

## FSC DISCUSSES DETAILS OF CONSUMER CREDIT BILL

The FSC held the 9<sup>th</sup> task force meeting on improving the personal debt management system on September 9, and unveiled key details of the Consumer Credit Bill, which include (i) promoting private sector driven debt adjustment process, (ii) mitigating excessive debt collection burdens and (iii) strengthening debtor protection measures.<sup>1</sup>

### **KEY PROVISIONS**

The government's proposal on Consumer Credit Bill will focus on establishing a delinquent debt management procedure and providing incentives to financial institutions to promote a virtuous cycle for both debtors and creditors.

#### **I. PROMOTE PRIVATE SECTOR DRIVEN DEBT ADJUSTMENT PROCESS**

- ▶ Provide delinquent debtors who face difficulties in repaying debts on their own the right to request debt adjustment from financial institutions
- ▶ Require financial institutions to inform debtors of their right to request debt adjustment prior to taking steps toward debt collection while prohibiting financial institutions from pursuing debt collection upon such a request and having them offer a debt adjustment plan based on their own standards
- ▶ Introduce debt adjustment mediation specializing businesses which will provide assistance to individual debtors during the debt adjustment process

#### **II. MITIGATE EXCESSIVE DEBT COLLECTION BURDENS**

- ▶ Prohibit overdue interest charge on the principal which has not yet reached maturity even in the events of default
- ▶ Restrict interest hike on debts that are deemed uncollectable and transferred to a third party such as a debt collector and have creditor institutions to consider the possibility of debt recovery when drawing up and applying their own standards of extinctive prescription
- ▶ Limit the number of debt collection calls while providing debtors with a right to request a restriction on debt collection calls and to file lawsuits for damage

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<sup>1</sup> Please click [here](#) to see previous press release on consumer credit dated March 4, 2020.

### **III. STRENGTHEN DEBTOR PROTECTION MEASURES**

- ▶ Require original creditor institutions to evaluate how debt collection agencies treated debtors in the past and whether they have a history of committing unlawful activities when selecting a debt collection agency
- ▶ Require financial institutions to maintain follow-up management of the agency after selecting a debt collection agency and have original creditor institutions liable for damages if the agency inflicts damages in violation of law

### **SCHEDULE**

After coordinating with relevant ministries and the financial sector, the government's proposal on Consumer Credit Bill will be promulgated in September this year.

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