

立法會
Legislative Council

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(These minutes have been
seen by the Administration)

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Legislative Council
Panel on Financial Affairs

Minutes of special meeting held on
Thursday, 13 June 2002 at 2:30 pm
in the Chamber of the Legislative Council Building

Members present : Hon Ambrose LAU Hon-chuen, GBS, JP (Chairman)
Hon Henry WU King-cheong, BBS (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon NG Leung-sing, JP
Hon James TO Kun-sun
Hon Bernard CHAN
Hon CHAN Kam-lam
Hon SIN Chung-kai
Hon Jasper TSANG Yok-sing, JP
Hon Emily LAU Wai-hing, JP

Non-Panel member attending : Hon CHAN Yuen-han, JP

Members absent : Hon LEE Cheuk-yan
Dr Hon Philip WONG Yu-hong
Hon MA Fung-kwok

Public officers attending : For item II

Mr Antony LEUNG
Financial Secretary

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Mr K Y TANG
Government Economist

Mr Howard LEE
Administrative Assistant to Financial Secretary

For item III

Miss Clara TANG
Principal Assistant Secretary for Financial Services

Mr Raymond LI
Executive Director (Banking Development)
Hong Kong Monetary Authority

**Attendance by
invitation**

: For item III

Mr LO Chung-hing
Acting Chairman, Hong Kong Association of Banks
Deputy General Manager
Bank of China (Hong Kong) Ltd.

Mr Peter WONG
Vice-Chairman Bank Representative
Hong Kong Association of Banks
Director, Standard Chartered Bank

Mr Paul THURSTON
Vice-Chairman Bank Representative
Hong Kong Association of Banks
Assistant General Manager
Head of Personal Financial Services, HSBC

Ms Eva WONG
Secretary
Hong Kong Association of Banks

Mr Cliff FORSTER
Chairman, The DTC Association

Mr Yoke Kong TAN
Vice-Chairman, The DTC Association

Mr Pui-chong LUND
Association Secretary, The DTC Association

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Mrs CHAN WONG Shui
Chief Executive, Consumer Council

Mr Ronald CAMERON
Head, Trade Practices Division
Consumer Council

Clerk in attendance : Ms Connie SZETO
Chief Assistant Secretary (1)4

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr WONG Tin-yau, Anthony
Senior Assistant Secretary (1)8

I Panel Report for 2001-02 for submission to the Legislative Council
LC Paper No. CB(1)1978/01-02(01) - Draft Report of the Panel

The Chairman invited members to comment on the draft Panel Report for 2001-02 for submission to the Legislative Council (LegCo) issued to members on 11 June 2002. Members endorsed the Report and agreed that, where appropriate, the Chairman could make changes in the Report to incorporate the discussion of the present meeting. Members further noted that the Report would be tabled at the LegCo meeting to be held on 3 July 2002.

II Briefing by the Financial Secretary on Hong Kong's latest economic situation

LC Paper No. CB(1)1978/01-02(02) - Presentation material provided by the Administration

LC Paper No. CB(1)1879/01-02 First Quarter Economic Report 2002

2. The Chairman welcomed the Financial Secretary (FS) and other representatives of the Administration to the meeting.

3. At the Chairman's invitation, the Government Economist (GE) briefed members on Hong Kong's economic situation in the first quarter of 2002 and the Government's forecast on the economic outlook for 2002. The GE highlighted the following points-

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- (a) Notwithstanding Hong Kong's overall economic activity was still modest in the first quarter of 2002 and the Gross Domestic Product (GDP) declined by 0.9% in real terms as compared with 2001; the seasonally adjusted GDP rose back slightly by 0.3% in real terms indicating that the economic downturn had begun to turn around.
- (b) On external trade, total exports of goods picked up in both March and April 2002, contributed mainly by distinct growth in exports to the Mainland and other Asian markets. However, exports to the major conventional markets, including the United States (US) and the European Union, were still generally sluggish.
- (c) As regards invisible trade, exports of services accelerated to a 5.3% growth in real terms in the first quarter of 2002 over a year earlier which were backed by strong growth in inbound tourism, rise in offshore trade and exports of transportation services. Incoming visitors recorded a remarkable growth of 12% in the first quarter of 2002 as compared with the same period in 2001. Mainland visitors, in particular, increased substantially by 42% while the number of visitors from other countries also resumed growth.
- (d) Locally, concerns about rising unemployment and uncertainty of economic recovery continued to weaken private consumption which fell by 0.6% in real terms in the first quarter 2002 over 2001. Overall investment spending also plummeted by 16.5% in real terms.
- (e) On Hong Kong's economic outlook for 2002, while exports of goods and services were expected to pick up further in the months ahead in tandem with the general improvement in the global and regional economic environment, consumer spending was likely to remain modest and investment spending might still be on a decline. Downside risks, including slowing down in the pace of recovery of the US economy, heightened tension in South Asia and the Middle East, and possible terrorist attacks in the US, still prevailed. Hence, the Administration maintained the forecast GDP real growth at 1% and the forecast change in the Composite Consumer Price Index (CPI) at -2.8% for 2002 as a whole.

4. ES said that while Hong Kong continued with its process of economic restructuring, there were preliminary signs that the economy was bottoming out. Firstly, the external economic environment had improved generally. In particular, there was robust economic growth in the Mainland. Secondly, Hong Kong's exports of services were expected to grow further. Inbound tourism had seen very strong growth. Increased transactions in properties were also

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indications of the revival of confidence in the property market, which was conducive to the long-term development of the market.

5. ES added that he also wished to take the opportunity to respond to some of the recent remarks made by the public on "local community economy" (LCE). ES stressed that LCE was one of the many aspects he mentioned in his 2002-03 Budget Speech to help revive Hong Kong's economy. Hong Kong, being a small and externally-oriented economy, needed to focus on high-value-added economic activities and explore external markets to provide the impetus for economic development and creation of new jobs. However, for those local workers who were low-skilled and with low education attainment, economic activities in the LCE and in the services sectors did offer them job opportunities. LCE only formed a small part in the overall economic development strategy for Hong Kong. On the future economic development for Hong Kong, ES reiterated that Hong Kong should aim to deliver customer-oriented products and services with quality, speed and creativity. Four economic sectors were of particular importance to Hong Kong, namely financial services, logistics, tourism and professional services. Moreover, Hong Kong needed to develop new markets, in particular, to enhance economic ties with the Mainland with a view to helping the business sectors and professionals to capitalize on the opportunities offered by the opening Mainland market after its accession to the World Trade Organization. In this regard, the Government would continue with its efforts to improve the flow of people, goods, capital, information and services between Hong Kong and the Mainland.

6. As regards the economic role of the Government, ES stressed that the Government should have a clear vision of the direction of economic development and act as a proactive market enabler. It should maintain an institutional framework conducive to market development by, for example, upholding the rule of law and its anti-corruption policy. It should keep a "small government" by reducing the share of public expenditure in the economy from the present level of 23% of GDP to 20% by 2006-07 and further enhance the productivity of the public sector. It should raise the quality of human capital through investing in education and training, as well as reviewing its population policy to bring in outside talents to Hong Kong. It should also secure more favourable market access for Hong Kong enterprises and professionals, and increase the economic flows (people, goods, funds, information and services) with the Mainland.

Discussion with members

Measures to stimulate domestic consumption and to boost the economy

7. CHAN Kam-lam pointed out that growing concern about rising unemployment rate and pay cuts in many sectors had further dampened local consumer spending. There was a need for more vigorous measures to stimulate domestic consumption. Mr Albert HO also expressed concern that rising unemployment and the plight of residential property owners in negative equity

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had undermined public confidence in Hong Kong's economic future. The Government's recent moves to implement pay cut and further downsize the civil service had further weakened domestic consumption and aggravated the problem of deflation. Mr HO thus opined that the measures for controlling public expenditure growth were counter-productive to the Administration's objective of reviving the economy. Sharing the same concern, Mr SIN Chung-kai urged the Government to implement immediate measures to alleviate unemployment and to boost the Hong Kong economy.

8. ES explained that enhancement of the business environment in Hong Kong would attract investments, create employment and in turn stimulate consumer spending. There was no doubt that Hong Kong was facing a lot of challenges from neighbouring regions, but Hong Kong had its own strengths. For example in facilitating the development of the logistics industry, the Administration was looking into the possibility of streamlining the customs arrangements so as to reduce operating costs. The Government firmly believed that the ultimate way to alleviate the unemployment problem was not to provide jobs directly in the public sector, but to improve business environment and help reduce operating costs.

9. On the concern about deflation, ES remarked that although the problem had caused pains in some sectors of the economy, it did demonstrate Hong Kong's flexibility to adjust its prices downwards in order to re-gain competitiveness. While prices for goods and services continued to decline in the past few years, the basic fundamentals of the economy remained sound. As to the problem of negative equity, the Government believed that recent adjustment in its housing policies would send a clear message to the market that the Administration was reducing its intervention in the private market. This would help restore confidence in the property market and was beneficial to the steady development of the market in the long run.

10. Regarding the negative impact of restraining public expenditure growth on the economy, ES stressed that it was vital for the Government to tackle the problem of fiscal deficits. To restore the fiscal balance, the Government would otherwise have to resort to other more drastic measures, such as raising tax substantially, which might have significant negative effect on the economy. ES added that there would still be growth in public expenditure in real terms though at a lower rate than in the past. The Government would spend about \$600 billion on public infrastructure projects in the coming 15 years. ES believed that reducing the size of public expenditure in relation to the whole economy would only provide more room for the private sector to flourish. As the private market could allocate and utilize resources more effectively and efficiently than the public sector, restraining public expenditure growth would further enhance the overall productivity of the economy.

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11. Mr James TIEN remarked that there was potential for Hong Kong to attract capital investments from the Mainland. He called on the Government to formulate appropriate policies and programmes to facilitate the inflows of capital and talents from the Mainland to help Hong Kong's economic development and create employment.

12. Sharing Mr TIEN's views, ES said that the Government recognized the importance of formulating a population policy to facilitate Hong Kong's future economic and social developments. He stressed that it was also among the priority tasks of the Government to promote external direct investments to Hong Kong, including foreign and Mainland investments.

13. Mr NG Leung-sing referred to para. 6.1 to 6.3 of the First Quarter Economic Report 2002 which indicated that the decline in the Composite CPI was partly attributed to measures, including rates concessions and waiving public housing rentals. He expressed concern that instead of boosting local consumption, these relief measures had indeed produced a dampening effect on the CPI. He opined that the attention of the Administration and Housing Authority should be drawn to the negative impact of the relief measures on consumer prices.

14. In response, ES explained that as consumer spending was influenced by many factors, a direct relationship between increased consumer spending and rise in CPI could not be established. As rentals carried more weights than other expenditure components, such as durable goods, in the calculation of the CPI, changes in rentals were likely to generate a greater effect on the CPI than other expenditure components. GE supplemented that rates concessions and waiver of public housing rentals were among the relief measures to alleviate the community's hardship at the current time of economic difficulty. While rates concessions would benefit the community in general, waiving public housing rentals was aimed to benefit the low-income group. To illustrate the impact of the two measures on the CPI in the first quarter of 2002, GE undertook to provide further information and relevant statistics after the meeting.

(Post meeting note: The Administration provided the information which was issued to members vide LC Paper No. CB(1)2306/01-02(01) dated 17 July 2002.)

Promoting tourism

15. Miss Emily LAU noted that the share of Mainland visitors in the total number of inbound tourists had increased from 18% in 1996 to 32% in 2002. While the surge in Mainland tourists had contributed to the development of Hong Kong's tourism industry, Miss LAU was concerned that the trend might indicate that the industry was over-dependent on Mainland visitors. Having regard that Hong Kong was an international city, Miss LAU was of the view that the

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Administration should spare no efforts in promoting Hong Kong as a tourist destination globally.

16. ES affirmed the Administration's commitment to promoting Hong Kong as a tourist destination to overseas and Mainland visitors alike. However, it was worth noting that the large number of increasingly affluent Mainland residents had become the fastest growing source of visitors for many countries. Given Hong Kong's location at the door-step to the Mainland, its tourism industry should capitalize on this advantage to tap on the rapidly growing market. ES added that the Government had been spending much more to promote Hong Kong to overseas tourists than to Mainland visitors. At Miss LAU's request, ES undertook to provide the budget breakdown in this respect for members' reference after the meeting.

(Post meeting note: The Administration provided the information which was issued to members vide LC Paper No. CB(1)2306/01-02(01) dated 17 July 2002.)

Developing Hong Kong's logistics infrastructure

17. Mr CHAN Kam-lam noted that while the Mainland was developing its logistics infrastructure rapidly, development in Hong Kong was progressing slowly. Noting that efficient logistics network would facilitate trade and help reduce operating costs for businesses, Mr CHAN enquired about the Administration's plan in promoting Hong Kong as a logistics centre in the region.

18. In response, ES said that Hong Kong's logistics industry enjoyed many advantages, such as efficient transport services provided by the world's largest container port and international airport. The development of the logistics industry depended on increase in speed and efficiency which in turn could bring down the costs of operation for businesses. To achieve this end, the Administration had set up the Logistics Development Council to co-ordinate development in this area. To further enhance the freight transport efficiency between Hong Kong and the Pearl River Delta, the Administration, apart from improving the transport infrastructure, was studying measures in collaboration with the Mainland authorities to streamline customs process in order to speed up clearance for goods and vehicles at border control points. The Administration was confident that these measures would foster the development of the logistics industry and bring benefits to other economic sectors.

Local community economy

19. Miss Emily LAU and Miss CHAN Yuen-han pointed out that recently, there had been criticism against FS' concept of LCE. While they had no disagreement that the promotion of local community economic activities could be a means to alleviate unemployment, they noted that some business operators had expressed grave concern about possible competition from the activities of

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small traders. As a result, development of LCE activities might adversely affect the interest of existing proprietors. Miss LAU and Miss CHAN opined that it was necessary for FS to clarify his concept of LCE. Miss CHAN further urged the Administration to formulate appropriate policies and concrete measures for implementing the concept.

20. ES stressed that he welcomed suggestions and constructive criticisms from the public and legislators. He clarified that LCE, being an integral part of Hong Kong economy, was closely linked to daily life of the general public and covered a wide range of activities. The development of LCE was not limited to promoting small trading activities, but also took a variety of forms, such as initiatives to facilitate business operation to better reflect the characteristics of local culture. In the face of current economic downturn and high unemployment rate, the Administration hoped that the development of LCE could promote local consumption and create more employment opportunities.

21. As to the role of the Government in promotion of LCE, ES advised that the Government's objective was to create an environment conducive to the development of LCE and to facilitate members of the public and business operators in the process. This included suitably relaxing government rules and regulations, modifying land uses, providing basic infrastructure facilities and providing promotion and publicity. The Home Affairs Department, as the co-ordinator of Government's efforts in this regard, was actively collating initiatives from local community and pursuing feasible ones. ES assured members that the Administration would take into consideration related issues, such as competition, when promoting the development of LCE.

Hong Kong's economic recovery

22. Mr Henry WU noted that while FS held an optimistic view on Hong Kong's economic future, he also cautioned that a number of downside risks which might have negative impact on the global economy, such as political tension in East Asia, threat of terrorists attacks on the US, still prevailed. As such, Mr WU expressed concern as whether Hong Kong's economic recovery would sustain.

23. ES affirmed that there were positive signs that the external economic environment was improving. However, while the US economy was expected to turn for the better, it was unlikely that the high growth rate of over 5% in the first quarter of 2002 would continue for the rest of the year. Moreover, unforeseeable developments in the international political arena and global economy would add difficulties in forecasting Hong Kong's economic outlook. ES added that as Hong Kong was still undergoing economic restructuring and in the face of increasing competition from nearby economies, it was unable to benefit fully from the economic recovery of the US. ES stressed that in the process of restructuring, it was necessary for Hong Kong to recognize its competitive advantages. Hong Kong had to focus on high-value-added

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economic activities and develop into a financial services centre, a logistic hub, a tourism centre, and a base for the supply of professional services.

24. The Chairman thanked FS and representatives of the Administration for attending the meeting.

III Consumer protection in the banking sector

LC Paper No. CB(1)1942/01-02(01) - Paper provided by the Administration

LC Paper No. CB(1)1853/01-02 - Minutes of special meeting on 26 February 2002

LC Paper No. CB(1)1942/01-02(02) - List of issues raised at the meeting on 26 February 2002

LC Paper No. CB(1)1978/01-02(03) - Information paper provided by the Consumer Council

LC Paper No. CB(1)2009/01-02(01) - Complaint statistics on financial services provided by the Consumer Council

LC Paper No. CB(1)2009/01-02(02) - Speaking note provided by the Hong Kong Association of banks

LC Paper No. CB(1)2018/01-02(01) - Speaking note provided by the DTC Association

Other relevant papers

LC Paper Nos. CB(1)1543/01-02(01)&(02), CB(1)1113/01-02(02), CB(1)1114/01-02(01), CB(1)626/01-02(01) & (02), CB(1)344/01-02, and CB(1)1112/00-01(02)

25. The Chairman reminded members that the subject on "Consumer protection in the banking sector" was discussed at the special meeting held on 26 February 2002. He advised that the Panel would continue to discuss the issues raised at the previous meeting, in particular, the effectiveness of the revised Code of Banking Practice (the Code) in enhancing customer protection and adequacy of its enforcement mechanism, as well as the role of the Hong Kong Monetary Authority (HKMA) in protecting consumers in the banking sector.

26. The Chairman welcomed representatives of the HKMA, Financial Services Bureau, Hong Kong Association of Banks (HKAB), DTC Association

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(DTC), and Consumer Council (CC) to the meeting. He then invited the representatives to present their views on the subject.

Discussion with members

Measures to improve complaints handling mechanism

27. A number of members expressed concern about the rising number of customer complaints in the banking sector. They noted from the Administration's information paper that the HKMA had received a total of 479 customer complaints against authorized institutions (AIs) in the first quarter of 2002. The number was already more than half of the 880 complaints received in 2001. Moreover, CC had received a total of 468 complaints relating to financial services in the first five months of 2002.

28. Mr Albert HO said that the situation warrant due attention of the industry and the Administration. He considered that the rapid growth in number of customer complaints might have partly attributed to the keen competition in the market. Mr HO said that as the banking industry thrived on integrity, professionalism and adherence to high standards of business practices, the Democratic Party urged that the banking industry should step up efforts to protect customers' interest by exercising more self-discipline. He suggested that the HKMA should enhance monitoring over the self-regulatory framework of the banking industry, and involve the public, such as consumer interest groups, in the process. Notwithstanding that it was the primary role of the HKMA to be the prudential regulator for AIs, as the role of other financial regulators, such as the Securities and Futures Commission (SFC), had evolved to cover both prudential and conduct regulation of their regulatees, Mr HO considered it necessary for the HKMA to review its role for consumer protection in the light of development in the banking industry. He further opined that while there was no imminent need to expand the statutory powers of the HKMA to take on the role for protecting bank customers, the HKMA should undertake more studies and consult the public on related issues.

29. Mr SIN Chung-kai concurred that the public expected the banking industry to enhance the existing complaints handling system. Miss Emily LAU also shared Mr Albert HO's views that the banking industry should step up self-regulation in enhancing protection for consumers. She opined that the industry should put in place a proper complaints handling system. In order to increase transparency and to instil public confidence on the system, Miss LAU suggested that AIs should report to the industry associations on the number of complaints they had received and the ways they had handled them, and such information should be published for public information at regular intervals. Miss LAU believed that a transparent complaints handling system would strengthen banks' awareness on the need to provide quality service to customers and hence would help avoid complaints from arising in the first place.

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HKMA

30. The Executive Director (Banking Development) HKMA (ED/HKMA) advised that the HKMA's role in consumer protection complemented the banking industry's self-regulation. To foster greater self-regulation in the industry, the HKMA would continue to work closely with the industry associations to enhance AI's compliance with the Code and to strengthen the mechanism for handling customer complaints. He also noted Mr Albert HO's suggestion to increase public involvement in monitoring the self-regulation of the banking industry in enhancing consumer protection and said that the HKMA would study the proposal further.

31. The Principle Assistant Secretary for Financial Services (PAS/FS) shared that self-regulation by the banking industry was important in enhancing protection for consumers. She further advised that apart from the Code which stipulated the standards of business conduct for compliance of AIs, there were provisions under the Banking Ordinance (Cap. 155) (BO) to protect consumer interests. For instance, the Banking (Amendment) Ordinance 2002 had provided the HKMA with more powers in regulating the conduct of AIs in carrying out their securities business. Moreover, under the new Securities and Futures Ordinance, when the HKMA identified breaches from AIs to the provisions, it could refer the cases for follow-up by the SFC which could impose legal sanctions on AIs, including fines, reprimands and revocation of registration. As a result, the HKMA would be more involved in conduct regulation of AIs. The Administration would consider the desirability of expanding HKMA's powers to regulate business conduct of other activities engaged by AIs in order to enhance consumer protection in the light of experience in implementing the two Ordinances.

32. Mr LO Chun-hing, Acting Chairman of HKAB reiterated that competition was the main driving force for banks to improve their customer services. In the face of increasing market competition, banks would lose their business if they did not maintain quality customer service. He stressed that as banks thrived on their credibility, it was in their interest to take up every complaint and enquiry seriously and expeditiously. However, Mr LO expressed reservation on Miss Emily LAU's suggestion for banks to disclose the number of customer complaints they had received and the details about how they had been dealt with. He stressed that as banks received many "enquiries" and "complaints" on a daily basis which a lot of them might not be substantiated, such information might be misleading to the public. Mr Peter WONG, Vice Chairman, Bank Representative, HKAB, remarked that the fact that the majority of complaints received by banks had been satisfactorily dealt with by respective banks had reflected that banks took their customer complaints seriously and that the interest of customers were adequately protected. However, requiring banks to publish information on the number of customer complaints might be unfair to large banks as they had a large customer base and would naturally receive a larger number of complaints.

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33. Mr Cliff FORSTER, Chariman of DTC said that DTC did not have the power to require its members to provide the association with information on their complaints. He stressed that the existing complaints handling arrangements were effective. However, DTC had no objection to providing the HKMA with more formal powers to deal with customers complaints if such a need was established. It would be appropriate to empower the HKMA with suitable discipline power, such as to "name and shame" AIs which had committed misconduct in their business.

34. Miss Emily LAU noted that according to a survey on customer complaints conducted by HKAB in early 2002, only 5.6% of the complaints received by AIs were regarded as "valid complaints", where as the rest were classified as "enquiries". She also noticed that 46.5% of these "enquiries" were eventually resolved by respective AIs providing compensations to the concerned customers, but were regarded by the AIs as "enquiries" and not "valid complaints". Moreover, Miss LAU also noted that CC had compiled statistics on customer complaints based on its own definition. As such, Miss LAU asked whether the HKMA had a definition on "customer complaint" and requested it to provide a breakdown in respect of the number of "valid complaints" and "enquiries" it received in 2001 and in the first quarter of 2002. She also enquired about the number of these complaints which had been successfully resolved.

35. ED/HKMA clarified that the nature of complaints received by the HKMA and HKAB was different. In general, AIs were able to resolve complaints they had received. But the complaints received by the HKMA covered those which could not be resolved by AIs and so the concerned complainants usually felt more aggrieved. As such, it might be difficult to develop an objective definition on "complaint" which would be acceptable to both the HKMA and HKAB. ED/HKMA stressed that the HKMA had an interest in ensuring that AIs had put in place a fair, transparent and efficient mechanism to handle customer complaints. On the 880 complaint cases received by the HKMA in 2001, more than 90% had been satisfactorily resolved by respective AIs after referral by the HKMA. At present, only 19 complaint cases remained unresolved. The reasons involved included pending outstanding litigation, further investigation and mediation. As regards the complaints received in the first quarter of 2002, the HKMA had yet to analyze the details.

36. As to the definition on "complaint", Mr LO Chun-hing opined that a "valid complaint" should be substantiated by facts that a bank had either breached the terms and conditions of the service agreement it had entered with customers, or statutory provisions, or rules or guidelines on business practices, e.g. the Code.

37. Mrs CHAN WONG Shui, Chief Executive of CC said that CC had no information on whether its complainants had also raised their complaints with the HKMA. But CC had not referred its complaints to the HKMA. Hence,

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duplication on complaints between those received by CC and the HKMA was unlikely. As regards the definitions on "complaint" and "enquiry", CC had clearly distinguished the two when compiling the complaint statistics. A "complaint" would have indicated that a complainant was not satisfied with the services or market practices of a bank. While CC noted that most of the complaints it had referred to respective banks for follow-up had been satisfactorily resolved by the banks concerned, Mrs CHAN pointed out that certain types of complaint constantly reappeared. An example was the extremely high surcharges imposed by banks on credit card holders for recovery of outstanding debts related to their credit cards. CC had provided its views on ways to enhance protection for banking customers in previous submission to the Panel and would continue to work with the HKMA closely on improving the current complaints handling arrangements.

38. Noting that over 50% of the complaints against AIs received by the HKMA in the first quarter of 2002 were related to their debt collection practices, Mr CHAN Kam-lam urged that the HKMA should take action to address this problem. He asked whether the HKMA would consider releasing the names of those AIs which had received a large number of customer complaints. In this connection, Mr CHAN recalled that there was a proposal to license the debt collection agencies for regulating their business. He then enquired about the progress in taking forward the proposal.

39. In reply, ED/HKMA reiterated that the HKMA was not empowered under the BO to disclose the name of banks for wrong conduct in their business. On the licensing proposal for debt collection agencies, he advised that the proposal was put forwarded by the Standing Committee on Company Law Reform (SCCLR) in 2002. The SCCLR had conducted public consultation on the proposal and would finalize the details in due course. The HKMA was supportive to the proposal. The Security Bureau would be responsible for preparing the legislative amendments relating to the proposal.

The proposal to set up a banking ombudsman

40. PAS/FS said that although the present arrangements for handling customer complaints were generally effective, there was room for further improvement in order to enhance protection for bank customers. Alternative arrangements available included strengthening self-regulation of banks and entrusting the industry associations with the responsibility of dealing with consumer complaints, giving the HKMA an explicit statutory role for consumer protection with necessary enforcement powers, and setting up an independent Banking Ombudsman. In considering these options, issues, such as transparency and credibility of the new system, and its cost-effectiveness should be taken into account. She added that while a banking ombudsman system had its merits, the issue about cost should be noted.

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41. Mr LO Chung-hing said that HKAB would support the HKMA to take on a statutory role for consumer protection if there were full justifications. The banking industry had strong reservation against setting up a banking ombudsman system which might duplicate with the functions of the HKMA and would have substantial cost implications on the industry.

42. Miss Emily LAU agreed that the HKMA should consider the various alternatives carefully. She also remarked that the HKMA should continue to study the pros and cons related to the banking ombudsman system.

Provision of basic banking services in public housing estates

43. Mr NG Leung-sing referred to the concern raised at the previous meeting about the lack of basic banking facilities, such as bank branches and ATM machines, in old public housing estates. He noted the Housing Authority (HA)'s reply (LC Paper No CB (1) 1543/01-02 (02)) which stated that while HA would exercise flexibility in accepting rental offers for banks to provide basic banking services at premises in public housing estates, it was still a commercial decision on the part of banks on whether to take up banking premises in the estates. Mr NG considered that the reply had not helped address the concern and opined that the Panel might need to consider whether it should pursue the matter further with HA. In this connection, Mr NG asked whether the HKMA would consider providing incentives to banks with a view to encouraging them to provide basic banking services in areas where there was a serious shortage of services.

44. ED/HKMA replied that the provision of banking services was a commercial decision for banks having regard to many factors. It would be inappropriate for the HKMA to intervene in banks' decisions, nor could the HKMA provide incentives for banks in this regard.

Way forward

45. Miss Emily LAU reiterated her concern about the lack of definition for "complaint" and urged that the HKMA should examine the need of providing a definition to facilitate relevant parties in compiling customer complaint statistics and understanding the trend. Such a definition would also be useful in the consideration of adequacy of the present complaints handling mechanism. Miss LAU further suggested that the Panel should revisit various issues relating to the subject on "Consumer protection in the banking sector" after six months. Members agreed that the Panel should discuss the subject again in the light of development in the trend of customer complaints, the efforts by the HKMA and the industry in dealing with increasing complaints, the HKMA's review on its role regarding consumer protection amidst these developments. The Panel Clerk would keep the matter in view.

Clerk

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IV Any other business

46. There being no other business, the meeting ended at 5:05 pm.

Legislative Council Secretariat
23 September 2002