of the apartments find themselves expelled from their homes a second time. They are unlikely to get the best possible price for their homes, and will probably be unable to find affordable alternative housing in urban areas.

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Notes:

1. A Deed of Assignment and a Power of Attorney.