

Our Ref. : B9/28C (96)

3 May 1996

The Chief Executive
All authorized institutions

Dear Sir/Madam,

Debt Collection Agencies

As you are aware, the HKMA introduced a hotline on 22 April 1996 to receive complaints from the public about the improper behaviour of debt collection agencies appointed by authority institutions to recover debts from customers. This letter informs you of the response to the HKMA complaint hotline so far and sets out further guidance on the use of debt collection agencies by authorized institutions in the light of the nature of the complaints received.

Up to 1 May, the HKMA had received 69 complaints through the hotline. It is noteworthy that more than half of these complaints (40 cases) were made by persons other than the debtor, such as referees, family members or friends of the debtor who claimed that they were being harassed by debt collection agencies. The remaining complaints were made by debtors about intimidatory tactics used by debt collection agencies.

The complaints received so far are being followed up with the institutions concerned. It may turn out that some are not genuine. However, from what we know so far it does appear that the scale of the problem could be significantly reduced if the following instructions were to be given to debt collection agencies and be rigorously enforced by institutions.

- (a) debt collection agencies must not resort to intimidation or violence, either verbal or physical against any person in their debt recovery actions. This includes actions designed to publicly embarrass or humiliate debtors, e.g. by putting up posters or writing on the walls of their residence; and
- (b) authorized institutions and their debt collection agencies must not try to recover debts from third parties including referees, family

members or friends of the debtors if these person have not entered into a formal contractual agreement with the institutions to guarantee liabilities of the debtor.

Further, related to (b), authorized institution should not pass information about referees or third parties other debtors or guarantors to their debt collection agencies.

All authorized institution which use debt collection agencies are requested to issue the above instructions in writing to all the agencies which they use as soon as possible. The letters should be copied to the HKMA. They should ensure through their monitoring of the work of the debt collection agencies that these rules are strictly observed. Procedures to prevent disclosure of information to the agencies about referees and third parties other than debtors or guarantors should be put into place at once.

As previously mentioned, the Code of Banking Practice being developed will provide further guidance on the use of debt collection agencies and the treatment of personal referees. The Working Group on the Code met on 30 April and agreed that these two section should be prepared and issued in advance of the rest of the Code. Taking account of the time required for drafting and consultation, we expect that these two sections will be issued around the end of June 1996.

Yours faithfully,

(D. T. R. Carse)
Deputy Chief Executive (Banking)

c.c.: Chairman of HKAB
Chairman of DTCA
Dr. Huang Chen-ya
Chairman of LegCo Panel on Financial Affairs
Mrs. Pamela Chan, Consumer Council