and place caveats against their debtors' properties, to ensure they get the first bite of sale proceeds. This stopped with new rules last July.

They then started jacking up interest rates for smaller, short-term loans.

Complaints are mounting against licensed moneylenders. Last year, the registry received 64 complaints, triple the number received in 2009. Complaints include failing to explain the terms of loans to the borrowers, lying about the terms, and not issuing receipts for cash payments.

This is despite the law requiring moneylenders to give borrowers information upfront on the terms and conditions of loans, including interest rates, early settlement fees and all other charges. A written contract must also be drawn up in a language the borrower understands.

A quick check of the industry by The Straits Times uncovered some unprofessional practices. Many lenders were impatient when explaining the terms of loans. Others asked callers to reveal their confidential SingPass and passwords to access Central Provident Fund accounts.

Licensed moneylenders may not use the loan shark's calling card of splashing paint on the borrower's front door or scribbling OP. But borrowers complain of incessant calls and harassment. One borrower told me the moneylenders rang her up to 30 times a night to get her to pay up.

Despite recent amendments to the law, the licensed moneylending industry is still in need of a shake-up.

One issue that deserves a relook is a cap on interest rates. This was lifted for bigger loans when the Moneylenders Act was amended in 2008. Before that change, they could charge only a maximum interest rate of 18 per cent for unsecured loans and 12 per cent for secured loans. Now, there is no cap on interest for loans of more than $3,000.

The move was to help combat the then mushrooming loan shark trade, but it seems to have now given licensed moneylenders the licence to charge as they please, since those desperate enough would agree to the terms anyway.

Mr David Poh, president of the Moneylenders' Association of Singapore (MLAS) knows that some in the trade are charging hefty interest rates. He had raised his concerns to the authorities when the cap was lifted in 2008.

"We saw it coming when the cap was lifted; moneylenders are also businessmen out to make money," he said, adding that there is nothing the association can do since there is no cap on interest rates.

The MLAS helps borrowers who cannot repay mediate with moneylenders. On its website, however, it says it is not accepting any more mediation requests due to the large number of cases. Clearly there are many borrowers out there in trouble with the moneylenders.

One change is to introduce a cap on interest rates, but set it at a level that is not exorbitant, but allows moneylenders to make a reasonable profit, despite the risk.

Another change that can improve the industry is to require licensed moneylenders to join an association and subject themselves to peer regulation.

Borrowers too cannot be spared blame for agreeing to unreasonable loan terms. Perhaps they should be made to go for credit counselling, so counsellors can assess their financial situation and ability to pay back, before a loan is authorised from moneylenders. A campaign to tell borrowers about other lenders such as credit co-operatives and thrift and loan societies, may also be helpful.

It would be ironic if the problems caused by loan sharking receive due attention, but not enough is paid to the problems of its legal cousin, licensed moneylending.

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