For discussion
on 7 July 2025

Legislative Council Panel on Financial Affairs

Enhancing Regulation of Licensed Money Lenders

PURPOSE

The Government is conducting a public consultation on enhancing the regulation of licensed money lenders ("money lenders"), with a view to addressing the issue of excessive borrowing. This paper briefs Members on the proposed measures.

BACKGROUND

2. The Government has been closely monitoring the market situation in the money lending sector to continuously review and enhance the prevailing regulatory measures, inducing money lenders to grant loans more responsibly and better safeguarding the public interest.

3. In 2021, we enhanced the licensing conditions of money lenders, including requiring money lenders, before entering into a loan agreement for an unsecured personal loan, to undertake an assessment of the borrower's repayment ability and have due regard to the assessment outcome; any advertisement in relation to the money lending business of a money lender issued or published by the money lender must be fair and reasonable and not contain misleading information; and money lenders must, before entering into any loan agreement, ask the intending borrower to provide the written consent signed by the referee(s) confirming his/her agreement to act as referee for the intending borrower in respect of the loan application. Money lenders are required to immediately cease to use a referee's information after they are informed or aware that the written consent was in fact not signed by the referee. In 2022, we lowered the statutory interest rate cap and the threshold of extortionate rate[1] from 60% to 48% and from 48% to 36% respectively in order to lessen the interest burden on borrowers.

[1] Under section 25 of the Money Lenders Ordinance, if the court is satisfied that a transaction is extortionate, it may reopen the transaction so as to do justice between the parties and, for that purpose, make such orders and give such directions in respect of the terms of the transaction or the rights of the parties thereunder as the court may think fit.

Prevailing Regulatory Arrangements

4. Any person who carries on business as a money lender in Hong Kong must obtain a money lender's licence. The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance (Cap. 163), covering interest rate cap, restrictions on fees and charges, as well as advertisement contents, etc. When carrying on money lending business, a money lender is subject to the licensing conditions imposed by the Licensing Court in the money lender's licence. The scope of regulation covers intermediaries, privacy protection, information disclosure and advertisement contents, etc.

5. Currently, the Licensing Court, the Companies Registry ("CR") and the Police have their respective roles in the regulatory regime for money lenders. The Licensing Court is responsible for determining applications for money lender's licences and granting licences, as well as imposing licensing conditions in money lender's licences. The CR is responsible for processing applications for money lender's licences, licence renewals, maintaining a register of money lenders for public inspection and monitoring money lenders' compliance with licensing conditions. The Police is responsible for enforcing the Money Lenders Ordinance, including examining applications for money lender's licences and licence renewals, investigating complaints against money lenders to enforce the law, such as operating money lenders' business without a licence and lending money at an interest rate exceeding the statutory limit, etc.

6. When carrying on money lending business, a money lender must strictly comply with the licensing conditions. Violating the licensing conditions in one's licence is a contravention of the Money Lenders Ordinance. Upon conviction, offenders are subject to a maximum fine of $100,000 and imprisonment for two years. If the CR and the Police consider that a licensee has ceased to be a fit and proper person to carry on business as a money lender, it may apply to the Licensing Court for revocation of his/her licence or reject his/her licence renewal application. In processing an application for renewal of a money lender's licence, the CR and the Police will also take into account all relevant factors, including whether the money lender has been the subject of any complaint, warning, prosecution, etc., in deciding whether to make an objection to the Licensing Court in respect of the licence renewal application.

Proposed Measures

7. To bolster our efforts in tackling the problem of excessive borrowing, we **propose** to enhance regulation of unsecured personal loans, strengthen protection of public interest, optimise and enhance the borrower affordability assessment for unsecured personal loans, enhance complaint handling process, step up publicity and education and enhance the money lender regulatory regime. Details of the various measures are as follows.

Enhancing Regulation of Unsecured Personal Loans

8. In 2021, we introduced a licensing condition regarding the assessment of the borrower's affordability. A money lender shall, before entering into any agreement for unsecured personal loan or before granting any significant increase in the amount of loan under an agreement for unsecured personal loan, undertake an assessment of the intending borrower's or borrower's ability to make repayments under the loan agreement affordably and have due regard to the outcome of the assessment in respect of affordability. In carrying out the assessment, the money lender shall consider the intending borrower's or borrower's income, expenditure and his/her ability to make repayments under the loan agreement. Other considerations may include the amount of the loan principal, total interest payable, duration of the term for repayment and the intending borrower's current credit and financial information, etc.

9. To bolster our efforts in tackling the problem of excessive borrowing among low-income earners[2], it is necessary to enhance the regulation of unsecured personal loans approved by money lenders. We **propose** to set an aggregate cap on unsecured personal loans, based on the borrower's monthly income. If the borrower's monthly income is below a specified level, his/her "aggregate loan amount"[3] for unsecured personal loans cannot exceed a certain ratio of his/her monthly income. Therefore, before granting an unsecured personal loan, money lenders must calculate whether the relevant ratio would be exceeded after the loan is granted.

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[2] In 2016, the Government launched the Working Family Allowance Scheme, to support low-income working families who were not receiving the Comprehensive Social Security Assistance and had longer working hours. Under the Scheme, the monthly one-person household income upper limit for full-rate allowance is $12,000.

[3] The "aggregate loan amount" refers to the total outstanding unsecured personal loan amount lent by all money lenders to the borrower concerned, as known to the money lender.

10. We propose to set the level of borrowers' monthly income and their corresponding aggregate unsecured personal loan caps as follows –

	Borrower's monthly income*	**Aggregate unsecured personal loan cap**
(i)	HK$ 5,000 or less	Not exceeding one month's income
(ii)	From HK$5,001 to HK$10,000	Not exceeding two months' income

** If the borrower does not have a fixed income, the money lender must calculate the borrower's average monthly income, based on the borrower's income record from the previous 12 months.*

11. We notice that various sectors of the community hold different views on how to handle the problem of excessive borrowing among low-income earners, and hope to strike a balance between protecting borrowers and maintaining a vibrant money lending market. Therefore, in addition to the proposal in paragraphs 9 to 10 above, as an alternative, we also **propose** setting a "debt servicing ratio" cap for unsecured personal loans. When formulating the ratio cap, we have made reference to the regulatory arrangements in the local banking industry. For property mortgage loans, the Hong Kong Monetary Authority ("HKMA") stipulates a maximum debt servicing ratio at 50%. As for unsecured personal loans, the HKMA requires banks to set appropriate debt servicing ratio caps for such loans.

12. We propose to set the level of borrowers' monthly income and their corresponding debt servicing ratio [4] caps as follows –

	Borrower's monthly income*	**Debt servicing ratio cap**
(i)	HK$ 5,000 or less	Not exceeding 35%
(ii)	From HK$5,001 to HK$10,000	Not exceeding 40%

** If the borrower does not have a fixed income, the money lender must calculate the borrower's average monthly income, based on the borrower's income record from the previous 12 months.*

[4] References to "debt" in the "debt servicing ratio" refer to the total monthly repayments to be made by the borrower, in respect of the total outstanding unsecured personal loan amount lent by all money lenders, as known to the money lender.

13. For example, if a borrower's monthly income is HK$5,000, according to the aggregate unsecured personal loan amount cap proposed in paragraph 10, provided that the borrower has no other outstanding unsecured personal loans, the maximum amount of unsecured personal loan that a money lender may grant to the borrower would be HK$5,000. If a debt servicing ratio cap is set as proposed in paragraph 12, the maximum monthly repayment amount for the borrower should be HK$1,750 (i.e. not exceeding 35% of monthly income). Assuming the money lender charges an annual interest rate of about 30%, if the borrower has no other outstanding unsecured personal loans and repayments are made in 12 monthly instalments, the maximum loan amount that a money lender may grant to the borrower would be HK$18,000.

14. In addition, we notice that some borrowers, when their employment contracts were about to end, took out big loans from money lenders and then disappeared, resulting in their employers being approached by money lenders and their debt collectors to recover the debts. To eliminate such situation, we **propose** that in addition to the aforementioned regulation of unsecured personal loans from money lenders, when money lenders grant unsecured personal loans, the repayment periods shall not be longer than the remaining term of the borrowers' employment contracts.

Strengthening Protection of Public Interest

15. To address situation where employers are harassed for their foreign domestic helpers' ("FDH") borrowing, the money lender licensing conditions currently clearly set out relevant regulatory requirements, including requirements regarding loan referees, debt collection and personal data protection, etc. The role of a referee is confined to the provision of information about an intending borrower in respect of a loan application. Under no circumstances is a referee liable for repayment of a loan.

16. To further strengthen protection of public interest, especially the interest of FDH employers, we **propose** to adopt the following measures, in addressing situation where loan referees are provided by borrowers in their loan applications –

(i) After receiving the loan referee's written consent for a loan application, the money lender must proactively send a letter to the referee to verify the authenticity of the written consent. The money lender may only use the loan referee's information after receiving the loan referee's written confirmation; or

(ii) The loan referee must sign the written consent concerned in person, at the premises where the money lender carries on its money lending business.

17. We are aware that loan referees are not essential for loan applications, yet this may cause a lot of nuisance to those who are unwittingly declared as referees. Another measure under consideration is to prohibit money lenders from requesting borrowers to provide loan referees when applying for unsecured personal loans.

Optimising and Enhancing the Borrower Affordability Assessment for Unsecured Personal Loans

18. In April 2024, under the support of the HKMA, the Hong Kong Association of Banks, the Hong Kong Association of Restricted Licence Banks and Deposit-taking Companies, and the Hong Kong S.A.R. Licensed Money Lenders Association Limited (collectively as the "Industry Associations") launched the Credit Data Smart ("CDS"), to introduce more than one consumer credit reference agency, with a view to promoting the market competition of consumer credit reference services and enhancing the service quality of consumer credit reference agencies.

19. The Government has been actively encouraging the money lending sector to participate in the CDS, so that the affordability of borrowers for unsecured personal loans can be more accurately assessed. As at May 2025, 36 money lenders have joined the CDS. According to the financial information provided by money lenders, as at the end of 2024, the total unsecured personal loan amount of those 36 money lenders made up about 64% of the loan business concerned of all money lenders. The unsecured personal loan market is concentrated mainly among the larger money lenders. In terms of loan amount[5], the top five money lenders that have joined the CDS made up over 60% of the market concerned. Furthermore, as at the end of 2024, in the overall money lender market, only about half of the money lenders engaged in unsecured personal loan business, and about 70% of their unsecured personal loan business amounted to less than $10 million.

20. To encourage more money lenders to join the CDS, the Government and the HKMA have been working closely with the Industry Associations to

[5] The loan amount concerned refers to the amount of unsecured personal loans made in 2023 by money lenders with unsecured personal loans amounting to $10 million or above, as at the end of 2023.

research into and provide different solutions, as well as to organise briefing sessions on the CDS and proactively invite money lenders that have not joined the CDS to meetings. Furthermore, the platform operator (i.e. Credit Reference Platform Limited which is a wholly owned subsidiary of Hong Kong Interbank Clearing Limited) has developed an interface, namely the "Common Module", which provides an effective, lower-cost, and convenient way for money lenders to connect to the CDS, saving the need to establish their own application programming interfaces ("API").

21. The CDS aims to comprehensively record the personal credit information of borrowers, helping lending institutions conduct detailed risk assessments before approving loan applications. Since there are still many money lenders who have not yet joined the CDS, to improve the integrity of personal credit information of the CDS, and enable the authorised institutions, money lenders and other lending institutions that have joined the CDS to obtain more comprehensive lending information of the clients (borrowers or intending borrowers) from credit reports of consumer credit reference agencies, thereby enhancing the affordability assessment of borrowers or intending borrowers for unsecured personal loans, we **propose** to require <u>all</u> licensed money lenders to regularly submit personal credit information of their borrowers to the CDS, including loan applications, details of approved loans, such as credit limits, outstanding amounts, and repayment records etc., to complete the database of the CDS, making it to fully cover all personal credit information.

22. Since the unsecured personal loan market is concentrated mainly among the larger money lenders, we also **propose** requiring money lenders with a certain scale of unsecured personal loan business to, before approving loans, assess the affordability of intending borrowers or borrowers based on their personal credit report under the CDS, in order to enhance the comprehensiveness and accuracy of the assessment. In other words, the money lenders concerned are required to join the CDS to obtain the personal credit reports of the intending borrowers or borrowers.

23. As for determining the scale of unsecured personal loan business, preliminary information shows that if the threshold for total amount of unsecured personal loans entered into by money lenders in a certain year is set at $100 million, about 50 money lenders would be required to use personal credit reports from the CDS in their affordability assessment. Based on the total unsecured personal loan amounts entered into in 2023, by money lenders with loans concerned amounting to $10 million or more as at the end of 2023, the loan amounts concerned of those approximately 50 money lenders already made up about 85% of the unsecured personal loan

market concerned.

Enhancing Complaint Handling Process

24. The CR has been closely monitoring the overall supervision of the money lending sector and the compliance of money lenders with the licensing conditions. In the past five years, the CR conducted a total of 2 340 site inspections and issued a total of 621 rectification orders and 30 warning letters to money lenders, in respect of the irregularities identified during the inspections. In view of the latest developments in the money lending market, the CR issues letters to money lenders from time to time, to remind them of the relevant licensing conditions and matters to which they should pay special attention.

25. To better safeguard public interest, the CR will enhance the transparency of the procedures for handling complaints against money lenders, so that complainants can better understand the CR's complaint handling methods and service pledges. The CR will also strengthen communication and exchange of intelligence with the Police.

26. In addition, the CR will explore strengthening the system and procedures for supervising money lenders in handling complaints, to ensure that complaints are handled properly. Specifically, the CR plans to regularly collect statistics from money lenders on complaints received and analyse the information, to monitor whether money lenders with persistently high complaint figures have established procedures to ensure proper handling of customer complaints, and that appropriate remedial actions are taken, as well as ensuring all employees, agents, appointed third parties and persons acting on their behalf who handle money lending matters, are aware of the complaint procedures and can provide complainants with correct information about the procedures.

Stepping up Publicity and Education

27. We will step up publicity and education targeting the FDH community, young people and low-income earners to enhance their understanding of money borrowing. We will adopt a multilingual and multipronged approach to promoting the importance of prudent borrowing. We will focus on reminding the FDH community, that they should not provide their employers as loan referees or their employers' addresses as the borrowers' contact addresses, without obtaining prior consent from their employers.

28. We will also step up efforts to provide FDH employers with channels to lodge complaints against money lenders who violate licensing conditions. In addition, we will place great emphasis on promoting prudent financial management among young people and low-income earners, reminding them to consider, before borrowing, the necessity of taking out a loan and their repayment ability, so as to minimise impulsive borrowing. We will strengthen co-operation with the Labour Department, the Investor and Financial Education Council and non-governmental organisations to ensure that the relevant messages are effectively conveyed.

Enhancing Money Lender Regulatory Regime

29. To further strengthen the regulation of money lenders, we **propose** to enhance the prevailing regulatory regime, including the licensing mechanism and the Money Lenders Ordinance. Currently, the Licensing Court is responsible for determining applications for money lender's licences and granting licences, as well as imposing licensing conditions in money lender's licences. To enhance the effectiveness and efficiency of money lender regulation, we **propose** that the licensing and supervision of money lenders should be handled centrally by a Government department (i.e. the CR), including reviewing and approving applications, monitoring compliance and prosecuting violations, etc. We will carefully study the legislative amendments, financial and manpower resources involved in the proposal above.

30. Moreover, to increase deterrence and enhance transparency, we propose to publish details of money lenders with repeated offences on the Government's website for public reference. We will implement the aforementioned proposal by amending relevant provisions of the Money Lenders Ordinance.

PRACTICES IN OTHER REGIONS

31. We have made reference to the regulatory arrangements for money lenders with unsecured personal loans in other jurisdictions, including the Mainland, Singapore, the United Kingdom, Australia and New Zealand. Generally speaking, money lenders must comply with the statutory requirements in the jurisdictions concerned. Details of the regulatory regimes for money lenders with unsecured personal loans in these jurisdictions are at **Annex**.

PUBLIC CONSULTATION AND WAY FORWARD

32. We are conducting a public consultation on enhancing the regulation of money lenders from 23 June to 22 August 2025, to collect views from the public and stakeholders. In addition, we will organise briefing sessions during the consultation period for the money lending sector, professional bodies and non-governmental organisations, etc. to explain details of the proposed measures. We will collate and summarise the views received after the consultation period to finalise relevant measures and formulate relevant legislative proposals.

ADVICE SOUGHT

33. Members are invited to comment on the proposed measures in this paper.

Financial Services Branch
Financial Services and the Treasury Bureau
June 2025

Annex

Details of Regulation of Unsecured Personal Loans by Money Lenders in Other Jurisdictions

	Mainland	Singapore	United Kingdom	Australia	New Zealand
Borrowing Cap for Unsecured Personal Loans	• Taking into account of relevant regulatory requirements, different regions set their own loan caps. Microfinance companies can set their own loan caps within the range concerned, with reference to the local economic conditions and Gross Domestic Product per capita levels.	• Borrowing caps for unsecured personal loans are set **based on the borrowers' annual income**. • Different borrowing caps are in place for Singaporeans and non-Singaporeans. • Money lenders are required to check the borrower's credit report to consider whether the loan application would cause the borrower to exceed the statutory cap. ***Statutory cap for non-Singaporeans*** • Annual income of *less than S$10,000*: Regardless of the number of money lenders, the proposed loan amount and other outstanding debts should not exceed S$500 altogether. • Annual income of *at least S$10,000 but less than S$20,000*: Regardless of the number of money lenders, the proposed loan amount and other	• Nil	• Nil	• Nil

	Mainland	Singapore	United Kingdom	Australia	New Zealand
		outstanding debts should not exceed S$3,000 altogether. • Annual income of *at least S$20,000*: Regardless of the number of money lenders, the proposed loan amount and other outstanding debts should not exceed the borrower's six months' income altogether. ***Statutory cap for Singaporeans*** • Annual income of *less than S$20,000*: Regardless of the number of money lenders, the proposed loan amount and other outstanding debts should not exceed S$3,000 altogether. • Annual income of *at least S$20,000*: Regardless of the number of money lenders, the proposed loan amount and other outstanding debts should not exceed the borrower's six months' income altogether.			
Debt Servicing Ratio Cap	• Nil	• Nil	• Nil	• Nil	• Nil

	Mainland	Singapore	United Kingdom	Australia	New Zealand
Requirements for Providing Information to Credit Data Repository	• Taking into account of relevant regulatory requirements, microfinance companies are required to provide credit information regarding their approved loans to the Credit Reference Center of the People's Bank of China.	• Before approving loans, all money lenders must provide credit information regarding the loans to the Moneylenders Credit Bureau, within the prescribed time limit.	• Nil	• Large authorised deposit-taking institutions with total assets exceeding a certain level are required to provide credit information to eligible credit reporting bodies.	• Nil
Requirements for Using Credit Reference Services	• Nil	• All money lenders are required to obtain a credit report on the intending borrower from the Moneylenders Credit Bureau, before granting a loan.	• Nil	• Nil	• Nil

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