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Can Cryptocurrency Discharge A Monetary Debt In Malaysia?

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Can a debt of RM70,000.00 be discharged by 50 units of Litecoin? This novel question was recently answered by the Court of Appeal in *Ong Seow Lee v Lee Ee Foong* [2026] MLJU 3331, where this ruling offers timely guidance on the intersection between digital assets and the long-established law of accord and satisfaction under the Contracts Act 1950.

Background

The Appellant, Ong Seow Lee, and the Respondent, Lee Ee Foong, were friends who embarked on a joint venture to mine cryptocurrency in December 2017, with each agreeing to contribute RM70,000.00 towards the purchase of Bitcoin mining machines. When the venture failed to generate the anticipated returns, the parties agreed in early 2018 that the Appellant's contribution would instead be treated as a friendly loan to the Respondent.

The cryptocurrency generated from the venture was credited to a Binance wallet opened in the Appellant's name, to which she had access. The Respondent's case was that the parties subsequently agreed orally that 50 units of Litecoin credited to the wallet would constitute full repayment of the loan. The Appellant denied.

It was undisputed that at least 50 units of Litecoin were credited to the Appellant's wallet. She did not request that the Litecoin be transferred out or otherwise reversed. Instead, she asked the Respondent to assist her in selling the Litecoin because she needed the money and did not know how to execute the sale herself.

Significantly, the Appellant subsequently issued formal demands for repayment of the RM70,000.00 on 18 August 2020 and 26 October 2020, neither of which received a written response from the Respondent.

Decisions Of The Courts Below

The Magistrates' Court allowed the Appellant's claim for RM70,000.00, holding that the Litecoin did not constitute repayment because the Appellant had not received the amount in cash, did not know how to operate the wallet and had asked the Respondent to sell the Litecoin on her behalf.

On appeal, the High Court reversed the Magistrates' Court's decision. The High Court accorded a different legal effect to substantially the same facts, namely, the Appellant's admitted receipt of the Litecoin, her knowledge of its value, her request for the Respondent's assistance in selling it and her failure to return or reject the Litecoin. On those facts, the High Court found that the 50 units of Litecoin had been accepted by the Appellant as full repayment of the loan.

The Appellant appealed to the Court of Appeal.

The Applicable Law: Accord And Satisfaction Under Section 64

In the course of arriving at its decision, the Court of Appeal noted the distinction between legal tender and consensual satisfaction. Section 10 of the Currency Act 2020 provides that only currency notes and coins issued by Bank Negara Malaysia constitute legal tender in Malaysia. Litecoin, the court confirmed, was not a legal tender, and a debtor cannot compel a creditor to accept it in payment.

The Court of Appeal, nonetheless, was of the view that the appeal turned on the trite doctrine of accord and satisfaction embodied in Section 64 of the Contracts Act 1950. The provision recognises a creditor's autonomy to accept substituted performance, whether in the form of a lesser sum, goods, property, services or another asset including a digital asset. Once the agreed satisfaction is furnished, the original obligation is discharged in accordance with the terms of that accord.

The doctrine comprises two elements: the accord, being the agreement by which the creditor agrees to accept substituted performance and the satisfaction, being the substituted performance actually furnished. The Court of Appeal acknowledged that the creditor's agreement may be express or inferred objectively from conduct and that mere receipt or retention of an asset is not, by itself, conclusive of an accord. The relevant question is whether, viewed objectively and in context, the creditor's conduct evidences an agreement to accept the asset tendered in satisfaction of the debt.

The Court Of Appeal's Decision

On the facts, the Court of Appeal found that the Appellant's admission that at least 50 units of Litecoin were present in her wallet and that she knew of their existence, did not by itself establish an accord. What tipped the balance in the Respondent's favour was the cumulative effect of several matters: his direct oral evidence of the agreement; the Appellant's discussions with him concerning the value and conversion of the Litecoin and, most significantly, her request for his assistance in selling the Litecoin, rather than any request that the credits be reversed or returned.

The court took note of the countervailing evidence, particularly the Appellant's written demands for repayment of RM70,000.00 in cash and the Respondent's failure to respond by asserting that the debt had already been discharged. While these matters weighed against the Respondent's account, they were not, in the court's view, decisive when the evidence was considered as a whole. On the balance of probabilities, the Court of Appeal accepted that the parties had agreed to treat the 50 units of Litecoin as repayment of the loan.

The Court of Appeal held that the Magistrates' Court had erred in law by proceeding on the premise that repayment necessarily required the receipt of RM70,000.00 in cash, rather than asking whether the Appellant had agreed, pursuant to Section 64, to accept the Litecoin in satisfaction of the debt. The Court of Appeal dismissed the appeal and affirmed the High Court's order.

Commentary

The ruling by the Court of Appeal is precise: a debt may be discharged by cryptocurrency, or indeed by any other asset, where the creditor agrees, expressly or by conduct objectively assessed, to accept that asset in satisfaction of the obligation. Whether such an agreement exists remains a question of fact to be proved by the debtor on the balance of probabilities.

Parties intending to settle a debt using cryptocurrency, or any other non-cash asset, should seek legal advice and document the agreement contemporaneously and in writing, specifying the asset, quantity and an agreed valuation mechanism or valuation date. The absence of such documentation in this case may ultimately lead to the dispute being resolved through inferences drawn from conduct and contested oral testimony, creating considerable uncertainty.

As pointed out by the Court of Appeal, the key inquiry remains, as it always has, whether the creditor agreed to accept the substituted performance in satisfaction of the debt, which is a question of fact to be determined objectively from the evidence as a whole. As cryptocurrency transactions become increasingly common in commercial and personal dealings, this ruling offers clarity that existing contractual principles are capable of addressing such transactions.

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