



# Debt Collection: What's Legal and What's Not?



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[www.cashguru.sg](http://www.cashguru.sg)  
[hello@cashguru.sg](mailto:hello@cashguru.sg)

**Short-term loans, namely personal and payday loans are increasingly being used by the Singaporeans to take care of their requirements. However, most borrowers are unaware of the debt collection process that ensues. So, when they fail to pay back their loan and experience unreasonable or illegal conduct by debt collectors, they don't know how to protect themselves.**

Legitimate moneylenders are bound by the Ministry of Law, Singapore. So, when they collect the debt themselves, they take care to adhere to the rules and regulations laid down by the Government of Singapore. Moreover, they only hire debt-collecting agencies that are members of the Credit Collection Association of Singapore (CCAS). This organization is dedicated to the professional credit agencies in Singapore and its members are expected to adhere to the industry's code of conduct.



Unlicensed moneylenders and ah longs, on the other hand, involve debt collectors who resort to illegal loan recovery methods. If you are the recipient of unwanted attention from a debt collector, read on to know when their actions amount to harassment.

## What's Legal in Debt Collection



A debt collector or moneylender can legally -

### 1. Seek Repayment Status on an Expired Debt

Personal loans from licensed moneylenders have a statute of limitations. If you fail to pay back after this date, debt collectors can legally seek payment on these financial obligations. Though they cannot harass or mislead you into paying off the debt, they may call or email you or talk about pursuing a lawsuit for payment on the debt.

However, all this should be done while adhering to the code of conduct laid down by law. They cannot use a threatening or abusive tone.

## 2. Act as a Mediator between You and the Lender

A debt collector can legally help you negotiate with the creditor and propose a comfortable installment plan for loan repayment. So, if the debtor can prove that they are incapable of making the full repayment, the CCAS code of conduct allows them to propose a repayment plan, making the process stress-free for both the private moneylender and the borrower.



## 3. Talk to Your Family or Friends

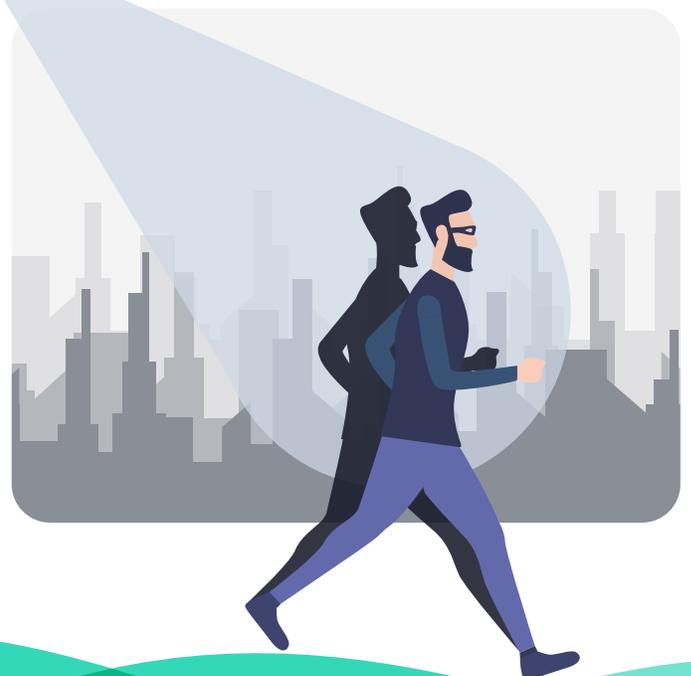
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# What's Not Legal in Debt Collection

A debt collector or moneylender can legally -

## 1. Any Form of Harassment

The debt collector or the creditor cannot induce harassment, distress, or fear through verbal or physical abuse. The below-mentioned actions are forbidden under the Protection from Harassment Act.



- i. **Stalking:** They cannot deliberately follow you, linger around your whereabouts, or circulate personal information, compromising pictures, or videos of you.
- ii. **Threat or Intimidation:** They cannot indulge in verbal abuse or threaten you to repay the debt. So, if a debt collector bangs on doors, makes threatening phone calls, shouts vulgarities from outside your home, or impedes your business, you should call the police.
- iii. **Violence:** They cannot cause physical harm to you and your loved ones. Also, they cannot behave in a way that causes alarm or distress to you or your loved ones.
- iv. **Vandalism:** They cannot resort to vandalism like setting fire to your property or writing on the walls outside your home. Similarly, they cannot damage your property by pasting banners or ads or spraying paint on any of your assets.
- v. **Unlawful Assembly:** They cannot show up in groups to pressurize you for loan repayment, take possession of your assets, or prevent you from leaving the area. For instance, they cannot get a mob of angry and burly people to tow your car away.
- vi. **Shaming on Social Media:** They cannot post about your debt or share your details on social media.

## 2. Impersonating Government Officials

It's illegal if a debt collector pretends to be a government agent or authority like an income tax official or a police officer. Also, they cannot use fake government letterheads or put up spoof sites that mimic government websites as a way to collect money from the borrower.



## 3. Adopting Unfair Practices to Collect the Debt

Debt collectors cannot take part in unfair practices as an attempt to collect the loan. They aren't permitted to confiscate your property unless permitted by law. Also, they cannot collect any amount that's more than what you owe.

# The Way Ahead: Know Your Rights

Licensed moneylenders will never engage in any of the aforementioned illegal methods to recover the loan. So, if you find yourself being harassed by a debt collector, without a doubt, the lender is not licensed by the Ministry of Law. Unauthorized lenders often hire debt collection agencies or individuals to harass and abuse borrowers.

Consider the following tips when you find yourself being harassed for loan repayment.

## 1. Don't be intimidated

Though it's a stressful situation, it's critical to keep a good head on your shoulders to think of ways to get out of this harrowing situation.

## 2. Involve the police

When the lender or a third-party debt collector does anything to harm you or your loved ones, make sure you record the violation. Contact the law enforcement authorities to put you out of immediate danger until any further action is taken.



## 3. Apply for a Protection Order or an Expedited Protection Order

against the debt collector and the lender if their actions constitute an offense under the Protection from Harassment Act. If the debt collection agency is a member of the Credit Collection Association of Singapore (CCAS), you can write to the association to exercise your dispute resolution rights.

Defaulting on a personal loan can be expensive as you not only have to pay a high penalty but also bear the brunt of the damage caused to your credit rating. Therefore, it is wise to pay off your loan on time.

But if your repayment schedule goes haywire, followup from debt collection agencies or the moneylender is inevitable. In such a situation, being informed about your rights can help you stay sane and put you on the fast track to financial wellness. So, the next time you are contacted by a debt collector, consider the tips shared in this post and take effective measures to manage the stressful situation.



Read our article online at:

<https://blog.cashguru.sg/debt-collection-legal-vs-illegal/>

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