

LCQ2: 100% Personal Loan Guarantee Scheme

Following is a question by the Hon Chan Hak-kan and a reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (July 7):

Question:

Earlier on, the Government launched, through the HKMC Insurance Limited, a 100% Personal Loan Guarantee Scheme (PLGS) to provide needy unemployed persons with assistance of a supplementary nature. In this connection, will the Government inform this Council:

(1) whether it knows the respective numbers of applications received, approved, rejected and being processed by the participating lending institutions (PLIs) since PLGS was launched, as well as the main reasons for PLIs rejecting some of the applications;

(2) whether it knows the average, longest and shortest time taken to vet and approve those applications mentioned in (1) which have been approved; and

(3) as quite a number of members of the public have relayed to me that the pace of PLIs in vetting and approving applications under PLGS is too slow, the efficiency of which being far lower than that of their vetting and approving personal loan applications, whether the Government has received related complaints; whether it will discuss with PLIs the streamlining of the vetting and approval procedure so that PLGS can fully achieve the function of providing timely relief to address the imminent needs of unemployed persons; if so, of the details; if not, the reasons for that?

Reply:

President,

We deliberated last month on the motion raised by the Hon Poon Siu-ping regarding the 100% Personal Loan Guarantee Scheme (PLGS). I would like to thank the Hon Chan Hak-kan for raising a related question today, allowing me the opportunity to further expound on the PLGS. Having consulted the HKMC Insurance Limited (HKMCI), my reply to the various parts of the question is as follows:

(1) The Financial Secretary announced in the 2021-22 Budget the introduction of a time-limited PLGS to provide a supplementary financing option for tiding over the interim difficulty of individuals suffering from cessation of main recurrent incomes from employment in Hong Kong due to the outbreak of coronavirus disease 2019. The application period of this interim measure began on April 28 this year, for a period of six months.

Under the PLGS, 14 participating banks are responsible for vetting loan applications. As the scheme administrator, the HKMCI relies on the professional expertise, judgement and care of the banks in conducting customer due diligence and verifying the eligibility of loan applicants.

According to the information provided to the HKMCI by the participating banks, as at June 25, 2021, the banks received a total of 46 411 applications, 14 233 of which (accounting for around 31 per cent of the total applications) had been submitted by the banks to and approved by the HKMCI, involving a total loan amount of over HK\$1 billion and an average loan size of around HK\$71,000. The borrowers of the approved loans came from different industries, including the transportation, logistics, retail, construction, catering, tourism and hotel sectors. Of all the applications received by the banks, around 21 per cent were either duplicated applications or subsequently withdrawn by applicants. Around three per cent of the applications were rejected by the banks mainly due to non-compliance with the scheme's eligibility criteria, such as failure to provide proofs of past employment or cessation of main recurrent incomes. Most of the remaining applications being processed by the banks are pending applicants' submission of the required documents and information, such as identity proof, address proof and unemployment proof, for the purpose of verifying their eligibility.

(2) The time taken for vetting each application varies from case to case. It ranges from one to two days to more than one month at most for individual cases mainly due to the time taken for applicants to submit the necessary supporting documents and supplementary information to the banks. Insofar as the approved applications are concerned, the banks took an average of 17 working days to process an application, whereas the HKMCI normally approved a loan within three working days upon the receipt of an application from the banks.

(3) The participating banks have received a large number of enquiries and applications since the launch of the PLGS. Given the considerable number of applications, and that some of the applications were duplicated while a considerable portion of the application forms were either incomplete or without proper enclosure of the requisite supporting documents, it takes time for the banks to vet the applications as well as to make contact and follow up with each and every applicant.

The HKMCI has been maintaining close communication with the participating banks to discuss various operational matters of the scheme and to provide timely guidance. The HKMCI and the banks have also implemented a number of measures to refine the vetting procedures and to provide clearer guidelines on documentation requirements. Such include the adoption of a more flexible approach to consider the documentary proof requirements in respect of residential address and unemployment; accepting applicants who took up part-time or temporary jobs with non-recurrent incomes during the unemployment period; and providing applicants who became unemployed at the early stage of the pandemic with flexibility by extending the income reference period from the last quarter of 2019 to any three months in the second half of 2019. The banks will continue to contact each and every

applicant and follow up on the applications, with a view to completing expeditiously the processing of loan applications.

Thank you, President.