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LCQ11: SME Loan Guarantee Scheme

Following is a written reply by the acting Secretary for Commerce and Economic Development, Mr Gregory So, to a question by the Hon David Li in the Legislative Council today (November 19):

Question:

With respect to the SME Loan Guarantee Scheme, will the Government inform this Council of:

- (a) the cumulative number of claims made by the participating lending institutions for defaulted loans, and the latest number of these claims which have been settled;
- (b) the average time taken for processing such claims; and
- (c) the respective numbers of claims which have been outstanding for 12 months or less, over 12 months but less than 24 months, and 24 months or over?

Reply:

President,

(a) The SME Loan Guarantee Scheme came into operation in December 2001. The risk of default is shared between the participating lending institutions (PLIs) and the Government. As at October 31, 2008, the Government has received 1,030 notifications from the PLIs for potential default claims (note 1). Among them, 502 cases have been suspended (note 2) or have become inactive (note 3). Of the remaining 528 cases, 410 claims have been fully settled, and 16 claims have reached the final stage of processing and are expected to be settled soon.

(b) According to the deed signed between the Government and the PLIs, the Government is required to pay the claim to the PLI concerned within one month after receiving all the materials required by the Government to support the claim. In 407 (i.e. over 99%) of the 410 completed cases, the claims were settled within this one-month period. The average was 26 days.

(c) Among the 118 active cases (note 4), 78 have been processed for 12 months or less, 24 cases for over 12 months but less than 24 months, and 16 cases for 24 months or more. This period counts from the date of receipt of the notification for potential default claim. The processing time for a case is usually dependent on the time taken for all the relevant documents/materials to be made available by the PLIs.

Note 1: According to the deed signed with the Government, PLIs are required to inform the Government as soon as possible if a borrower fails to repay a loan more than 60 days after the scheduled repayment date. They are then required to provide relevant documents to the Government in support of their claims.

Note 2: Cases are suspended out of PLIs' own initiative,


usually because the borrower has subsequently resumed active repayment.

Note 3: Cases are classified as inactive when the PLIs have yet to provide the documents required in support of their notifications for potential default claims, or failed to respond for more than six months to Government's request for the necessary information or documents for processing their claims.

Note 4: Being the balance of 1,030 claims after deducting 502 suspended/inactive cases and 410 fully settled cases.

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