

Press release

LCQ13: Legal tender

Wednesday, January 20, 2010

Following is a question by the Hon Leung Kwok-hung and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 20):

Question:

I have often received complaints from the public that many shops reject 10-cent, 20-cent and 50-cent coins and \$1,000 bank notes in transactions, and some even "blatantly" displayed notices at prominent places in their premises that such currency is not accepted. In this connection, will the Government inform this Council:

(a) whether shops in Hong Kong have the authority to reject the aforesaid coins and bank notes in transactions under the existing laws of Hong Kong; if so, which chapter of the laws gives them such authority; if not, of which legislation that these shops have breached, which government department is responsible for enforcing the relevant legislation, the penalty for such offence, as well as the respective numbers of relevant prosecutions and convictions in the past five years; and

(b) with which government department the public may lodge complaints of shops' rejection of the aforesaid coins and bank notes; of the complaints hotline and address of that department; and the time needed for staff of the department to arrive at the scene to conduct investigation and follow up after receiving a telephone complaint?

Reply:

President,

(a) Notes and coins issued in accordance with the Legal Tender Notes Issue Ordinance and the Coinage Ordinance are legal tender in Hong Kong. As legal tender, they are by law regarded as valid and legal means of payment to adequately and effectively fulfil payment obligations. However, as in all commercial transactions, both parties can determine the terms of transaction on their own, including the means of payment. Whether to accept notes and coins of any denomination as payment is purely a commercial decision for goods and service providers. We have also studied the laws relating to "legal tender" in other countries and how they are enforced. We understand that most countries, including the United Kingdom, Canada, Australia, the United States and Singapore, have laws on "legal tender" to establish the legal status of their currencies. However, they do not have legislation to compel their residents or goods and service providers to accept the legal tender as payment or to punish those who refuse to accept it. In these countries, the buyers and sellers can determine the means of payment on their own, which is similar to the situation in Hong Kong.

(b) The abovementioned ordinances do not confer any authority upon the Government to force goods and service providers to accept any notes and coins. Consumers can choose other providers or exchange the denominations of notes and coins requested by the providers at the banks.

Ends