

Legislative Council Panel on Security

Proposed Amendment to the Pawnbrokers Ordinance

Purpose

This paper seeks Members' views on the Administration's legislative proposal to increase the maximum amount of loan to which the Pawnbrokers Ordinance (Cap. 166) applies as set out in the First Schedule to the Ordinance.

Background

2. The operation of pawnbrokers in Hong Kong is governed by Cap. 166 and the Pawnbrokers Regulations (Cap. 166A) made under it. The legislation provides for the licensing of pawnbrokers as well as the regulation and control of the pawnbroking business – including the mode of operation, the interest on loans, handling of transactions by the pawnbroker, handling of and entitlement to pawned goods, and the liability of pawnbroker in respect of loss or damage.

3. The regulatory regime provided for under Cap. 166 and Cap. 166A applies only to loans by pawnbrokers within the amount specified in the First Schedule to that Ordinance. Loans outside the limit do not enjoy the rights or protection provided by Cap. 166, and are subject to the control and regulation under the Money Lenders Ordinance (Cap. 163)¹. Currently, the maximum amount of loan to which Cap. 166 applies as set out in the First Schedule to that Ordinance is \$50,000. The current loan limit of \$50,000 under Cap. 166 (i.e. the maximum amount of “exempted loans” that pawnbrokers could lend without being subject to the control and regulation under Cap. 163) was set in 1990.

The Proposal

4. In 2007, the Hong Kong and Kowloon Pawnbrokers' Association requested the Administration to raise the limit on the ground

¹ The Money Lenders Ordinance (Cap. 163) provides for the control and regulation of money lenders and money lending transactions. According to section 2 of Cap. 163, “money lender” means every person whose business (whether or not he carries on any other business) is that of making loans or who advertises or announces himself or holds himself out in any way as carrying on that business but does not include, inter alia, any person who makes an “exempted loan” specified in Part 2 of Schedule 1. Loans made by a licensed pawnbroker under Cap. 166 to which that Ordinance applies are “exempted loans” for the purpose of Cap. 163, and hence are not subject to the requirements under Cap. 163.

that, given the lapse of time, the prices of the more popular items pawned to pawnbrokers (e.g. gold articles, jewellery, valuable watches, etc.) had far exceeded the current limit. The Association proposed that the limit should be raised to \$100,000 so that the service of pawnbrokers would remain attractive to potential clients.

5. Our assessment also indicates that since 1990, the Consumer Price Index (CPI) has risen by 63.7%. The proposed limit of \$100,000, though exceeds the CPI increase during the time, is considered appropriate and necessary for the pawnbroking industry in Hong Kong. The Police consider that the increased limit should not have adverse impact on crime prevention.

Way forward

6. With Members' advice, if any, we shall proceed with the legislative amendments to Cap. 166, with a view to implementing the legislative proposal in the 1st quarter of 2009.

Security Bureau
October 2008