

**For discussion  
on 6 May 2019**

**Legislative Council Panel on Financial Affairs**

**Measures to tackle money lending-related malpractices**

**PURPOSE**

This paper updates Members on the measures implemented by the Government to tackle money lending-related malpractices.

**BACKGROUND**

2. In view of increasing public concerns that some fraudsters, claiming themselves to be intermediaries, used deceptive tactics to induce prospective borrowers to engage them for arranging loans and to charge very high fees in the process, the Government has, since 2016, implemented a four-pronged approach to tackle these problems, namely –

- (a) enhanced enforcement by the Police;
- (b) imposition of more stringent licensing conditions on money lenders;
- (c) enhanced public education and publicity; and
- (d) enhanced advisory services to the public.

3. The Government conducted a review of the four-pronged approach and reported the review outcomes to the Panel on Financial Affairs at its meeting in February 2018 (please see CB(1)530/17-18(05)). While the four-pronged approach is generally effective in addressing money lending-related malpractices, the Government has implemented further enhancement measures in the past year to strengthen the regulation of money lenders and to better protect the public.

## **LATEST DEVELOPMENTS**

### ***(a) Enhanced enforcement by the Police***

4. The number of complaints against unscrupulous intermediaries received by the Police has significantly dropped since the implementation of the four-pronged approach in 2016. In 2017 and 2018, the Police received 144 and 177 complaints suspected to involve unscrupulous intermediaries respectively. These numbers are significantly lower than the 597 complaints filed in 2016. All complaints alleged to involve unscrupulous intermediaries are followed up by the crime investigation units of the Police.

5. The Police also carried out a number of targeted enforcement exercises against unscrupulous intermediaries in 2018. In particular, major operations involving Police units territory-wide were conducted to maximise the deterrent effect. As a result, in 2018, a total of 20 persons were charged with offences, including “conspiracy to cheat and defraud” in relation to deception involving financial intermediaries. Additionally in 2018, four other persons were sentenced to imprisonment between 16 and 42 months. The Police will continue to take resolute measures to combat unscrupulous intermediaries and the associated fraud cases.

6. The Police remains vigilant to changes of trend in cases of deception involving financial intermediaries and will take all necessary actions to target any such threats. The Police observes that in some cases, the culprits would reach out to potential victims by cold-calling, lure them with favourable loan offers, and demand administrative fees or guarantees in return, but only to disappear after receiving the money from the victims. In some other cases, the culprits would help the victims to obtain loans, personal or mortgage, for repaying previous loans or making investment, and by deceit take hold of the loans before vanishing. In view of the foregoing, regular training on detecting deception involving financial intermediaries is included in various Police training programmes, through which officers from different units are better equipped to take appropriate enforcement actions.

7. In parallel, the Police and the Companies Registry (“CR”) hold regular liaison meetings to exchange information and intelligence on their respective enforcement efforts. To demonstrate the Government’s

determination and concerted effort in combating money lending-related malpractices, the Police and the CR recently conducted a joint operation against money lenders and intermediaries involving in malpractices, during which a total of 17 persons were arrested by the Police. The joint operation has combined the Police's enforcement strength with the CR's regulatory arm to collaboratively tackle money lending-related malpractices.

***(b) Compliance with licensing conditions***

8. Since December 2016, ten additional licensing conditions have been imposed on all licensed money lenders in order to (a) ensure effective enforcement of the statutory ban on separate fee charging on borrowers by money lenders and their connected parties<sup>1</sup> and enhance the regulation of the money lending industry; (b) ensure better protection of privacy of borrowers and intending borrowers; (c) enhance transparency and disclosure; and (d) promote prudent borrowing. Since October 2018, two more licensing conditions have been imposed. Under these new conditions, a licensed money lender is required to comply with specific anti-money laundering and counter-terrorist financing requirements. A licensed money lender is also required, if a referee is involved in a loan application, to obtain such referee's written consent confirming his/her agreement to act as a referee in respect of the loan application.

9. Overall compliance with the licensing conditions is generally satisfactory. Since the imposition of the more stringent licensing conditions in December 2016 and up to February 2019, the CR has conducted site inspections on 864 licensed money lenders, covering some 40% of the licensed money lenders sector.

10. For cases where non-compliance is identified, the CR has taken prompt follow-up actions. Up to February 2019, the CR has issued 403 rectification orders to the money lenders concerned to require rectifications within a specified period. The CR has also conducted 319 follow-up site inspections to check if the money lenders concerned have completed the rectification actions. If the money lenders still fail to rectify the

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<sup>1</sup> Section 29(10) of the Money Lenders Ordinance (Cap. 163) ("MLO") prohibits the charging of any fees on borrowers by money lenders, their employees, agents and persons acting for them and persons acting in collusion with them.

non-compliance, the CR will issue warning letters and arrange for a third site inspection. Up to February 2019, the CR has issued 32 warning letters. Depending on the severity of the non-compliance, the CR will consider raising objections to the Licensing Court upon application for licence renewal by the money lenders concerned.

11. In terms of the nature of non-compliance, the majority is in relation to record-keeping on (a) explanations given to the borrowers concerned of the terms and conditions of the loan agreements; and (b) borrowers' responses as to whether the borrower concerned has entered into any agreement with intermediaries, the particulars of the intermediary involved and the relationship between the money lender and the intermediary in the loan agreement. In this regard, the CR has provided improved sample forms to facilitate compliance by licensed money lenders and better protect prospective borrowers.

12. The CR has also been monitoring the advertisements put up by licensed money lenders in relation to their money lending businesses in accordance with the more stringent licensing conditions. Up to February 2019, the CR has issued 138 rectification orders to the money lenders concerned to require rectification actions. Warning letters will be issued if the money lenders still fail to rectify the non-compliance. Up to February 2019, the CR has issued 20 warning letters in this regard.

13. The follow-up actions taken by the CR have proven to be effective, as evident from how the money lenders concerned have all rectified the irregularities as requested. The CR will continue to conduct site inspections on the premises of licensed money lenders and monitor their advertisements to ensure proper compliance.

***(c) Enhanced public education and publicity***

14. In order to raise public awareness and alertness of money lending-related malpractices, the Government has rolled out a series of public education and publicity activities in 2018. These include broadcasting Announcements of Public Interest ("APIs") on television and radio; placing territory-wide advertisements on public transport and newspapers; posting videos on social media platforms; distributing posters and publicity leaflets through Home Affairs Enquiry Centres, banks, licensed money lenders, owners'

corporations, public housing estates, Government buildings, etc.; and collaborating with the Police through its scam prevention platform “Fight Scams Together”, including online channels such as YouTube, Facebook and Instagram, and publicity events at the district level.

15. In addition, the Police has set up the Anti-Deception Coordination Centre (“ADCC”) for stepping up the fight against deception and enhancing public awareness of various kinds of scams. ADCC coordinates resources to provide timely publicity and education campaigns to raise vigilance on various types of frauds, including unscrupulous financial intermediaries. Furthermore, members of the public may make use of ADCC’s 24-hour hotline “Anti-Scam Helpline 18222” to seek consultation and Police assistance when encountering suspicious situations.

16. As one of the common deception tactics is to cold call and pretend to be bank staff, the Hong Kong Monetary Authority (“HKMA”) has been reminding the public to stay vigilant against suspicious calls or messages purportedly from banks. Through APIs on television and radio, publicity materials on printed media and at bank branches, HKMA’s website and various social media platforms, members of the public are urged to verify the callers’ identity via banks’ hotlines before executing any transactions. As an effort to advocate “responsible borrowing”, HKMA also requires retail banks to include the message, “To borrow or not to borrow? Borrow only if you can repay!”, in the advertisements in relation to their lending businesses to retail customers and small and medium enterprises.

***(d) Enhanced advisory services to the public***

17. Two non-governmental organisations (“NGOs”) have, since 2016, been engaged to provide dedicated hotlines to assist people facing financial problems. The dedicated hotlines serve as a convenient channel for people in financial distress to seek assistance and independent advice on how to handle their financial problems and be less vulnerable to the inducement by unscrupulous intermediaries.

18. In the past year, each of the dedicated hotlines received some 120 calls in relation to emotional or family problems arising from financial distress a month on average. In such cases, the NGOs would provide emotional

support and make referrals to their related social services units for counselling. In cases where the callers suspect that they have been approached by fraudsters or have been deceived by unscrupulous intermediaries, the NGOs would advise the callers to report the cases to the Police as appropriate.

### **NEXT STEP**

19. The Government will continue to closely monitor the effectiveness of the four-pronged approach in tackling money lending-related malpractices, and consider further enhancement measures as and when necessary.

### **ADVICE SOUGHT**

20. Members are invited to note the measures implemented by the Government in tackling money lending-related malpractices as set out in this paper.

**Financial Services Branch**  
**Financial Services and the Treasury Bureau**  
**26 April 2019**