

Public Consultation on Enhancing Regulation of Licensed Money Lenders

The Law Society Submission

The Financial Services and the Treasury Bureau (“FSTB”) issued its consultation paper *Public Consultation on Enhancing Regulation of Licensed Money Lenders* in June 2025 (“Consultation Paper”). These submissions set out the Law Society’s views on the proposals. Unless otherwise defined, capitalised terms bear the meanings used in the Consultation Paper. Paragraph numbers follow the paragraph numbers of the Consultation Paper in which each of the relevant proposals is laid out.

1. AGGREGATE LOAN CAP AND DEBT SERVICING RATIO CAP FOR LOW-INCOME BORROWERS

Proposed measures by FSTB:

- *“We propose to set an aggregate cap on unsecured personal loans, based on the borrower’s monthly income.”* (extract of paragraph 18 of the Consultation Paper)
- *“Therefore, in addition to the proposal in paragraphs 18 to 19 above, as an alternative, we propose setting a “debt servicing ratio” cap for unsecured personal loans.”* (extract of paragraph 20 of the Consultation Paper)

Law Society response:

We support both the policy intent of curbing excessive borrowing among vulnerable groups and both (i) the proposed “aggregate unsecured personal loan cap” and (ii) the proposed “debt servicing ratio cap” for low income borrowers.

In relation to both measures we suggest:

- (a) Excluding secured credit and business loans from these restrictions;
- (b) Requiring lenders to document the data sources used to verify income and existing debt obligations; and
- (c) Reviewing the borrower’s monthly income thresholds periodically (say, every two years) and adjusting upwards for inflation.

2. LIMITING REPAYMENT TENOR TO THE BORROWER'S REMAINING EMPLOYMENT-CONTRACT TERM

Proposed measure by FSTB:

- *“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.”* (extract of paragraph 23 of the Consultation Paper)

Law Society response:

We agree that aligning loan tenor with the remaining employment term of foreign domestic helpers (“FDHs”) mitigates flight risk and employer harassment. For other borrower cohorts on open-ended or casual contracts, we suggest allowing either:

- (a) A maximum tenor of the shorter of 24 months or the term of the borrower’s visa (if any); or
- (b) Proof of continuous employment exceeding the requested tenor.

Guidance should clarify acceptable evidence (e.g. MPF records) and allow proportional flexibility for secured loans and business loans.

3. ADDITIONAL SAFEGUARDS FOR LOAN REFEREES

Proposed measures by FSTB:

- *“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”* (extract of paragraph 25 of the Consultation Paper)

- *“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.” (extract of paragraph 26 of the Consultation Paper)*

Law Society response:

Given that loan referees are “under no circumstances” liable for the repayment of a loan, we propose prohibiting the requesting of the provision of a loan referee immediately.

However, if lenders are to be permitted the option of requiring or requesting a loan referee, then we support the proposal to require written verification of a referee’s consent before a loan is approved. Further, in the event of default by the borrower we propose:

- (a) That written notification be given to the loan referee immediately upon default to reduce the risk that a loan referee will unknowingly act as loan referee for the same borrower to another lender; and
- (b) Neither the lender nor any collection agent or other person acting on behalf of the lender or otherwise in respect of the loan be permitted to otherwise contact the loan referee to prevent the too-frequent practice of collection agents harassing loan referees (and employers of FDHs) with incessant phone calls and other messages.

4. MANDATORY PERIODIC SUBMISSION OF BORROWER DATA TO CDS

Proposed measures by FSTB:

- *“... we propose to require all 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.” (extract of paragraph 30 of the Consultation Paper)*

Law Society response:

We agree that a complete CDS is fundamental for industry-wide affordability checks and for combatting fraud. Accordingly, we support mandatory data submission and suggest that a 12 month grace period be offered for systems integration.

5. REQUIRING MONEY LENDERS ABOVE A HK \$100 MILLION UNSECURED-LOAN THRESHOLD TO OBTAIN CDS CREDIT REPORTS

Proposed measures by FSTB:

- “...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.” (extract of paragraph 31 of the Consultation Paper)

Law Society response:

We agree that large lenders should perform CDS-based affordability assessments and support the threshold being set at unsecured personal loans, in aggregate, of more than HK\$100 million in the preceding financial year to avoid the risk of the requirement applying retroactively. Presumably the threshold should be calculated based on the value of loans advanced during the relevant financial year rather than the balance of outstanding loans.

6. ENHANCED COMPLAINT-HANDLING AND DISCLOSURE OF COMPLAINT STATISTICS

Proposed measures by FSTB:

- “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.
- 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.

- *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.*
- *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."*

(extract of paragraphs from 34 to 37 of the Consultation Paper)

Law Society response:

We support the proposals to “enhance the transparency of the procedures for handling complaints against lenders” including the supervision of money lenders, collection of statistics and other proposals set out in these paragraphs. In particular, raising understanding of money borrowing among FDHs and younger and low income groups, including provision of multi-lingual materials.

However, we query whether the proposal to prohibit FDHs from providing their employer’s contact address is practical given that (i) a responsible lender should be required to obtain the residential address of the borrower and (ii) FDHs are required to live at their employer’s residence. If employer’s contact details are gathered as part of a loan approval process, there should be strict prohibitions backed by appropriate sanction to prevent the harassment of employer’s whose FDH has defaulted.

7. CENTRALISING LICENSING AND SUPERVISION IN THE COMPANIES REGISTRY

Proposed measures by FSTB:

- *“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. 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.

- *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."*

(extract of paragraphs 38 and 39 of the Consultation Paper)

Law Society response:

We support the proposal to centralise the licensing and supervision of money lenders under a single government department and further agree that the CR is the appropriate department for this purpose. We assume there will be a further public consultation on the new licensing and supervision protocols as and when drafts thereof have been formulated.

**The Law Society of Hong Kong
20 August 2025**