

Enhanced licensing conditions for licensed money lenders

The Government announced today (March 16) that the Registrar of Money Lenders has sought the approval of the Licensing Court to impose enhanced conditions on all Money Lenders Licences granted or renewed with effect from March 16, 2021.

The enhanced licensing conditions require money lenders, before entering into a loan agreement for an unsecured personal loan, to undertake an assessment of the borrower's ability to make repayments under the loan agreement, and have due regard to the outcome of that affordability assessment.

"Borrowers have the responsibility to make an assessment of their own ability to repay the loan. At the same time, we hope that through imposing the new licensing condition, money lenders will be encouraged to practise responsible lending," a spokesman for the Financial Services and the Treasury Bureau said.

In addition, two existing licensing conditions have been refined, with a view to enhancing regulation of advertisements of money lenders and protection of loan referees. "The revised licensing conditions require that the advertisements published by money lenders should be fair and reasonable and not contain misleading information, and that the referees' information should immediately cease to be used if the money lender is informed or aware that the written consent was, in fact, not signed by the referee," the spokesman added.

In addition to the enhanced licensing conditions, the Registrar has also introduced a number of administrative measures to strengthen the regulation of money lenders, including the issuance of two sets of guidelines, namely the Guideline on Fit and Proper Criteria for Licensing of Money Lenders and the Guideline on Submission of Business Plan by Applicant of a Money Lenders Licence, on January 29, 2021.

"The two sets of new guidelines seek to strengthen the vetting process for the licensing of money lenders. The Guideline on Fit and Proper Criteria outlines the criteria and matters that the Registrar will normally consider in determining the fitness and properness of applicants for Money Lenders Licences, licensed money lenders, and their related persons. With effect from April 1, 2021, applicants for a new Money Lenders Licence will be required to submit a business plan for their money-lending business together with their application to show that they have a comprehensive understanding of the money-lending business and are ready to carry on the business. The Guideline on Submission of Business Plan sets out the key items of information that should be included in the business plan," the spokesman continued.

The Government will continue to monitor the developments of the money lending sector and review the regulatory measures in good time.