



# Coins as Legal Tender to Make Payments in Malaysia

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by BALKISH ROSLY

**T**True Story: One guy in Adelaide, Australia decided to teach the City Council a lesson by paying his parking fine of \$60 using nothing but 5c and 10c coins, recording the experience as it happened. Needless to say, his payment was not accepted by the council, which in return sparked some confusion (and a heated discussion) among the Australian folks. "Coins are money too!", said the good people of YouTube upon seeing the full video.

Indeed... coins are money, but do you know that there is actually a maximum limit for payments using coins? In the case of this video, the cashier was legally right in refusing his money and here's why:



## Based on Australia's Currency Act 1965:

1. A tender of payment of money is a legal tender if it is made in coins that are made and issued under this Act and are of current weight:

(a) in the case of coins of the denomination of five cents, ten cents, twenty cents or fifty cents or coins of two or more of those denominations— for payment of an amount not exceeding \$5 but for no greater amount.

This situation (and many more like it) got us thinking about the legal tender in our beloved country, Malaysia. Could you purchase a movie ticket, pay summons, or maybe buy a book with one, five, 10, 20 or 50 sen? Keep on reading to find out!

## What is Legal Tender?

Simply put, legal tender are coins or banknotes that must be accepted if offered in payment of a debt. A more formal definition depicts legal tender as a medium of payment allowed by or recognised by a legal system to be valid for meeting a financial obligation.

## Maximum Limit for Coins as Legal Tender in Malaysia

If you try to buy a RM14 movie ticket using only coins, can the cinema refuse the payment? Yes, indeed they can. According to the Central Bank of Malaysia Act 1958, there are limits to which you can use coins to make payments. Check out the table below :

Denomination	Legal Tender Status
Coins exceeding RM1 (e.g. commemorative coins)	Any amount based on the face value of the coin
50 sen and RM1 coins	Up to RM10
Coins less than 50 sen	Up to RM2

However, there is no limit set when it comes to using banknotes to make payments. In theory, you could purchase a Lamborghini in Malaysia with cold, hard, cash. This is of course, just a theory! In reality, the car dealer would probably reject a payment of RM2,000,000 in RM1, RM5, or RM10 denominations.



## What does this mean?

Basically, this means that legally, shops, banks, and other parties must accept your payment if it is within the legal tender limit. For example, a person who owes the bank RM10 can make payments using the RM0.50 coins, and the bank must accept the payment (possibly through gritted teeth).

However, enquiries to Bank Negara Malaysia and Fomca suggest a different story: It turns out that while there are indeed guidelines as to what constitutes as legal tender and what does not, there isn't really anything you can do should a shop or restaurant refuse your payment!

## Example:

Paying RM14 for a cinema ticket in RM1 denominations (14 pieces of RM1...phew!). Legally, the cinema must accept the payment as it is within the legal tender limit (there's no maximum legal tender for cash notes). However, there isn't much you can do if the cinema rejects your payment.

As such, if for some reason you want to test the boundaries of the guidelines above, it would usually be more enforceable when it comes to a formal setting (eg: paying summons, banks, repayment of debt).

## Can I pay more than the legal tender amount?

You can try but as mentioned previously, it is up to the receiver to either accept or reject your payment!

## What can I do about it?

If you have a ton of change (and aren't planning a personal vendetta against anyone in particular), the best solution would be to change it at any Bank Negara Malaysia (BNM) branch. BNM doesn't charge you for the service and you can exchange as many coins as you want. You can visit Bank Negara Malaysia's head office in Kuala Lumpur and its branches in Penang, Kuala Terengganu, Johor Bahru, Kuching and Kota Kinabalu.

## How about 1 sen and RM1 coins?

### RM0.01 IS Legal Tender

Fun Fact! Some coins like the one sen coin is still legal tender but has been withdrawn from circulation. This means that BNM has withdrawn this particular coin from the circulation, but you still can use it as a medium of payment.

In Section 24, Central Bank of Malaysia Act 1958 allows one sen, five sen, 10 sen and 20 sen to be used as legal tender up to RM2.

Another Fun Fact! The introduction of the rounding mechanism to the nearest multiple of five sen for over-the-counter payments was implemented in Malaysia on the Apr 1, 2008. Ever since this implementation was introduced, any bill that ends in 1, 2, 3, 4, 5, 6, 7, 8, 9 sen will be rounded to the nearest five sen (Example : RM90.01 -> RM90 / RM90.89 -> RM90.90). This explains why most people assume that the one sen coin is not legal tender in Malaysia!

## RM1 Coin is NOT Legal Tender

In case you don't know, the RM1 coin ceased to be legal tender from Dec 7, 2005. Basically, this means that you can't use the RM1 coin as a method of payment. Your best solution would be to exchange it at BNM.

## Maximum Limit for Coins as Legal Tender for Other Countries

Planning on visiting other countries? Here are some of the maximum limits for coins as legal tender in other well-known countries :

Country	Denomination	Legal Tender Status
England	20p / 25p / 50p	For any Amount not exceeding £10
	5p / 10p	For any amount not exceeding £5
	1p / 2p	For any amount not exceeding 20p
Australia	1c / 2c	For any amount not exceeding 20c
	5c / 10c / 20c / 50c	For any amount not exceeding \$5
	\$1 / \$2	For any amount not exceeding 10 times the face value of the coin
United States	All	United States coins and currency are legal tender for all debts, public charges, taxes, and dues

So folks, remember the maximum legal tender limit before you start an argument with the cashier!

**\*Balkish Rosly is an investigative journalist of SaveMoney.my, an online consumer advice portal which aims to help Malaysians save money through smart (and most of the time painless) savings in their daily banking, technology, and lifestyle spending habits.**