錢家有道
the Chin family

Managing your Money, Credit and Debt

www.thechinfamily.hk

About The Chin Family

The Chin Family is an independent and impartial financial education platform providing free information, resources and programmes. We help people in Hong Kong plan and manage their finances by making financial learning simple and enjoyable. The Chin Family is managed by the Investor Education Centre, which is supported by the Education Bureau and all four financial regulators.

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What Is Money Management?

Making ends meet and managing daily finances

Money management is key to sound financial planning and is an important life skill for everyone. Such skill allows you to stay on top of financial situation, keep track of spending and achieve financial goals more effectively. The benefits of developing good money management from an early age can be enormous in the long term.

Take charge of your money

Ready?

Understand where your money is going in and out

Budgeting involves making a list of all your expenses, and comparing it against your total income. A budget tells you exactly how much you are spending every month – and what you are spending it on. An accurate picture of your inflows and outflows will help you identify where you can make savings or cut back on everyday expenditure which you can then put towards meeting your longer term financial goals.

Budgeting

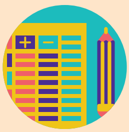
List your income and expenses

Income

- salary
- pensions
- savings and investments
- other income, etc.

Expenses

- outstanding balance of credit cards
- personal loans
- mortgage repayment
- taxation
- education
- planning for retirement, etc.



Budget Planner

This budget planner can help you record all of your incomings and outgoings, and give you a breakdown of where your spending goes each week, month or year across the following broad categories: household, transport, food and drinks, leisure, shopping, health and beauty, education and profession, family and friends, taxation, financial commitments, etc.

You can save your budget planner results on your computer, print it out for later reference or work offline by downloading the budgeting spreadsheet onto your computer.

You can access the Budget Planner at:

www.thechinfamily.hk → Tools & Resources → Calculators

How to create a budget

You can create your budget easily by using online tools like the Budget Planner, or by using the budget planner worksheet on the next page. Before using the planner, be sure to:

STEP 1

Collect your financial statements

These include bank statements, investment accounts, receipts and any other information on income sources and expenses.

STEP 2

Make a list of your total monthly income

Your income includes your salary, income from self-employment or investments, and any other sources.

STEP 3

Itemise your actual expenses

You can do this by doing a spending diary. Do not forget to include your one-off expenses such as gifts, insurance policies and your taxes! For annual or other non-monthly payments, divide the total annual amount by 52 or 12 to determine how much to set aside every week or month.

STEP 4

Carve out investments from your funds for discretionary spending

Investments such as financial products and property are also cash outflow even though they are your assets (value may go up or down).

STEP 5

Create a budget

Enter your figures into the budget planner worksheet.

What's your budget?

Use this worksheet to work out your own budget:

Income

Salary HKD ______

Spouse's salary HKD ______

Other income HKD ______

Subtotal: HKD ______

Savings and investments

Savings/Investments HKD ______

Retirement schemes HKD ______

Subtotal: HKD ______

Expenses

Household

- Rent/Mortgage HKD ______
- Management fee HKD ______
- Utilities (water, electricity, gas) HKD ______
- Internet/Telephone/ Mobile phone service HKD ______
- Pay TV HKD ______
- Others ______ HKD ______

Transport HKD ______

Food and drinks HKD ______

- Grocery shopping HKD ______
- Eating out HKD ______
- Others ______ HKD ______

Family and friends HKD ______

- Support for parents and relatives HKD ______
- Children HKD ______
- Others ______ HKD ______

Financial commitments

- Insurance HKD ______
- Loan repayment HKD ______
- Charity donations HKD ______
- Others ______ HKD ______

Lifestyle/Leisure

- Movies HKD ______
- Music HKD ______
- Interest class/Hobbies HKD ______
- Others ______ HKD ______

Shopping HKD ______

Health and beauty

- Medical/Dental care HKD ______
- Health supplements HKD ______
- Fitness and beauty HKD ______
- Cosmetics and skincare HKD ______
- Others ______ HKD ______

Education and profession HKD ______

Planning for ageing HKD ______

Financial and legal advice HKD ______

Miscellaneous HKD ______

Others ______ HKD ______

Others ______ HKD ______

Others ______ HKD ______

Taxation* HKD ______

Subtotal: HKD ______

Income – Savings – Expenses HKD ______________

* You can save up for your annual tax bill by estimating your taxes for the year, then divide that figure by 12 to calculate how much to set aside every month.

Spend less than you earn

Adhering to this principle can help you avoid taking on unnecessary debt while building your savings and funds for investment.

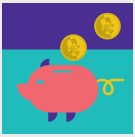
Prioritise your needs and wants and look for any unnecessary expenses you can cut to save money. Go through your bills and cancel any services you do not use. Also, see where you could cut back on non-essential items like entertainment, dining out and shopping, memberships, etc.

Paying for your purchases in cash is one way to improve your financial discipline. It can help you avoid credit card debt.

Life is unpredictable, so it should be a top priority to maintain an emergency fund. As a guideline, having six months of expenses saved up can help you avoid taking out a loan in case of a medical or financial emergency.

You can live within your means and still enjoy life. The general rule of thumb should be to reduce spending on optional extras, but not to entirely exclude all those little enjoyments in life.

Money-saving tips



Avoid impulse buys

Stick to the items on your shopping list when you visit a store.

Delay purchases

Found something 'have' to buy? Wait for a day or two before deciding, you may not need it after all.

Substitute

If the item you want does not fit your budget, consider buying a similar, but less expensive item.

Compare

Shop around to compare prices at different retail outlets, online and offline, you may find the same item or service at a lower price.

Set rules

Think about the limited storage space at home and set some rules for shopping. For example, set a limit for birthday and festive presents.

Reduce

Review everyday expenses to cut back on non-essential items.

Cut-back Calculator

Want to find out where you can cut back on your non-essential spending? The Cut-back Calculator can help you identify areas where you can save on your expenses.

You can access the Cut-back Calculator at:

www.thechinfamily.hk → Tools & Resources → Calculators

Banking online

Internet banking can be a convenient and flexible way to manage your money. While enjoying the ease of internet banking, there are important things to remember to protect yourself when banking online:

- Never disclose your personal logon and security details such as account number, PIN and security code to anyone including bank staff and the police.
- Avoid accessing your bank account with public computers (eg cyber cafes) and close all browser windows before logging on to internet banking.
- Monitor and report any unauthorised and unusual transactions in your statement and contact your bank immediately if you suspect that you have been a victim of online fraud.
- Never respond to any unsolicited email that asks you to validate your logon or account details.
- Never use hyperlinks in emails or internet search engines to log on to internet banking.
- Always disconnect from the internet when not using it.
- Install reputable anti-virus or security protection programme on your computer.
- Always shred confidential/personal information before disposing.

Money matters

Students

Being a student can be expensive – from tuition fee to textbooks and learning tools, there are many costs associated with studying. Good money management is essential to ensure you are on top of your expenses to cope with rising education costs.

Financial priorities

Your number one priority should be saving money for education. Do not justify overspending based on your future earnings – a solid financial footing should start from young!

Keys to managing personal finances

Create a budget to understand your spending habits and set limits on what to spend. Make an effort to set aside some money for savings.

- Differentiate your needs from your wants and prioritise your spending accordingly.
- Use credit cards responsibly. Always try to settle your bills in full every month. Do not borrow more than you can afford to repay.
- Make good use of financial assistance for students. Student loans often offer better interest rates and longer repayment terms.
- Make your payments on time every month will help you pay down your debt and maintain your credit score.
- Be aware that a negative credit score can carry significant bearings. Banks and other lenders may impose higher interest rates or decline your application for mortgages, personal loans or even credit cards in future.

Set clear and realistic financial goals

Setting financial goals, whether large or small, short- or long-term, can be motivating and give you something to aim for. Your goals may change at different stages in your life. Whatever your age or circumstances, it is good practice to work out your goals and start saving as early as you can.

Once you have created your budget, you can easily see if you are spending more or less than you earn. If you are spending more, use the Cut-back Calculator to identify areas to cut back. If you have surplus funds, you can use this money to save or invest.

Set yourself some clear and realistic financial goals – you will find it easier to save money when you know why you are saving.

Whatever goals you have set, review your progress regularly and mark the review date in your diary. And when you have achieved one goal, set another to keep up the motivation for regular saving.

Start saving early

The earlier you start saving, the sooner you will allow yourself to benefit from compounding, a powerful mechanism that puts time to work on your savings.

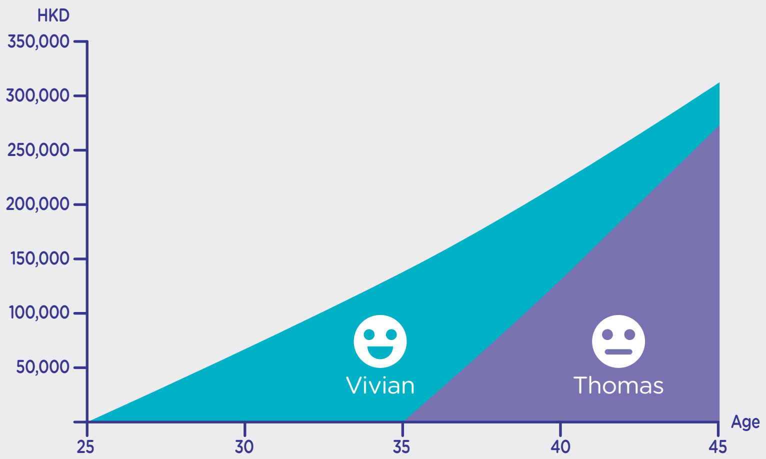
When you save or invest in something that pays interest, you earn interest on your principal (the original investment amount). If you continue to save and earn interest, you will receive interest on the principal plus the interest you earned last time – earning interest on your interest. This is called compound interest, and it can significantly boost your savings over time.

Case study

Saving early to let your money grow

Vivian and Thomas were classmates at university. At age 25, Vivian started putting HKD1,000 into a savings account every month at an annual compound interest rate of 2.5%. When she turned 45, her savings grew to HKD310,978. But Thomas waited until he was 35 to start saving HKD2,000 every month at the same interest rate. By the time he reached 45, his savings totalled HKD272,344.

Even though the total amount of principal they put in over the years was the same ie HKD240,000, Thomas could only earn HKD32,344 in interest while Vivian gave her money more time to grow and earned a total of HKD70,978, which was more than double of what Thomas earned!



Making it easy to save

Keep a separate savings account

You may find it easier to save if you keep a separate savings account from your regular transaction account. Consider transferring a fixed amount of money from the account you receive your regular income at the beginning of each month and put it into the separate savings account. You can also consider joining a savings plan offered by banks that automatically deduct contributions from your account each month.

Break large savings goals into smaller ones

It may be helpful to break your larger savings goals such as buying a house and planning for retirement into some smaller goals such as paying for education or going on vacation to help you get there. Set yourself some clear and realistic saving goals – you will find it easier to save money when you know why you are saving.

Reward yourself

Allow yourself some little self-rewards for achieving each small goal, and tell yourself along the way that every dollar you save is bringing you closer to something that is important to you.

Where to save

In general, you should consider putting your emergency fund and short-term savings in safe investments that earn interest, such as a bank savings account or term deposit. This will give better peace of mind that capital will be available any time you need it.

As a depositor, be it personal or corporate, you are entitled to be compensated up to a maximum of HKD500,000 according to the Deposit Protection Scheme. The Scheme was introduced to pay depositors compensation in the event of the failure of a bank which is a member of the Scheme.

Long-term savings should generally include investments that offer higher returns such as stocks or funds. These can grow your savings faster, but there is also a higher risk you may lose money and you need to do a thorough risk assessment to determine the kind of investment instruments that suit your needs and circumstances.

Review your spending and saving

Review your spending and saving on a regular basis, and make adjustments when your resources, needs and situations change.

Savings Goal Calculator

Saving up for something special? Getting married? Buying a home? Furthering your education? The Savings Goal Calculator can help you work out how you can achieve your savings goals. It will help you calculate how much you will need to save regularly to reach your goal in time; how much you will have if you put aside a fixed amount of money regularly; and how long it will take to achieve your savings target.

You can access the Savings Goal Calculator at:

www.thechinfamily.hk → Tools & Resources → Calculators

Money matters

Parents

Managing personal finance is already not easy, not to mention providing for the children and planning for the family's future. Parents certainly face a unique set of financial issues and challenges.

Financial priorities

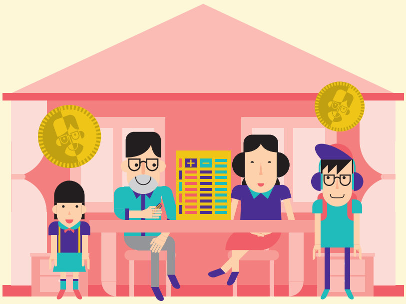
Apart from making ends meet for the family and building up education fund for your children, it is important that you equip your children with the necessary financial knowledge and capability to make sound financial decisions.

Keys to raising money-smart children

- Lead by example – you are your children's most important role model. Show them good money habits.
- Talk to your children about how money works, for example show them how to read household bills and bank statements.
- Do not splash on your kids.
- Create a culture of saving and wise spending at home.
- Teach your children how to budget.
- Encourage them to set specific and realistic long-term goals and to save regularly towards their goals.

Use credit wisely and responsibly

Credit encompasses any form of deferred payment and is an effective tool to help achieve your financial goals if used properly.
Make sure you stay on top of your credit, understand the nitty-gritty of your loans, lenders, terms, interest rate, repayment period, other fees and charges. This will help you enjoy the convenience of credit products while allowing you to catch problems early and keeping your personal finance in control.



Types of credit and loans

Borrowing may be a convenient way to purchase something that you would otherwise take a long time to save up for. When it comes to obtaining a loan, you have plenty of choices. Some of the most common types of credit and loans are:

Credit cards

Credit cards let you pay for items in stores, restaurants and online, you can also use credit cards to withdraw cash from ATMs. They are accepted at many outlets worldwide, which is a convenient form of payment, but credit cards should be used wisely, as they tend to have higher interest rates than consumer loans or other lines of credit.

Watch out for

- Late repayment charge if your monthly repayment is overdue
- Interest charged for partial or minimum repayment
- Relatively high interest charged for cash advances

Overdrafts

If you withdraw more funds than you have in your account, your account is considered overdrawn. You may be charged an overdraft fee, and also have to pay interest for the amount overdrawn.

Watch out for

- Annual fees for overdraft facilities
- Overdraft handling charges if your account becomes overdrawn
- Interest is calculated daily on most overdraft facilities
- Extra fees for overdrafts beyond your agreed credit limit

Personal and tax loans

Personal loans can give you access to funds for a variety of purposes. Typical personal loans require you to repay regular installments over a set period of time.

A tax loan is a specific type of personal loan, usually offered around the time Inland Revenue taxes are due. Designed to help consumers ease the burden of paying their tax bills, these types of loans may offer lower interest rates compared to normal personal loans.

Watch out for

- Handling fees charged for processing a loan
- Early repayment charge if you pay off a loan earlier than the agreed term
- Late repayment charge if your monthly repayment is overdue
- Cancellation fee if you change your mind and cancel the loan after you have signed the contract

Mortgage loans

For most people, buying a home means taking out a mortgage. When you take out a mortgage, you are borrowing money to pay for a home by using it as collateral. So if you fail to keep up the repayments on the mortgage, you risk your home being repossessed.

Watch out for

- Fees for professional appraisers to determine the value of collateral property
- Legal fees paid to lawyers for processing a mortgage
- Stamp duty to the government to register a mortgage
- Premiums paid to insurers for fire or other damage coverage of a property

Credit scores, reports and consequences

If you have applied for a credit card, mortgage or personal loan, your lender has probably reviewed your credit report as part of the approval process.

Your credit report contains a credit score, which is a numerical snapshot of your credit report at a particular point in time. If your credit history shows you have a solid bill payment history and low non-mortgage debt, your credit score will give lenders confidence when approving your loan application.

If you do not pay your bills on time, or have excessive debts, these factors will be recorded in your credit report. If you have a poor credit history, banks and other lenders may impose higher interest rates or decline your credit application.

Responsible borrowing

Before you decide to borrow money, it is worth taking the time to ask yourself a couple of key questions, and to make sure you can afford new debt repayments on top of your current expenses or commitments.

What are you borrowing money for?

Taking out a loan to pay for a home or an education makes sense in many cases, but borrowing for vacations or other discretionary items may not be necessary. Too much debt can be a long-term burden.

Is borrowing your best option?

Borrowing may not always be the best option. There may be other ways to achieve your goals without going into debt. For example, you might be able to meet your goals by saving instead of borrowing.

How much should you borrow?

Avoid borrowing more than you can comfortably repay. Before you borrow, ask yourself if you will be able to make the payments – and remember to take interest charges into account as well. It is usually a good idea to ask your lender for a repayment schedule and a detailed breakdown on the total cost of the loan.

What is the cost of borrowing money?

When you borrow money, you have to repay the principle (the amount borrowed) plus interest. If you choose a floating-rate loan, be mindful that your repayments will rise and fall in line with market interest rates. Be aware that some financial institutions may charge other fees as well.

Consider the following before you borrow

- ☐ Make a budget to work out your monthly spending, savings and borrowings and check how much you can afford repayments
- ☐ Allow for expenses for unexpected events (eg losing your job, floating rate loans and emergencies)
- ☐ Only borrow what you need and what you can comfortably repay. Do not be tempted to borrow more even if you qualify for a bigger amount
- ☐ Shop around for the best deal on interest rates and watch out for any extra charges
- ☐ Choose the right type of loan that meets your needs
- ☐ Make your payments on time to avoid penalties and pay off your debt quickly to minimise total interest payments
- ☐ Avoid unnecessary multiple sources of credit to keep an easy track of repayments

Guarantees and sureties

If the lender is unsure about your ability to repay the loan, they can ask for a surety or guarantee. A surety is a legally binding agreement that a third-party (usually a person or a company) accepts responsibility for the loan if you cannot make your payments. This third party is known as a surety or guarantor.

If you fall behind on the payments, the lender has the right to demand that the surety either make up the missing payments or repay the loan in full. If the surety fails to meet the obligation, the lender has the right to take legal action against the surety.

Money matters

Setting up a home

Setting up a home involves many financial considerations and should be planned carefully. Depending on your finances and lifestyle, you have the choice of buying a home or renting one. Some key considerations are:

Buying a home

- Work out how much down payment and monthly installment of mortgage plan you can afford. Make sure it is a comfortable level for you and your family.
- In addition to mortgage payments, remember there are property taxes, insurance, and utilities fees to pay.
- Be aware of the financial obligations of regular home maintenance and repairs, the costs of which can add up over the years.
- Consider factors such as job security. A mortgage is a long-term financial commitment.

Renting a home

- Renting is not just about paying a monthly rent. There are other costs such as rental deposit, legal costs for preparing the lease agreement, insurance of your contents, etc.
- Take into account the moving expenses – your landlord may not renew the tenancy agreement with you at the end of the contract and you may have to move home every few years.
- Pay attention to the terms of your tenancy agreement, especially regarding:
  - Rates
  - Management fees
  - Subletting
  - Maintenance and repairs

Make payments on time and avoid over-borrowing

Whatever amount of money you owe, managing your debts effectively is important. Even if you just owe a little, always make payments on time to keep your debt under control. Additional interest or penalty charges can add up quickly if you get behind on repayments.

Debt can be a growing problem if not managed properly. Borrowing too much can lead to financial strain, mental stress and even bankruptcy. Always be careful to avoid taking on too much debt and avoid multiple sources of credit.

Pay special attention when it comes to your mortgage, which is usually the biggest loan you will take out from your bank. Avoid the temptation of taking out a mortgage with payments larger than you can comfortably meet. With a more affordable mortgage, it will be easier to make monthly mortgage payments without putting your finance under strain, and in some cases you may even be able to make extra payments to pay off the mortgage more quickly.

Case study

Managing credit card repayment

Credit cards usually carry higher interest rate amongst all consumer loans, meaning your debts can add up very quickly – especially if you only make the minimum payment. Minimum payment is generally calculated as a percentage of the outstanding balance (usually 1%) plus interest and other fees and charges, or it can be a fixed minimum repayment amount (eg HKD50), whichever is higher.

If for some reasons you cannot settle a credit card bill in full, it is always wise to make a partial payment with as much as you can afford rather than the minimum payment.

To illustrate as an example, assume that you have a credit card balance of HKD10,000 and the annualised percentage rate (APR – which gives you the total cost of the loan per year by factoring in all the standard costs associated with the loan) is 30%, calculated monthly. You have two payment options:

A: Make the minimum payment
B: Make a partial payment with a fixed amount of HKD800 each month

Assuming no new spending, annual fee and other charges, the table below shows how long it will take you to pay off the debt and how much interest you will pay using each of the two payment options:

Borrowed HKD10,000 at 30% APR	**Option A** – Minimum payment	**Option B** – Fixed payment of HKD800
Time to pay off	19 years and 11 months	1 year and 3 months
Original balance	HKD10,000	HKD10,000
Interest to be paid	HKD19,772	HKD1,834
Total amount to be paid	HKD29,772	HKD11,834
Amount saved compared to minimum payment	–	HKD17,938
Time saved compared to minimum payment	–	18 years and 8 months

The above example which shows the calculation of minimum and fixed payment is for educational purpose only. The minimum payment is based on 1% of the outstanding balance plus monthly interest. Please note that the annualised percentage rate and the calculation of payment amount and schedule vary among different card issuers and that the figures should not serve as the sole reference on actual credit card payment. For exact credit card payment, please refer to relevant document(s) or statement(s) provided by respective card issuers.

Keeping track of debt repayment

Maintaining your financial health is like keeping in good physical shape – both require careful planning, personal discipline and good habits.

Create a budget

Work out a budget that accounts for future loan repayments and expenses. A budget will give you a clear picture of where your money is going, and how to manage your loan repayments most effectively.

Allow for interest rate changes

Leave some room in your budget to allow for changing rates. If interest rates rise, your loan repayments may rise with them.

Do not borrow more than you can afford to repay

As a rule, keep your loan payments on mortgages, credit cards and any other debts to a level you can comfortably repay.

Pay your bills on time every month

If you can avoid it, never miss a payment – it may affect your credit score.

Carry credit card balances responsibly

Although you can avoid interest charges if you pay off your credit card bill every month, there may be times when you have to leave a balance. If this happens, paying off your balance as quickly as possible can help keep interest payments to a minimum.

Signs you may be experiencing debt problems

- [ ] You consistently run up charges to your credit card limit
- [ ] You use your credit cards as a necessity instead of a convenience
- [ ] You regularly borrow money to make it from one pay cheque to the next
- [ ] You are only able to pay interest or service charges every month, and have trouble reducing your total debt
- [ ] Your creditors contact you for payment, threaten to sue or repossess your collateral, or hire a collection agency to recover the money for them

Debt Calculator

Should you be worried about how much you have owed? The Debt Calculator gives you an overview of all your personal debts, including credit cards, personal loans and other loans (eg relatives and friends). It also provides you with options and tips to help you manage your debts effectively.

You can access the Debt Calculator at:

www.thechinfamily.hk → Tools & Resources → Calculators

Tackling debt trouble

If you are having trouble making your loan repayments – or you foresee having trouble soon – it is important to take action right away. Debt problems can grow quickly if ignored.

Solution 1

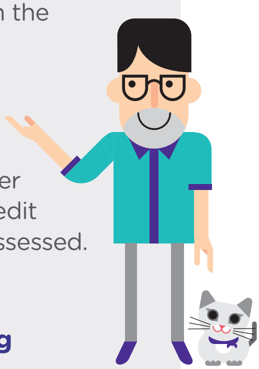
Review your budget

Are there any non-essential expenditures you can cut or delay to help pay off your debts?

Solution 2

Pay off your debt as much as you can each month

At least pay the minimum you owe on each loan as this will protect your credit score. If you can afford to pay more, allocate payments towards the loan with the highest interest rate first.



Solution 3

Repay secured debts first

Prioritise secured debts like your mortgage over ongoing payments on unsecured debts like credit cards, so you don't risk your home being repossessed.

Solution 4

Tell your lender that you are experiencing financial difficulty

In many cases, lenders may be willing to examine your situation and work with you to help resolve the problem. For example, you may be able to extend the term of a loan or arrange to postpone repayments for a temporary period.

Solution 5

Consolidate your loans

Consider consolidating your loans, lines of credit and credit card balances into a single loan with a set repayment schedule. By consolidating loans, you may be able to save on interest charges and manage your debts with one single payment.

Consolidating debts

If you are struggling with many debts that are no longer manageable through simple regular repayments, you may consider consolidating your debts such as loans, lines of credit and credit card balances into a single loan.

Consolidating your debts may provide a lower overall interest rate and thus save on your interest costs. This is particularly true if you consolidate your outstanding credit card balances into a loan at lower interest rate. You may also be able to extend your repayment period, making your monthly payments smaller. Debt consolidation can also help simplify your finances by giving you just one monthly payment to manage your debts.

However, before you take out a new loan to consolidate your debts, you should note and carefully review the following:

- Make sure the interest rate of the new loan, including all fees and charges, enables you to save on the cost of borrowing.
- There will be risks on your assets when you turn unsecured loans (such as credit card debts) into secured loans (using an asset such as your self-use property as security). The assets used as collateral will be repossessed if you fail to make repayments.
- While consolidating short-term loans into one longer term loan to reduce your monthly interest payments, you may end up paying more interest in the long run.

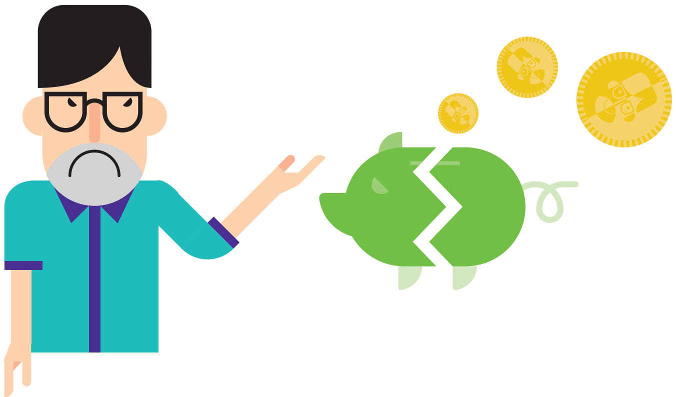
Bankruptcy

Filing for bankruptcy is a legal process under which you are declared unable to pay your debts by the court. In some cases, bankruptcy may be an option for getting out of a bad financial situation. However, declaring bankruptcy can permanently affect your ability to access credit, so you should consider the consequences and your options carefully.

If you declare bankruptcy, you will be released from most of your debts, but you will be bound to a repayment plan filed with the court. There is no minimum amount of debt for an individual to declare bankruptcy, although the Official Receiver can reject your application if you have previously declared bankruptcy.

After you are declared bankrupt, you will be placed under certain restrictions:

- You will be classified as bankrupt for four years – five if you have been bankrupt before – and the Official Receiver (or a trustee), will look after your financial affairs.
- You will not be allowed to make major purchases such as a flat or a car.
- You will not be able to apply for further loans.
- Your provident fund may be used to repay your creditors.
- Public records related to bankruptcy will be noted on your credit report.
- While bankrupt, you cannot be a director of a company or operate a business. You may also be barred from working in particular trades and professions.
- Once a Bankruptcy Order is made, the Official Receiver will advertise the Bankruptcy Order in the Gazette and in an English- and Chinese-language newspaper.



Know your rights when dealing with debt collectors

If you do not pay your debts, the lender – whether it is a bank, credit card issuer, or money lender – has the right to exercise any legal recovery methods contained in the contract you signed for the loan.

A lender may engage a debt-collection agency (DCA) to recover the debt. Under the Code of Banking Practice, a lender must give you advance written notice that a DCA will be hired to collect what you owe. The notice must include information regarding the overdue amount repayable, the length of time you have been in default, the costs the lender will add to the debt for recovery and the contact information of the lender's debt recovery department. You must also be told what to do if a DCA attempts illegal recovery tactics.

Debt-collection companies must not attempt to recover debts from anyone other than the debtor or guarantor; nor can they apply tactics intended to humiliate or harass the debtor, family members or any other person to recover debts. DCAs are also forbidden from resorting to violence or any form of physical intimidation.

If you find the tactics used by the DCA not in line with requirements, you can make a complaint to the authorised institutions. DCAs operate under the Code of Banking Practice guidelines issued by the Hong Kong Monetary Authority. When employing DCAs, SFC-licensed corporations and money lenders have to comply with the debt collection guidelines issued by the SFC and the Code of Practice issued by the Licensed Money Lenders Association Limited respectively.

For further information on financial advice and debt counselling:

Official Receiver's Office
Tel: (852) 2867 2448
www.oro.gov.hk

Caritas Family Crisis Support Centre
Debt and Financial Capability Project
Debt hotline: (852) 3161 2929
http://fcsc.caritas.org.hk

Tung Wah Group of Hospitals
Healthy Budgeting Family Debt Counselling Centre
Tel: (852) 2548 0803
http://fdcc.tungwahcsd.org

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