

Press Release

LCQ6: Regulation of the businesses of licensed money lenders

Wednesday, March 19, 2014

Following is a question by the Hon Albert Ho and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 19):

Question:

It has been reported that as at March 2013, the authorities issued 1 001 money lender licences and were handling 2 556 licence applications. Regarding the regulation of the businesses of licensed money lenders, will the Government inform this Council:

- (1) of the number of complaints against licensed money lenders received by the Police and the number of licensed money lenders prosecuted in the past three years;
- (2) whether it has considered cancelling the arrangement of the Registrar of Companies serving concurrently as the Registrar of Money Lenders; if it has, of the details and implementation timetable; if not, the reasons for that; and
- (3) given that no institution is now responsible for regulating the businesses of licensed money lenders, and the Police will only conduct investigations into their illegal practices, such as charging a lending rate above the statutory ceiling or employing illegal debt collection tactics, whether the authorities have considered putting the businesses of licensed money lenders under the regulation of the Hong Kong Monetary Authority, and setting requirements such as maximum loan-to-value ratio, minimum registered capital and capital buffer, etc. in respect of such businesses; if they have, of the details and implementation timetable; if not, the reasons for that?

Reply:

President,

Under the Money Lenders Ordinance (MLO) (Cap.163), applications for

money lenders licences are subject to approval by the Licensing Court. The Hong Kong Police Force is responsible for enforcement work including investigations of complaints against money lenders, and provides opinions to the Licensing Court on licensing matters. In addition, the Registrar of Money Lenders (RML) is responsible for handling administrative matters related to the processing of licence applications and renewals, as well as maintaining a register of money lenders for public inspection.

As at February 28, 2014, 1 143 licensees were on the register of money lenders and 276 applications were under processing, of which 191 were applications for renewal of licences.

After consulting the relevant bureaux, the reply to the three-part question raised by the Hon Albert Ho is as follows:

(a) The Police do not keep any figures on complaints against licensed money lenders. The number of prosecutions initiated under the MLO was 50 between January 2011 and September 2013.

(b) Under section 4 of the MLO, the Chief Executive shall appoint a public officer to be RML to perform administrative functions under the Ordinance, including processing licence applications and maintaining a register of money lenders. The role of RML had been performed by the then Registrar General since commencement of the Ordinance. Following dissolution of the Registrar General's Department in 1993, the role has been taken over by the Registrar of Companies. The Government has no intention to change the existing arrangement which has been working well over the years.

(c) Apart from not being allowed to charge excessive interest rates on loans, licensed money lenders should ensure that their trade practices and the way in which they conduct money-lending transactions are in compliance with the provisions of relevant legislation. In particular, the MLO provides for various matters concerning money-lending transactions, including the form of loan agreements, the way interest rates are expressed, repayment arrangements, advertisements, the duty of money lenders to provide information to borrowers, etc. These provisions serve to ensure that the terms contained in money-lending advertisements and loan agreements are clear and highly transparent to facilitate borrowers in understanding the loan arrangements.

Law enforcement agencies will take enforcement action against those licensed money lenders who are in breach of the relevant provisions.

Regarding the requirements on property mortgage loans and registered capital referred to in the question, and whether the businesses of licensed money lenders should be put under the regulatory ambit of the Hong Kong Monetary Authority (HKMA), we must point out that the measures taken by HKMA to supervise authorised institutions (AIs) under the Banking Ordinance (Cap.155) are related to management of potential risks to the banking system and maintenance of financial stability. According to HKMA, some licensed money lenders are clients of AIs subject to its supervision. By December 2013, loans provided by AIs to licensed money lenders totalled around \$19 billion, accounting for less than 1% of the local loans provided by these institutions. Even in the event of default, the potential risks posed to the banking system is limited and will not undermine Hong Kong's financial stability. Moreover, HKMA has requested AIs to proactively review their policy for providing loans to money lenders with a view to ensuring the effectiveness of its macro-prudential measures in respect of property mortgage lending business. In conclusion, there is currently no justification from the perspective of maintaining the stability of our banking and financial systems for considering placing the businesses of money lenders under the regulation of HKMA.

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