



Money Lending - Reforming Law and Trade Practices for Consumer Protection

保障消費權益——改革放債法規和營商手法



消費者委員會
CONSUMER COUNCIL

EXECUTIVE SUMMARY

Introduction

Over-indebtedness is an important issue worldwide. For Hong Kong, a local survey on young working adults showed that over 60% of the respondents had overspent and almost one-third were in debt. When things go seriously wrong for either the money lenders or the borrowers, this can bring about wider social-economic implications.

Both borrowers and money lenders have responsibilities in relation to credit and debt. On the one hand, borrowers have to make a proper assessment of their ability to repay the loan, and must provide accurate information to the money lender to assess the suitability of the loan. They also need to understand that once they sign a loan agreement, they have entered into a contract which they should honour. On the other hand, money lenders also have serious responsibilities. These include carrying out a prudent assessment of a borrower's ability to repay a loan, offering transparent and fair interest rates and contract terms, abiding by responsible marketing practices, and managing customer relations with due respect for consumer rights, such as having systems in place to assist debtors who are in difficulties.

According to the findings of this report, consumers face aggressive marketing practices coupled with opaque terms and conditions calculated to induce consumers into thinking that loans are easy and convenient to apply for, with apparently "low" interest rates which borrowers should be able to repay. Disclosures are either after the fact, or hidden in complex terms in fine print in contracts (if available) which consumers do not understand or are pressured to sign in haste. There is little surprise that consumers are ill informed of the true cost of loans and their obligations.

This report by the Consumer Council ("**the Council**") reviews the consumer lending practices and the current laws and regulations in Hong Kong to gain an insight into the state of the market especially from the consumers' perspective. As mentioned, what is revealed is a worrying picture of inadequate regulation and oversight, questionable practices by some money lenders and a lack of market transparency. This report sets out a range of recommendations for consideration by the Government, money lenders and other players in the money lending market aimed at strengthening the governance of the industry and bringing better protection to consumers when engaging in these services.

The Fast Growing Market and the Current Regulatory Framework

Hong Kong, being an international finance hub, has an active money lending market. Economic development with record employment, prolonged period of low interest rates, the emergence of online lending platforms, together with the aggressive practices of some credit providers encouraged greater consumer borrowing in the market, as evidenced by a 2.2 fold increase in the amount of credit card advances and personal loans provided by authorised institutions ("**Als**") over the last decade. The number of licensed money lenders also grew by 176% in 10 years, from approximately 779 in 2009 to 2,153 in 2018 (2,260 as of August 2019).

Als are closely regulated and supervised by the Hong Kong Monetary Authority ("**HKMA**"). They are obliged to comply with both the provisions of the Banking Ordinance and the recommended practices currently embodied in the HKMA endorsed Code of Banking Practice, as well as its various circulars and guidelines issued from time to time.

Conversely, the current regulatory regime for money lenders, namely the Money Lenders Ordinance (Cap. 163) (“**MLO**”) was enacted in 1980, with the original aim to combat the problem of “loansharking”. Unlike AIs, apart from the licensing and regulation of money lending transactions, money lenders in Hong Kong are not supervised by any regulators.

Under the MLO, three authorities govern the money lending industry - the Registrar of Money Lenders (“**Registrar**”), the Commissioner of Police and the Licensing Court. The Registrar deals with applications for money lender licences (new and renewal) and maintains a register of money lenders for public inspection. The Commissioner of Police scrutinises licence applications and investigates complaints against money lenders. The Licensing Court hears and determines applications for money lender licences. Both the Registrar and the Commissioner of Police may apply to the Licensing Court who has power to make an order revoking or suspending a licence.

In the years running up to 2016, there were concerns over the use of fraudulent and deceitful tactics by financial intermediaries (“**intermediaries**”) causing detriment to consumers who were prospective borrowers. Over the same period, the Council also received numerous complaints about undesirable or deceptive practices used by some money lenders and intermediaries.

In response, the Government implemented a Four-Pronged Approach with enhanced police enforcement actions, improved public education and publicity activities, strengthened advisory services, and more stringent licensing conditions to tackle these issues. The MLO, together with 14 licensing conditions, regulate the money lending industry in the following 5 main aspects.

- (1) Licensing of money lenders
- (2) Supply of information
- (3) Interest rates
- (4) Restrictions on advertising
- (5) Statutory ban on separate fee charging

Although the implementation was effective and the problems relating to intermediaries seem to have abated, the Council is concerned that with the rapid change in consumers’ borrowing behaviour and the significant growth in the money lending industry and their questionable trade practices, there is still the necessity to conduct an in-depth study to shed light on the state of consumer protection and safeguards in the money lending market and to advocate for effective measures to foster a fairer and more transparent marketplace.

Consumer Behaviour and Issues on Money Lending

A key study area is to look into the consumer borrowing experience to identify problems associated with the emerging usage of consumer credit and loans. Over the last year, the Council analysed its complaint cases, interviewed non-government organisations (“NGOs”) which provide financial advice and debt counselling support services to consumers and met with debtors and their families, to understand the different issues and concerns regarding consumer indebtedness and money lending. The review of the statistics by the Official Receiver’s Office (“ORO”) and the findings from surveys conducted by the Investor and Financial Education Council (“IFEC”) have also provided useful information on consumer attitudes and behaviour towards borrowing and debt. In summary, the Council observed that:

Overspending as a habit is a primary cause for bankruptcy and multi-time bankruptcy

The main reasons for consumer borrowing were found to be for “Buying favourite items”, “Entertainment/leisure” and “Travel”. The issue is serious and critical to Hong Kong’s future as the case interviews and the survey on young working adults showed that over 60% of the respondents had overspent and almost one-third were in debt. In addition, there is a rising trend of multi-time bankruptcy. According to the ORO, despite a declining trend in bankruptcy, the number of multi-time bankruptcy cases increased from 151 in 2013 to 617 in 2018 (a rise of 309%) and the top three causes of multi-time bankruptcy over these years were “Overspending”, “Lack of gainful employment”, and “Excessive use of credit card facilities”.

Poor debt management and inadequate knowledge of credit products and borrowing costs

Despite the majority of consumers repaying loans fairly on time, nearly one-fifth (19%) of the borrowers had experience of delayed debt repayments and 1% claimed they always delayed payments. An increasing trend of settling credit card bills with partial or minimum payment was found, indicating that consumers had inadequate knowledge of credit products, credit ratings and interest rates, as well as the consequence of not making ends meet. According to information from the NGOs interviewed, some borrowers were indebted to multiple money lenders with one extreme case where a borrower had debts with 120 money lenders. There were also misconceptions relating to the personal impact of individual voluntary arrangements and bankruptcies due to the improper marketing tactics practiced by some of the money lenders.

Inadequate advice on indebtedness

Both the NGOs and case interviewees (debtors and their families) reflected the lack of access to help and advice for those in financial difficulties, especially regarding the availability of and access to credit. There were also cases where money lenders bundled the borrowers’ mortgaged properties as collaterals for sub-mortgages without the borrowers’ informed consent or even knowledge. The borrowers could run the risk of losing their properties should the money lenders default in their sub-mortgage, which is beyond the borrowers’ control.

Consumer Over-Indebtedness



- Excessive exposure to misleading advertisement

- Overspending



- Ease of borrowing



- Limited access to financial advice
- Low financial literacy

Aggressive marketing to promote ease of borrowing without prudent assessment on repayment ability resulting in more consumer borrowing at high or even exorbitant interest rates

Aggressive marketing and technological evolution have substantially increased consumer's accessibility to and the choice of money lending services. Nowadays, a loan application and contract could be done online or even via social media platforms, according to the interview findings.

However, in the absence of prudent assessment on consumer's repayment ability, the cost of easy and convenient money borrowing is always high or even at exorbitant interest rates. To pay off these high interest debts, the consumer may need to take out other loans that charge much higher interest rates or have even more unfavourable borrowing terms, all of which merely intensify the consumer's problem of indebtedness and over-indebtedness.

Trade Practices of Money Lending

To understand what the practices are and how they affect consumer behaviour and decision-making, the Council also conducted research in relation to the advertising and marketing tactics of the money lending market. Meetings and engagement with different trade participants, including a consumer credit reporting agency (TransUnion), the money lenders association (the Hong Kong Licensed Money Lenders Association ("LMLA")), and money lenders (Promise (Hong Kong) Co., Limited ("**Promise**") and United Asia Finance Limited ("**UAF**")), have revealed certain obvious gaps that need to be closed through effective regulatory measures:

A gap in responsible lending – misleading and confusing marketing messages and claims

Claims of low interest rates with high reward and simple loan application and approval are common marketing tactics used to attract the potential loan applicants who are in need of quick money to offload their financial pressures. Representations such as "no credit report required", "0 or low interest" further encourage some chosen targets such as university graduates, self-employed, part-time employees, housewives and blacklisted, indebted or bankrupt individuals to borrow which further strain on their repayment ability. Despite the two interviewed money lenders giving assurances that they applied strict rules for loan applications, the lending policies of different money lenders were found to vary considerably. Meetings with NGOs, debtors and families also confirmed that these advertisements and claims tended to attract those loan applicants of higher credit risk as opined by TransUnion.

Lack of like-for-like interest rate comparisons

The different practices in the calculation of fees or charges, as well as the diverse presentations of interest rate could bring much confusion to the loan applicants when selecting a money lender. Without clear and comparable information, the loan applicant could easily be led into taking on a loan with higher interest and bear a higher cost of borrowing.

Excessive and misleading advertising

It has long been recognised that excessive advertising can have a deleterious effect on consumers' borrowing habits as consumption behaviour can be heavily influenced by advertisements. In Hong Kong, the majority of businesses are free to use various channels to promote their goods/services to the general public, with TV, radio, internet, newspaper/magazine, social media and telemarketing being the advertising media favoured by money lenders.

These advertisements could give the perception that access to credit is easy, possibly leading to irresponsible spending. Some advertisements placed by money lenders and AIs also tended to be light-hearted or humorous, distracting viewers from the seriousness and financial implications of making a loan decision. In addition, the advertisements also give the perception that entering into a loan would give them high reward and/or low or no interest rates charged.

Misinformation and poor practices

The transparency and scrutiny of money lenders must be improved as evidenced by the missing or questionable licence numbers found by the Council when reviewing money lenders' advertisements. The Council's complaint cases also showed that the over-indebtedness problems encountered by consumers often arose from misinformation, hidden costs, improper documentation or other malpractices such as the collection of loan referee information and the sharing of debtor information without consent.

Disparity in standard and governance

Illegal money lenders, commonly referred to as loan sharks, not only take advantage of vulnerable consumers but also bring disrepute to legitimate money lenders. Oversight by an effective and sector specific regulator and more stringent entry requirements of money lenders are not available at present. The money lenders interviewed saw the need to strengthen the standard of the industry with measures such as introducing capital requirement, specifying minimum qualifications and experience of money lenders as well as enhancing the licensing mechanism and governance in order to raise the industry standards.

Areas of Concern of the Existing Regulatory Framework in Hong Kong

The Council has conducted research examining the regulatory framework in other jurisdictions which included Australia, Mainland China, Singapore, Taiwan and the United Kingdom ("UK") and observed that all these jurisdictions have imposed more stringent controls over money lenders or credit providers by way of legislations, rules or regulations and guidances. By reference to these jurisdictions, it is clear that the regulatory framework under the MLO, enacted 40 years ago with no major reform, has failed to keep up with both the changing landscape of the money lending business and the trend of consumer indebtedness and that there is a substantial gap which has to be addressed. In this regard, the Council has identified nine areas of concern of the existing regulatory framework in Hong Kong which are as follows:

Lack of a sector specific regulator

In Hong Kong, there is a lack of sector specific regulator in the money lending industry to identify systemic risks and problems, provide regulatory guidance, timely intervention and prevention of problems. Comparing with the reviewed jurisdictions, relevant regulators, be they sector specific or integrated, are in place, being empowered to make binding rules from time to time when they see fit so that they can strengthen and enhance the supervision of the industry, carry out timely intervention and bring about effective enforcement where necessary to protect consumer rights.

Although the Commissioner of Police takes enforcement actions upon receiving complaints, in most cases, this would be too late to protect consumers as harm has already been inflicted upon them. Thus the current framework fails to provide sufficient protection for consumers and supervision of money lenders.

Inadequate vetting on licence applications

Currently, the low threshold for licence application and the inadequate vetting has led to the quality of the money lenders being vastly inconsistent across the sector. By comparison, most of the reviewed jurisdictions have clear and detailed guidelines on the fit and proper criteria, and a requirement that adequate financial resources be in place with some specifying a fixed capital amount. Despite there being a requirement in the MLO for the Licensing Court to consider whether the applicant is a fit and proper person to carry on money lending business, the existing guidelines are brief with no minimum specifications for work experience and education and do not impose a stringent enough threshold. Furthermore, there are no provisions for any prior approval for any subsequent changes in directors and management in the existing MLO.

The inadequate due diligence prior to the grant of licence could also give rise to problems such as “phoenixing” whereby money lenders whose licences had been previously revoked could easily continue their businesses under a different name. Vetting of on-going and concluded investigations and civil judgments and proceedings are also currently lacking.

Inadequate regulation on the conduct of money lenders

The outdated MLO and the licensing conditions resulted in inadequate regulation on the conduct of money lenders. Apart from the Licensing Court which can impose licensing conditions on money lenders, neither the Commissioner of Police nor the Registrar has power to make binding rules to regulate the industry. The pertinent problem of debt collectors is also not being dealt with.

In contrast to the reviewed jurisdictions, money lenders are required by the relevant regulators to comply with a wide range of obligations and restrictions when conducting their businesses, in particular in the areas of pre-contractual disclosure, credit assessment, responsible lending, consumer credit data sharing, advertising restrictions and regulatory reporting. In addition, the relevant regulators are also responsible for the supervision of the money lending business and sales practices.

Lack of prudent credit assessment

One of the factors leading to over-indebtedness is the fact that money lenders are not obliged to conduct prudent credit assessment of borrower's ability to make repayments.

Though blame rightly rests with the consumer who made the borrowing, equally a responsible money lender should try to make enquiries of the borrower to ensure that a loan is not granted without a prudent affordability check. Despite there being similar requirements in the LMLA's Code of Money Lending Practice ("COP"), its voluntary nature and limited membership mean that in reality, there is no obligation to pay heed to this requirement and the compliance rate is unknown.

Research reveals that in most of the reviewed jurisdictions, credit assessment of borrowers is mandatory and money lenders are required to comply with responsible lending conduct obligations. In some jurisdictions, consumer credit data is often stored in the database of the third-party agencies which are authorised by the regulatory body. For example, the Moneylenders Credit Bureau was established by the regulator in Singapore and designated to be the credit data repository. While they provide data and analytics that help money lenders make decisions about lending, they would not be involved in the lending decision making process of the credit providers.

Abuse of referee's personal data

Notwithstanding the recent tightening of the licensing conditions, referees' personal data can still be easily abused since their consent is currently not required for their personal data to be used for marketing or any other purposes and referees would receive marketing cold calls and nuisance calls from money lenders from time to time.

High interest cap

The MLO provides for a two-tier interest cap structure set at 48% per annum and 60% per annum, with interest rates over 60% being illegal and interest rates between 48% to 60% presumed extortionate, meaning that these loan transactions can be reopened and this fuels uncertainty.

By comparison, most of the reviewed jurisdictions have a lower interest cap than that in Hong Kong apart from the UK where there is no interest cap except for the high-cost short-term loans. The rate of interest that can be charged by money lenders in the studied jurisdictions are: 48% per annum in Australia; 4% per month in Singapore; 36% per annum in Mainland China; 20% per annum for unsecured consumer loans and 15% per annum for credit cards and cash cards in Taiwan.

Given the current market conditions and compared with other jurisdictions, the existing interest caps in Hong Kong are excessively high.

Excessive and misleading advertising

Under the MLO, there are minimal restrictions on money lenders' advertisements except that there is a requirement for a risk warning statement together with the money lenders' name and licence number to be displayed in the advertisements.

By comparison, detailed guidance on the contents of advertisement is found in most of the reviewed jurisdictions stipulating that there should not be any misleading representations which create unjustified expectations. For example, in Australia, it is important that the advertisement gives consumers a realistic impression of the overall costs where an advertisement refers to interest rates; in Singapore, money lenders can only advertise in designated places and on their own websites only; in the UK, money lenders are prohibited to trivialise the seriousness of taking out loans in their advertisements or be disproportionately light-hearted and whereas in Taiwan, the law specifically states that no marketing targeting students should be undertaken.

Limited enforcement tools and consumer redress

There are limited enforcement tools and consumer redress under the MLO. Although any contravention of the MLO and the licensing conditions constitutes an offence, the Registrar and Police currently have no power to impose sanctions such as imposing a fine, banning an individual from engaging in the money lender's business or issuing a remediation order to compel the money lender to take certain remedial actions, in the absence of a successful criminal conviction. This leads to inadequate protection for consumers.

In contrast, in the reviewed jurisdictions, non-compliance or breaches of the regulatory requirements will attract civil penalties (Australia and the UK), administrative sanctions (Australia, Taiwan and the UK), disciplinary actions (Australia, Singapore and the UK) and criminal prosecutions (Australia, Mainland China, Singapore, Taiwan and the UK).

Low market transparency

There is currently a shortage of credit data relating to the industry such as the total amount of new loans/outstanding loans, arrears, default rate, ratio of secured to unsecured loans and demographics of borrowers etc. Without this data, policy review could not be effectively carried out. In addition, there is also a lack of publicly available enforcement statistics and without this transparency, the public could not monitor the state and effectiveness of enforcement efforts.

In other jurisdictions, where there is mandatory credit data provision and collection requirements, this information is available to the money lenders (for credit assessment) and to relevant authorities to enable them to produce statistics, either for policy review or, where appropriate, for public information. As for enforcement statistics, these are published in reports or regular updates by the relevant authorities and available to the public. For example in Australia, the numbers of civil actions, prosecutions, court enforced undertakings or negotiated outcomes can be found in the Australian Securities & Investments Commission's ("ASIC") half yearly enforcement updates. In Singapore, enforcement figures on cases recorded, number of persons arrested etc. are regularly published by the Singapore Police Force. In the UK, enforcement statistics of cases opened and closed each year are issued in the enforcement annual performance report issued by the Financial Conduct Authority ("FCA").

Recommendations and Conclusions

With expansion and technological developments in the financial market and money lending business, some overseas jurisdictions have already introduced different regulations for the financial technology (“FinTech”) market to ensure fair markets and to protect consumers from malpractices. In stark contrast, in Hong Kong, the MLO has been enacted for 40 years with no major reform. To empower consumers to make fully informed money borrowing decisions and to ensure that money lenders practice responsible lending, new regulatory measures with a series of changes in the money lending industry are necessary.

Based on the findings in this report, the Council puts forward the following four recommendations:

- (1) Strengthen consumer education and the provision of advisory services
- (2) Amend existing legislation
- (3) Establish a new sector specific regulator
- (4) Improve market transparency

Strengthen consumer education and the provision of advisory services

As consumer education on responsible borrowing, easy access to loans information and comparison, and accessible financial advice on debt management could benefit consumers in the long run, the Council recommends that the Government should play a leading role to coordinate with NGOs and the industry players to formulate effective strategies and roll out a platform to deliver timely and practical consumer education, information and advice on debt management as well as explore alternatives for credit provision to consumers.

Amend existing legislation

Analysis in the report shows that there is a need for the MLO to be updated to impose more effective regulatory oversight to the money lending market. The Council therefore urges the Government to conduct a comprehensive review of the MLO with emphasis on the following areas:

i) Establish a sector specific regulator

The lack of a regulator for money lenders has been identified as the root of the problem for the sector. As Hong Kong has adopted a sector specific approach in the regulation of the financial market, the Council recommends that the Government should establish a sector specific regulator to work towards preventing consumer detriments on an ex-ante basis through licensing and positive conduct obligations in addition to providing remedies for dealing with misconduct.

ii) Impose a duty to carry out prudent credit assessment

To ensure responsible lending, the Council recommends that the MLO should oblige money lenders to conduct prudent credit assessments before granting a loan to determine whether the loan is suitable for the borrower, thereby enhancing consumer protection. Once the duty has been imposed, the regulator can issue guidelines on how the money lender should discharge its responsible lending obligations and comply with the requirements under the legislation.

iii) Adjust the interest cap

There has not been any revision of the interest cap since the MLO was enacted in 1980. Since then, interest rate has fallen dramatically and the current rates seem grossly disproportionate to reflect market conditions. In addition, reference to other jurisdictions shows that a universal cap rather than a 2-tier system is preferred.

Although 48% is still considered high, the Council proposes that there should be a maximum universal cap of no higher than 48% per annum in view of the current legislation and reference to other jurisdictions. The Government should consult the industry as to which is the most appropriate rate to apply.

iv) Additional requirements on advertising practices

As AIs are already subject to restrictions on advertising, in order to maintain parity between money lenders and AIs, measures proposed by the Council have taken these restrictions into account.

The Council is of the view that restrictions on advertising in the MLO should be introduced to prohibit misleading content and to ensure that the tone of the advertisements should not be disproportionately light-hearted, that there should not be implication that credit is available regardless of the borrower's financial status, nor should the advertisement trivialise the seriousness of taking out a loan. It is proposed that mandatory guidance notes be incorporated into regulations requiring a clear and easy to understand warning statement to be displayed throughout the entire advertisement irrespective of the duration, together with a clear read out for at least 3 seconds.

In addition, the Council recommends a common approach in relation to the calculation and presentation of interest rates across credit providers to facilitate consumers to make proper comparisons between the interest costs of credit/loan products offered by different credit providers. As consumers are already familiar with the AI's method of calculation and presentation, i.e. the use of Annualised Percentage Rate ("APR"), the Council proposes that money lenders should be required to follow suit.

Recommendations for the new sector specific regulator

i) Strengthen the vetting process of licence applications and to raise the bar for entry requirements and introduce a fit and proper criteria for money lenders

Guidelines set down by the regulator should include:-

- threshold requirements for a fit and proper person, with requisite professional standards and integrity requirements expected of a money lender; such as minimum requirements in terms of working experience and education level for the management of the licensee with no previous criminal records;
- capital requirements;
- extending background checks to the management of the licensee to include on-going or concluded investigations and civil judgments and proceedings;
- submission of a business plan by the applicant to detail information such as the source of funds, internal compliance monitoring, loan approval processes, credit assessment, etc.; and
- approval requirements when there are subsequent changes in directors and management.

ii) Lay down regulations/guidelines for prudent credit assessment

In order to promote responsible lending, the Council recommends that the regulator should make prudent credit assessment mandatory by incorporating this requirement into licensing conditions. A loan should only be granted if it is likely to be affordable by the borrower. The extent and scope of such an assessment should be dependent upon and proportionate to the type of credit and the size of the loan. In addition, the regulator should also issue practical guidelines on how the above requirements could be interpreted and complied with.

To enable money lenders in Hong Kong to more easily carry out this credit assessment exercise, the regulator could consider putting in place some guidelines to require mandatory collection of consumer credit data and for such data to be put into a central data repository which could then be shared amongst relevant stakeholders. The regulator could further consider as to whether this collection and sharing should be limited to money lenders or be extended to include AIs.

iii) Introduce best practices and eliminate unscrupulous trade practices through use of strengthened licensing conditions and introduce regulations

The Council recommends the regulator to consider incorporating LMLA's voluntary COP into the licensing conditions so that money lenders would be obliged to follow best practices and existing licencing conditions can be strengthened. Such best practices could include issues such as information disclosure requirements.

Alternatively or in addition, regulations should be introduced to address areas of concern in order to address specific unscrupulous practices such as the unchecked use of debt collectors, the abuse of referees' personal data and the sub-mortgage of the borrowers' properties in the absence of their knowledge and informed consent.

iv) Enhance enforcement and handle complaints

The Council proposes that the regulator should have power to implement enforcement actions and be given more enforcement tools such as

- public reprimands;
- enforcement notices;
- financial penalties on the licensee or their staff;
- imposition of a ban on an individual prohibiting him/her from engaging in money lending business;
- remediation orders compelling the money lender to take remedial action; and
- disciplinary actions against a director, a partner or the management of the money lender.

In addition, the Council also recommends that a special division should be set up by the regulator to deal with complaints.

Improve market transparency

For the purpose of policy formulation and review and to assist with the oversight of the level of indebtedness of the community, the Council is of the view that the regulator should collect credit statistics and loan profiles from money lenders on a regular basis. These statistics should include the total amount of new loans, outstanding loans, average tenure, general demographics of borrowers, arrears and default rates.

For the purpose of fostering good practice by money lenders, the Council also proposes that enforcement statistics be published regularly in order to enhance regulatory transparency, such statistics to include but not limited to the number of objections made, licences revoked/suspended and the reasons for so doing, the number of warnings/advisory letters issued and the number of complaints received etc.

Regulated Environment

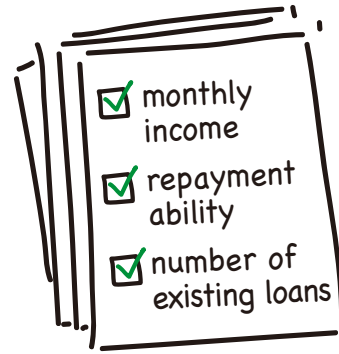
Regulator



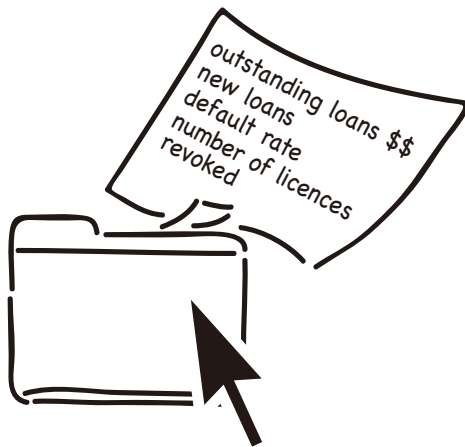
- Ongoing supervision



- Strengthened licence vetting process - money lenders are fit and proper persons



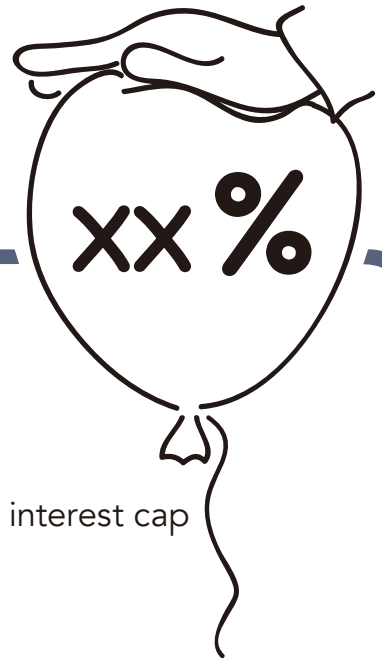
- Prudent credit assessment - responsible lending



- Increased market transparency with more industry and enforcement statistics



- Newly added enforcement tools



- Lowered interest cap



- Referee personal data protected - no unsolicited or nuisance calls



- Consumer education and advisory services on debt management broadened



- Misleading advertising prohibited – advert content not frivolous nor seriousness of borrowing trivialised, advert also contains warning statement
- A common approach presenting interest rates enables easy comparison



- Accessible and effective complaint handling

The Way Forward

The aim of this report is not to moralise on the rights and wrongs of consumer borrowing. Given that money lenders have a legitimate role and function in the society, the Council wants to ensure that they practice responsible lending and that borrowers are being treated fairly so that the money lending market in Hong Kong can operate in a sustainable manner.

As discussed, with the development of technology worldwide leading to the rapid evolvement of the financial market, there are already legislations in place in other jurisdictions to regulate the FinTech market. In order to keep abreast, the existing outdated MLO urgently needs revamping. Recognising that over regulation could give rise to negative impact on the access to credit for some borrowers, the Council advocates the importance of striking a balance to maintain reasonable access to credit from money lenders and enhancing consumer protection. It is hoped that the introduction of a sector specific regulator would lead to better governance of this industry, ensuring fairness between the money lenders and the borrowers, bringing with it strengthened consumer protection.

As shown by research, excessive spending in leisure activities is a main reason for borrowing for the younger generation. Therefore, consumer education on financial management and prudent access to credit is critical to developing a culture of healthy and responsible borrowing for Hong Kong.

The above recommendations are made to stimulate discussion among the different stakeholders in the community so that their views and concerns can be taken into account to accelerate the development of a sustainable, fair and transparent money lending market.



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