

FINANCIAL AUTHORITIES RECOMMEND CAUTION WITH P2P LOAN INVESTMENT

The financial authorities advised investors to practice caution when investing in peer-to-peer lending products on June 4 due to a rise in P2P loan default rate¹ and cases involving unfair and unlawful sales practices by some companies.²

Investors should make investment decisions with adequate understanding about the products and be well aware that P2P loan products are high-yield, high-return products with no principal guarantees.

Investors should also note that an information asymmetry is highly likely between investors and P2P lending firms with investors often lacking information about the borrowers' credit records, collateral values, repayment plans, etc.

The Act on Online-linked Financing scheduled to take effect on August 27 contains a series of investor protection measures, and investors are recommended to take note of these measure.³

The financial authorities will continue to keep a close eye on P2P lending firms that engage in unfair sales or promotional practices. The authorities will strengthen site inspection and take stern measures when unlawful activities are suspected.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.

¹ P2P loan default rate (%): 5.5 (end of 2017)→10.9 (end of 2018)→11.4 (end of 2019)→16.6 (June 3, 2020)

² The Act on Online-linked Financing will go into effect on August 27, 2020.

³ For detailed information about investor protection, please see [here](#).