



## Hong Kong's Money Lending Reforms

The Financial Services and the Treasury Bureau (**FSTB**) has published a sweeping package of regulatory changes to the Money Lenders Ordinance (Cap. 163) and the licensing conditions attached to money lenders' licences, the most significant overhaul of the sector in years. The tightened regulation of Hong Kong licensed money lenders are set out in the FSTB's [Consultation Conclusions](#) issued in March 2026.

The reforms are structured in two implementation phases. The first tranche of changes takes effect on 1 August 2026, targeting borrower protection and advertisement standards. The second phase, commencing 1 June 2027, mandates comprehensive data-sharing through the Credit Data Smart platform. Together, the measures represent a determined effort by the Hong Kong government to curtail the problem of excessive borrowing, particularly among foreign domestic helpers and other low-income earners, while preserving the viability of a licensed money lending market that, as at end-2024, comprised 2,110 licensees with total unsecured personal loan exposure of approximately HK\$47.2 billion.

## Hong Kong Regulatory Landscape for Licensed Money Lenders

Any person carrying on business as a money lender in Hong Kong must hold a licence under the Money Lenders Ordinance. The current framework distributes regulatory responsibilities across three bodies: the Licensing Court, which grants licences and imposes conditions; the Companies Registry (**CR**), which processes applications, maintains the public register and monitors compliance with licensing conditions; and the Police, which enforces the Ordinance and investigates complaints.

Previous reforms set important precedents. In 2021, licensing conditions were enhanced to require an affordability assessment before any unsecured personal loan agreement is entered into, to mandate clear disclosure of loan terms, and to regulate the use of loan referees. In 2022, the statutory interest rate cap and the threshold for classifying a rate as extortionate were each reduced: the cap fell from 60% to 48% per annum, whilst the extortionate threshold dropped from 48% to 36%.

Notwithstanding those earlier measures, the FSTB identified persistent structural concerns. The unsecured personal loan market is highly concentrated: the top 10 money lenders by loan volume accounted for roughly 64% of total unsecured personal lending. The default rate on unsecured personal loans stood at 9.3% at end-2024, with foreign domestic helpers (**FDHs**) recording the highest default rate among all occupation groups at 9.9%. Borrowers earning HK\$10,000 or less per month accounted for 29% of all unsecured loan transactions, with an

average loan amount of HK\$20,150 per transaction.

## Debt Servicing Ratio Cap for Unsecured Personal Loans in Hong Kong: What Changes and Who Is Affected

The most structurally significant change in the first phase is the introduction of mandatory debt servicing ratio (**DSR**) caps for unsecured personal loans made to low-income borrowers. The consultation paper had originally proposed two alternatives: an aggregate outstanding loan cap (Option A), or a DSR cap (Option B). Following the consultation, the FSTB has adopted Option B, citing its flexibility and the fact that many larger money lenders already apply DSR considerations informally.

### The Revised Income Thresholds and Cap Levels

The income thresholds proposed in the original consultation document were criticised by respondents as too low. The FSTB accepted this criticism and adjusted them upwards. The finalised DSR caps are as follows:

| Borrower's Monthly Income | Debt Servicing Ratio Cap |
|---------------------------|--------------------------|
| HK\$6,000 or less         | Not exceeding 35%        |
| HK\$6,001 to HK\$12,000   | Not exceeding 40%        |

Where a borrower does not have a fixed income, lenders must calculate the borrower's monthly average income using whichever is higher: the income record from the previous three months, or the income record from the previous 12 months. The FSTB has also committed to reviewing these income thresholds every two years, providing a degree of inflation-proofing.

### Calculation of Total Outstanding Loan Amount

A critical refinement concerns the scope of 'total outstanding unsecured personal loan amount' for DSR purposes. Respondents argued that the original formulation, which only captured loans from money lenders, failed to reflect a borrower's full credit exposure. The FSTB agreed and the final measure requires the calculation to cover unsecured personal loans granted by all financial institutions, including banks as well as money lenders.

### Repayment Period Aligned to Employment Contract

A supplementary protection addresses a specific pattern of abuse: instances where borrowers, typically FDHs approaching the end of their employment contracts, took out substantial loans shortly before their contracts expired and then became unreachable, leaving employers to be harassed by lenders and debt collectors. Under the new licensing condition, the repayment period for any unsecured personal loan may not exceed the remaining term of the borrower's employment contract at the time the loan is made.

### Implementation Date and Legal Mechanism

The DSR cap and the repayment period restriction will be introduced by way of a new licensing condition in money lenders' licences, taking effect on 1 August 2026.

## Abolition of the Loan Referee System: Protecting Employers of Foreign Domestic Helpers

One of the most clear-cut outcomes of the consultation is the decision to abolish entirely the practice of requiring borrowers to provide loan referees when applying for unsecured personal loans. This directly addresses a well-documented social problem: FDH employers being unwittingly named as referees and subsequently harassed by money lenders and debt collectors when the borrower defaulted.

The consultation paper had put forward three graduated options: first, requiring lenders to proactively verify the authenticity of a referee's written consent by sending a confirmation letter; second, requiring referees to sign in person at the money lender's premises; or third, prohibiting lenders from requesting referees altogether. The majority of respondents, including FDH employer groups and civil society organisations, supported the third and most comprehensive option.

The FSTB has accepted this view. Licensing Condition 13 of the money lender's licence will be amended to prohibit money lenders from requesting borrowers to provide loan referees in connection with loan applications. Money lenders who cannot contact a borrower will be required to use other means to ascertain the borrower's whereabouts and will have no basis to approach any third party designated as a referee. This change also takes

effect on 1 August 2026.

## **Lenders' Mandatory Participation in the Credit Data Smart Platform**

The second phase of reforms, taking effect from 1 June 2027, centres on the Credit Data Smart (**CDS**) platform, a consumer credit reference system launched in April 2024 under the auspices of the Hong Kong Monetary Authority (HKMA) and the Industry Associations. As at May 2025, only 36 money lenders had voluntarily joined the CDS, and while those 36 lenders accounted for approximately 64% of the unsecured personal loan market by value, the majority of lenders by number remained outside the system.

### **Hong Kong Money Lenders' Obligation to Submit Credit Information**

All money lenders engaged in unsecured personal loan business will be required to submit their borrowers' personal credit information to the CDS on a rolling 30-day cycle. The information required includes loan applications, credit limits, outstanding loan amounts and repayment records. The obligation is confined to unsecured personal loan data, a scope chosen deliberately to address the highest-risk segment while minimising compliance burdens on smaller lenders.

Approximately 800 money lenders are estimated to fall within this obligation. To facilitate compliance, the CDS platform operator, Hong Kong Interbank Clearing Limited, will build a web-based portal for data submission, and money lenders will not be required to bear the development costs of that portal. The first six months following the 1 June 2027 effective date will serve as a transitional period.

### **Mandatory CDS Membership for Larger Money Lenders and those Serving Low-Income Borrowers**

Beyond the universal data submission requirement, the FSTB has adopted a two-track approach to requiring lenders to obtain and use CDS credit reports when assessing loan applications.

First, any money lender whose total amount of unsecured personal loans reaches HK\$50 million or above will be required to join the CDS and use borrowers' credit reports in affordability assessments. The original consultation paper had proposed a HK\$100 million threshold; following respondent feedback that this was too high, the threshold has been halved. Approximately 110 money lenders are expected to be caught by this limb, collectively accounting for around 86% of the unsecured personal loan market.

Second, and in direct response to the particular risk profile of lending to low-income borrowers, any money lender whose unsecured personal loan business includes borrowers with monthly incomes below HK\$12,000 will be required to join and use the CDS for loan application assessments, regardless of the lender's overall business scale. This low-income earner threshold aligns with the income threshold for the DSR cap. An estimated 230 additional money lenders will be drawn into the CDS through this limb.

In aggregate, approximately 340 money lenders are expected to be required to join and use the CDS for loan assessments. The FSTB has separately noted that a credit reference agency has developed a simplified and materially cheaper solution that will reduce the cost of CDS membership by approximately 80%, directly addressing industry concern about the financial burden on small and medium-sized operators.

## **Complaint Handling and Enforcement: Strengthened Oversight of Hong Kong's Money Lending Sector**

The Consultation Conclusions confirm a series of enhancements to the complaint and enforcement infrastructure, building on the CR's existing supervisory activities. Over the five years preceding the consultation, the CR conducted 2,340 site inspections and issued 621 rectification orders and 30 warning letters. In 2025, a targeted programme of 51 thematic inspections focused on money lenders engaged in unsecured personal loan business with low-income earners and FDHs, including four joint inspections with the Police, identifying 27 breaches.

### **Dedicated Complaint Infrastructure**

Both the CR and the Police have established dedicated hotlines for complaints against money lenders. The CR has also updated its website to explain its complaint handling procedures and service pledges, and will publish a List of Licensed Money Lenders Complaint Hotlines to assist members of the public in identifying the relevant contact for a complaint against a specific lender. Non-governmental organisations will be able to refer reported cases to the Police and the CR for follow-up.

## **Systematic Collection of Complaint Statistics**

The CR will regularly collect complaint statistics from money lenders and use those statistics to identify lenders with persistently high complaint volumes. Where such patterns are identified, the CR will examine whether the lender has adequate procedures for handling and remedying complaints. The CR and the Police have established an intelligence-sharing mechanism to enhance enforcement co-ordination.

## **Police Enforcement of the Money Lenders Ordinance**

The Consultation Conclusions note that in 2025 there were 18 cases involving breaches of the Money Lenders Ordinance, a decrease of seven compared to the same period in 2024. During the same period, the Police received approximately 9,580 reports relating to debt collection activities, a decrease of around 1,120 compared to 2024. The Police will continue intelligence-led enforcement operations against illegal lending and will invoke the Organized and Serious Crimes Ordinance (Cap. 455) to seek enhanced penalties against those who facilitate loan-shark syndicates by, for example, selling bank accounts to such operations.

## **Money Lending Advertisements: Updated Risk Warning Statements and Stricter Standards**

Licensing Condition 9, which governs the content of money lending advertisements, is to be amended with effect from 1 August 2026. The existing condition requires advertisements to be fair, reasonable and free of misleading information, and to include a prescribed risk warning statement in both written and audio form: 'Warning: You have to repay your loans. Don't pay any intermediaries.'

The FSTB has concluded that this warning statement, while effective, requires updating to reflect contemporary concerns about excessive borrowing. The amended Licensing Condition 9 will require money lenders to include such risk warning statement as is specified by the CR from time to time. This approach gives the CR the flexibility to revise the wording of the warning statement as market conditions evolve, without the need to amend the licensing condition afresh each time. The CR will review and update the statement regularly having regard to regulatory needs.

The FSTB has also confirmed that in January 2026 the CR issued a circular to all money lenders reminding them that advertisements must not promote reckless borrowing, must not make exaggerated claims about ease of loan approval, and must not state that unsecured personal loans can be granted regardless of a borrower's financial circumstances. Between September 2025 and February 2026, the CR reviewed 199 money lending advertisements and issued 24 inquiry letters; as at 10 March 2026, 20 rectification orders had been issued.

## **Centralisation of Regulatory Functions in the Hong Kong Companies Registry: Proposed Amendments to the Money Lenders Ordinance**

The most structurally significant longer-term reform concerns the architecture of the regulatory regime itself. Currently, the power to determine licence applications and to impose licensing conditions sits with the Licensing Court, a judicial body. The FSTB proposes to amend the Money Lenders Ordinance to transfer these functions to the CR, which would become the central authority responsible for reviewing and approving applications, monitoring compliance and instigating prosecutions.

The rationale offered is one of operational efficiency: the CR already processes licence applications, maintains the register, monitors compliance and conducts inspections, making it the natural administrative home for what currently requires Licensing Court involvement.

Several respondents identified the need for an appeal mechanism to protect applicants' interests in a world where a government department, rather than a court, takes initial licensing decisions. The FSTB has confirmed that a transparent appeal mechanism will form part of the legislative amendment package. The FSTB is also exploring increasing the financial penalties available under the Ordinance. Currently, the maximum fine upon conviction is HK\$100,000 (level 6) with up to two years' imprisonment.

## **Publication of Details of Repeat Offenders**

The Money Lenders Ordinance will also be amended to empower the CR to publish on its website the details of money lenders who have committed repeated offences, creating a publicly accessible register of regulatory failures. Respondents strongly supported this measure. The FSTB will specify the definition of 'repeated offences' in implementing regulations and will explore a mechanism to remove lenders from the list once they have remedied their breaches. Full legislative amendment proposals will be put to public consultation in due course.

## Implementation Timetable: Summary of Key Changes and Effective Dates

| Measure  | Implementation Date                                      |
|--|--|
| Debt servicing ratio cap for unsecured personal loans to low-income earners  | 1 August 2026  |
| Abolition of loan referee requirement for unsecured personal loan applications                                     | 1 August 2026  |
| Updated risk warning statement requirement in money lending advertisements   | 1 August 2026  |
| Mandatory submission of unsecured personal loan credit data to CDS (30-day cycle)                                  | 1 June 2027 (with 6-month transitional period)           |
| Mandatory CDS membership for lenders with UPL portfolio of HK\$50 million or above                                 | 1 June 2027  |
| Mandatory CDS membership for lenders with unsecured personal loans to borrowers earning below HK\$12,000 per month | 1 June 2027  |
| Centralisation of licensing functions in the CR; publication of repeat-offender register                           | Subject to future legislative consultation and enactment |

### Practical Implications for Hong Kong Licensed Money Lenders: Compliance Actions Required

The changes impose concrete operational requirements on licensed money lenders. The following immediate compliance actions are indicated:

- Review and update all standard-form unsecured personal loan documentation to incorporate DSR calculations referenced to the new income thresholds and cap levels, operative from 1 August 2026.
- Amend internal credit assessment procedures to calculate DSR by reference to the borrower's total outstanding unsecured personal loan exposure across all financial institutions, not merely those lent by the money lender itself.
- For borrowers who are employed under fixed-term contracts, build into loan origination systems a check that the proposed repayment period does not exceed the remaining contract term.
- Remove all loan referee fields and processes from unsecured personal loan application forms and systems with effect from 1 August 2026. Update staff training accordingly.
- Review all standard advertisement templates to ensure compliance with Licensing Condition 9 as amended, and monitor CR guidance on the revised risk warning statement.
- Money lenders not yet participating in the CDS should begin preparatory work and budget planning for CDS membership, including engagement with the platform operator regarding the simplified and lower-cost access solution.
- All money lenders engaged in unsecured personal loan business should prepare for the universal data submission obligation, including system and process development for regular 30-day data uploads to the CDS.
- Review complaint handling procedures, documentation and staff training to ensure readiness for the CR's enhanced monitoring of complaint statistics and follow-up practices.

### A Structural Shift in Hong Kong's Money Lending Regulation

The reforms outlined in the Consultation Conclusions represent the most comprehensive restructuring of Hong Kong's money lending regulatory framework since the enhanced licensing conditions introduced in 2021. They reflect a conscious policy choice to place the financial protection of low-income borrowers, and the broader social interest in preventing debt-related harassment of third parties such as FDH employers, above the operational convenience of a lending market accustomed to relatively light-touch regulation.

The DSR cap, the abolition of the referee regime and the phased expansion of the CDS infrastructure each address distinct but interconnected aspects of the same underlying problem: borrowers taking on debt that is, from the outset, beyond their capacity to repay. By aligning income thresholds with the HK\$12,000 ceiling used in the Working Family Allowance Scheme, the FSTB has drawn a coherent definitional boundary around the population it most seeks to protect.

For the money lending industry, the primary adjustment required is operational: new DSR calculation procedures, expanded data-sharing obligations and the removal of a referee system that some lenders regarded as useful for locating borrowers. The longer-term question of how centralisation of licensing within the CR will operate in practice, and what enhanced penalties might look like, will be addressed in a further round of public consultation. That consultation, and the legislative drafting process it will precede, will be the next significant date in the regulatory calendar.

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