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LegCo Panel on Security

**Subcommittee on
Indebtedness of Police officers**

**Minutes of meeting
held on Tuesday, 5 October 1999 at 2:30 pm
in Conference Room B of the Legislative Council Building**

Members present : Hon James TO Kun-sun (Chairman)
Hon David CHU Yu-lin
Hon CHEUNG Man-kwong
Hon Gary CHENG Kai-nam, JP

Public Officers attending : Miss Eliza YAU
Principal Assistant Secretary for Security E

Mr LEUNG Lau-on
Chief Superintendent (Staff Relations and
Conditions of Service)
Hong Kong Police Force

Ms Grace LEUNG
Senior Superintendent (Staff Relations)
Hong Kong Police Force

Mr LAM Cheuk-ping
Superintendent (Staff Relations 2)
Hong Kong Police Force

Clerk in attendance : Mrs Sharon TONG
Chief Assistant Secretary (2)1

Staff in attendance : Miss Betty MA
Senior Assistant Secretary (2) 1

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I. Election of Chairman

Mr James TO was elected Chairman of the Subcommittee.

II. Terms of reference

(LC Paper No. CB(2) 2877/98-99(01))

2. Members endorsed the terms of reference of the Subcommittee as set out in LC Paper No. CB(2) 2877/98-99(01).

III. Meeting with the Administration

3. Chief Superintendent (Staff Relations and Conditions of Service) (CSP(SR & CS)) said that the Force management took a very serious view of the problem of indebtedness of Police officers and had developed a comprehensive strategy for preventing, identifying and dealing with the indebtedness of Police officers. A list of measures introduced by the Force management between 1994 and 1999 to tackle the problem of indebtedness of Police officers were summarized at Annex A of the information paper. He stressed that the Force management had no sympathy for officers who borrowed simply for indulgence in overspending or gambling as well as those who had their efficiency impaired as a result of their indebtedness. Every case of officers with unmanageable debts would be followed up. He then took members through Figures I to IV of the information paper which provided a breakdown of reasons for and the trend of Police officers incurring unmanageable debts for the period between 1994 and the first half of 1999. He said that the overall situation had improved over the past four years as the number of Police officers with unmanageable debts (OUDs) decreased from 180 in the first half of 1994 to 75 in the first half of 1997.

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An increase in number was recorded in 1998 as the economic turmoil in 1997 had an adverse impact on the Force members in the same manner as it had on the community. He pointed out that although some indebted Police officers were directly responsible for their indebtedness, 40% were indebted due to problems of their family members or relatives.

4. CSP(SR & CS) emphasized that the Force management maintained a strict policy against indebtedness of Police officers. The Force management would try to understand the reasons why Police officers incurred debts and render prompt assistance to Police officers who were indebted. The respective Formation Commanders would interview OUDs who had debts of or more than \$100,000 and the District training and staff relations officers would interview OUDs who had debts of less than \$100,000 monthly with a view to assessing their progress of repaying debts and their performance. The Formation Commanders would submit progress report on OUDs with debts of or more than \$100,000 to the Force Headquarters on a quarterly basis. These officers would be prohibited from performing sensitive duties which involved public funds or vulnerable to corruption opportunities. Sixteen stress management workshops, with the attendance of 187 OUDs, had been conducted to help allay their stress arising from indebtedness. Police Clinical Psychologists and Police Welfare Officers would provide counselling services and advice to these officers as necessary.

5. CSP (SR & CS) added that during the Director of Audit's follow-up review on police indebtedness, it had been suggested that measures which promoted and built up a culture of prudent financial management and healthy lifestyle among Police officers should be continued. In its report No. 35 of 1999, ICAC also pointed out that the preventive measures adopted by the Force management to tackle the problem of indebtedness of Police officers were effective. Lastly, CSP (SR & CS) said that the Police would maintain constant review of and improve the measures to tackle the problem. The Force management welcomed any views and suggestions from the Subcommittee on the matter.

Effectiveness of the Force's strategy

6. Noting from Figure IV of the information paper that the number of OUDs newly identified was on the increasing trend, Mr CHEUNG Man-
kwong queried the Force's claim that there had been significant improvement in the general situation of Police indebtedness during the past years. He said that Police officers who had had unmanageable debts for a prolonged period, those who had been issued with notices of tax recovery particularly for an amount of over \$50,000 and those who were

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at the same time receiving notices of tax recovery and repaying salary advances under Civil Service Regulations (CSR) 618 and loans from the Police Welfare Fund were "high risk" officers, i.e. they were more prone to crimes and corruption. He urged that the Force management should take a serious view of the matter and enquired about the specific measures adopted to tackle the problem of Police indebtedness in respect of these "high risk" officers.

7. CSP (SR & CS) responded that the Force could not punish an officer simply because he had received a notice of tax recovery, salary advance or borrowed from the Police Welfare Fund. In a recent judicial review which quashed the punishment of dismissal awarded to the defaulter, it was established that both elements of serious pecuniary embarrassment and efficiency impairment had to be substantiated. Disciplinary proceedings could only be instituted against an officer who had serious pecuniary embarrassment resulting in efficiency impairment. Officers with unmanageable debts would not be deployed to sensitive duties which involved public funds or vulnerable to corruption opportunities.

8. CSP (SR & CS) briefed members on the number of Police officers convicted of debt related disciplinary offences as follows -

<u>Year</u>	<u>No. of officers</u>	<u>Year</u>	<u>No. of officers</u>
1994	20	1997	8
1995	14	1998	23
1996	5	1 st half of 1999	9

He said that out of these convicted Police officers, 31 were OUDs. Of these OUDs, 19 were punished by dismissal or ordered to resign, five were punished by compulsory retirement and seven were either reprimanded or severely reprimanded.

9. CSP (SR & CS) pointed out that of the 165 OUDs identified in the first half of 1999, 161 were junior officers and four were at the inspectorate rank. Of the 165 OUDs identified in the first half of 1999, 150 had outstanding debts with credit card companies. As illustrated by the findings of surveys conducted by non-government bodies on the use of credit cards, it was rather common that many people would acquire more than one credit card and settle the monthly minimum payment. According to the findings from one of the surveys, 20% of the respondents had three or more credit cards, 30% of the respondents had used the overdraft facilities and 15% of the respondents had been given a credit limit exceeding two times their monthly remuneration. As revealed in another survey conducted amongst 521 youngsters aged between 18

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and 30 in August 1999, 27% of the respondents had three or more credit cards and 19% of the respondents repaid the monthly minimum amount. With reference to the information provided by a credit information company, the number of reported bad debts were 21 663, 24 233 and 42 473 in the second half of 1997, the second half of 1998 and the first half of 1999 respectively. CSP (SR & CS) stressed that an increasing number of credit cards related bad debts was probably due to the recent financial crisis, which had an impact on the Force members in the same manner as it had on the community. The 165 OUDs identified in the first half of 1999 represented 0.58% against the establishment of the Force. The majority of Force members was prudent on their own financial management.

10. Mr CHENG Kai-nam enquired about the effectiveness of the measures implemented by the Force management to tackle the problem of indebtedness of Police officers. CSP (SR & CS) responded that the Force management believed that in addition to instituting disciplinary actions, the problem would be tackled effectively by adopting preventive and educational measures. He stressed that under no circumstances would Police officers who involved in illegal gambling, borrowing from illegitimate sources and having their efficiency impaired as a result of their indebtedness be tolerated. CSP (SR & CS) said that the Force management took a very serious view on gambling. Of the 16 Police officers who were disciplined because of gambling in the past four years, 15 were dismissed. Members of the Force were required to notify their supervisors when making private visits to the Mainland and Macau so that the Force management could follow up any irregularities spotted. In addition, should any member of the Force engaged in gambling within the Police premises or while on duty, they would be subject to disciplinary proceedings.

11. Mr David CHU said that the Force management should not interfere with the life styles of individual officers if their spending pattern or hobbies had no adverse impact on their performance bearing in mind individuals' privacy. Given that the number of OUDs represented only a small fraction of the Force establishment, he considered that the existing measures introduced by the Force management were sufficient for tackling the problem of Police indebtedness.

12. The Chairman said that the preventive and educational measures introduced for tackling the problem of Police indebtedness might be useful in providing the relevant education and training to all Police officers but would not serve any purpose for those who had already run into debts. He expressed doubt about the effectiveness of the measure as they could not relieve OUDs from their debts.

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Situation of officers in other disciplinary forces with unmanageable debts

13. Noting that the situation of officers in other disciplinary forces with unmanageable debts was not particularly serious as compared with that in the Force, Mr CHEUNG Man-kwong enquired about the reasons for the difference. CSP (SR & CS) explained that this was due to the difference in the definitions of unmanageable debts adopted by other disciplinary forces. If the definition of unmanageable debts adopted by the Fire Services Department (i.e. officers with unmanageable debts as those who had become insolvent and applied for bankruptcy under CSR 457) was adopted by the Force, the number of OUDs would be revised as follows-

<u>Year</u>	<u>No. of OUDs</u>	<u>Year</u>	<u>No. of OUDs</u>
1994	2	1997	3
1995	1	1998	5
1996	1	1 st half of 1999	4

In respect of the Correctional Services Department, one of the three elements of the definition was that the loan amount exceeded the officer's annual income which was around HK\$200,000. Of the 165 OUDs in the Force in the first half of 1999, 21 (13%) had debts under \$100,000.

Situation of Police officers with unmanageable debts

14. Referring to Figure VI, the Chairman pointed out that the total number of Police officers who had been issued with notice of tax recovery exceeded the number of OUDs in the corresponding period. In response, CSP (SR & CS) said that Figure VI set out the number of notice of tax recovery issued to Police officers who had not settled their tax on time. Of these officers, only a small fraction was OUDs. He added that according to the findings of internal investigations, about 50% of Police officers did not settle their tax on time because of oversight, 10% claimed that they had not received the demand notes and another 10% were in dispute with the Inland Revenue Department over the tax assessment. Only about 11% of these officers were in temporary or long term financial difficulties. For each of these cases came to the notice of the Force management, the Police officers in question would be interviewed by their respective supervisors and their names would be placed on the list of OUDs if they were confirmed having unmanageable debts.

15. The Chairman said that he had the impression that the culture of gambling in the Force was deep rooted which might not be fully reflected

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from the number of OUDs identified who were indebted for reason of gambling. CSP (SR & CS) said that as far as he was aware, there did not exist a culture of gambling in the Force. Of the 165 OUDs identified in the first half of 1999, the number of Police officers who were indebted because of gambling represented less than 0.1% of the establishment. Gambling did exist in our society but the general situation of Police officers who were indebted because of gambling was improving. Nevertheless, Police officers involved in illegal gambling would not be tolerated.

16. Mr David CHU enquired whether the problem of Police indebtedness had a direct correlation with the working environment of the Force. CSP (SR & CS) responded that as shown in Figure I, the number of OUD who were indebted due to gambling accounted for a very small fraction of the establishment. The situation was not alarming.

17. CSP (SR & CS) said that 24 115 Police officers were members of the Police Credit Union and the total savings amounted to \$438 million as at 30 June 1999. It illustrated that the majority of Force members was prudent on financial matters.

18. The Chairman expressed concern about the situation of Police officers who had acquired an excessive number of credit cards and were unable to settle the outstanding amount. Superintendent (Staff Relations 2) (SP SR 2) said that upon receiving enquiry letters from financial institutions, the Force management would interview the Police officers concerned and follow up each and every case. To the Force management's knowledge, 441 enquiry letters from financial institutions concerning 240 Police officers had been received in the first half of 1999. CSP (SR & CS) pointed out that of the 165 OUDs identified in the first half of 1999, 85 were identified through investigations into enquiry letters from financial institutions, and 35 OUDs were disclosed when they sought assistance from their senior officers voluntarily.

19. Mr CHEUNG Man-kwong commented that the number of enquiry letters issued by financial institutions to Force members could not fully reflect the situation of Police indebtedness. A Police officer might resort to other channel for borrowing which would not invoke the indebtedness monitoring mechanism in the Force. Moreover, the effectiveness of the preventive measures introduced by the Force management depended very much on whether members of the Force would report suspicious indebtedness cases.

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20. At the request of the Chairman, SP SR 2 agreed to provide information on the number of Police officers who were interviewed in the

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Formation level in relation to their financial position in the past three years, together with the reasons for conducting the interview.

21. The Chairman asked whether the Force management had any information about the different types of investment engaged by OUDs. In response, SP SR 2 said that of the 13 OUDs for reason of investment failure, nine were indebted because of the loss incurred in the stock market and four were indebted because of the loss incurred in the property market. As regards indebtedness for reason of business failure, SP SR 2 said that most of the OUDs who were indebted because of businesses failure, their business were normally run in the Mainland. In response to Mr CHEUNG Man-kwong's enquiry as to whether Police officers were required to declare their investment and business, CSP (SR & CS) said that Police officers were not prohibited from engaging in investment and legal business activities. Police officers should ensure that their investment and business involved no conflict of interests with their duties in accordance with the relevant civil service regulations.

Improvements to handling measures and assistance offered to OUDs

22. The Chairman remarked that the number of OUDs who were dismissed or ordered to resign on conviction of debt related disciplinary offences was on the low side as compared with the number of OUDs identified for reasons of gambling or overspending. He expressed doubt whether the situation was due to the tolerance of the Force management. To tackle the problem more thoroughly, the Chairman suggested that the Administration should in consultation with the Department of Justice, explore feasible measures to tackle the problem of indebtedness of Police officers who were suspected to have financial difficulties. CSP (SR & CS) said that the Force management was able to identify Police officers who had had unmanageable debts reasonably early and take appropriate actions promptly. According to legal advice, disciplinary actions could be instituted only when the Force management could establish that the performance of OUDs was affected directly by their indebtedness. He assured members that these officers would not be assigned to take up sensitive jobs. Based on experience, OUDs who had debts for a relatively long period would normally leave the service in two to three years for reason of punishment by dismissal, bankruptcy or resignation.

23. To better understand the extent of the problem and the reasons of indebtedness, Mr CHEUNG Man-kwong suggested that an experience sharing session with Police officers with or had been with unmanageable debts be arranged. CSP (SR & CS) said that he would try to arrange an experience sharing session bearing in mind the matter involved the privacy of individual officers. The Chairman also suggested that staff

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associations in the Force be invited to give views on the subject.

(Post-meeting note : Letters to four staff associations in the Force inviting views on the problem of indebtedness of Police officers were issued on 11 October 1999.)

24. Mr CHENG Kai-nam asked what assistance had been provided by the Force management to OUDs to help them solve their problem of indebtedness. CSP (SR & CS) said that the Force management would assist OUDs to restructure their repayment arrangements, e.g. to discuss with the creditors to extend the period of repayment. The Force management would interview OUDs at regular intervals with a view to assessing their progress of repaying debts and whether the debts had direct impact on their efficiency in carrying out their duties. Disciplinary actions would be instituted where appropriate. By organizing a series of stress management workshops, the Force management hoped that Police officers would be aware of the techniques in prudent financial management and the undesirable consequences of indebtedness.

25. Mr CHEUNG Man-kwong asked whether consideration could be given to providing financial assistance to OUDs for an early repayment of debts, such as permitting them to work overtime. CSP (SR & CS) responded that overtime work allowance would be granted on a need basis.

26. The Chairman said that an early identification of the financial problem of individual Police officers could enable the Force management to offer appropriate assistance. He urged the Administration to further discuss with the Department of Justice on the feasibility for the Force management to obtain information on the financial position of Police officers who were believed to have financial difficulties, but not necessarily classified as having unmanageable debts.

27. CSP (SR & CS) responded that according to legal advice, the proposal would likely constitute an arbitrary interference with the officers' privacy as provided under the Bill of Rights Ordinance. The Force management would issue new guidelines under which OUDs were required to report to their respective Formation Commanders if they incurred new debts. OUDs would be subject to disciplinary actions for non-compliance with the new guidelines. SP SR 2 added that according to legal advice, the new guidelines did not violate the Bill of Rights Ordinance as it was not an arbitrary request, but measures to ensure the integrity of and the public confidence in the Force. The requirement was considered feasible and effective for monitoring the progress of OUDs in repaying debts.

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28. To detect the problem of indebtedness of individual Police officers at an early stage, Mr CHEUNG Man-kwong and the Chairman urged the Force management to consider strengthening the preventive measures by requiring all Force members to declare their debts or empowering the management to obtain information on the financial position of Police officers. In response, SP SR 2 said that the Force management shared the view that early identification of an officer with unmanageable debts was important and that extensive preventive measures were adopted in the Force. For instance, when a Police officer received notice of tax recovery, his supervisor would interview him at regular intervals followed by keeping a personal file for at least twelve months and reporting to the Police Headquarters regularly. In addition, training would be provided to junior operational staff at supervisory level to detect minor irregularities amongst their colleagues. The role of Training and Staff Relations Officers had been enhanced to provide further assistance to individual officers. It was encouraging that an increasing number of Police officers had sought assistance from the Training and Staff Relations Officers regarding their financial problems.

IV. Date of next meeting

29. The Chairman said that the next meeting would be scheduled pending the response from the Administration to issues raised by members at this meeting and views from the staff associations in the Force, if any.

(Post-meeting note : The next meeting would be held on 16 October 1999 at 10:45 am)

30. The meeting ended at 4:30 pm.

Legislative Council Secretariat
29 November 1999