



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/67C

20 December 2022

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Feedback from Recent Review on Consumer Protection in respect of Digital Platforms for the Application of Credit Products

I am writing to share with the industry key observations and sound practices identified in the supervisory work conducted by the Hong Kong Monetary Authority (“HKMA”) on consumer protection in respect of digital platforms for the application of unsecured loan and credit card products (“Credit Products”).

Latest landscape of digital banking services

With an aim to better understand the latest landscape of digital banking services in Hong Kong, the HKMA has recently conducted a survey on the usage of banking services by customers of 28 authorized institutions (“AIs”) (covering conventional retail banks and virtual banks) via digital platforms (“Survey”). The HKMA notes from the Survey that there has been significant digitalisation in the application process of Credit Products in recent years, characterised by the ease and convenience of customer journey with just a few “taps or clicks” on digital / mobile devices when customers are applying for such products through the digital platforms.

For the first half of 2022, more than half of the Credit Product applications were made via digital platforms. In particular, 70% of credit card applications were made via digital platforms during this period, reflecting an

increase of 22 percentage points when compared to that of 2020. Other Credit Products (such as loan-on-cards and personal instalment loan) also demonstrated a similar growth. During the same period, 62% (20 percentage points higher than that of 2020) of loan-on-card and 68% (12 percentage points higher than that of 2020) of personal instalment loan applications were made via digital platforms. The Survey results also indicated a growing popularity of using mobile apps for applications of Credit Products over other digital platforms (such as internet banking and public website of banks). Notably, 56% of loan-on-card applications were made via mobile apps among all service channels in the first half of 2022.

Consumer protection in the digital environment

While fintech innovations and digital channels have enabled customers to have wider choices and easier access to Credit Products, against such a surging usage of digital channels by customers as indicated in the Survey, AIs are reminded to ensure proper protection of their customers in the digital environment in the meantime. There are certain consumer protection concerns that AIs will need to pay particular attention to, including, among others, the potentially higher risks of impulsive borrowing, and even over-borrowing.

With reference to the circular issued by the HKMA on 4 September 2020 on “Enhanced Disclosure Measures in respect of Digital Platforms for the Application of Unsecured Loan and Credit Card Products”, the HKMA has recently completed a thematic review in respect of digital platforms for the application of Credit Products from consumer protection perspectives, and noted room for improvement in a few areas. Such areas include display of key facts statement (“KFS”) and terms and conditions (“T&Cs”), as well as key details on the specific Credit Product in the digital platforms, enhanced disclosure measure in the form of a “double reminder” to customers, and digital disclosure approach adopted by AIs. Having said that, the HKMA has also observed some sound practices to which AIs may draw useful reference. Details of key observations and sound practices are set out in the **Annex**. AIs are expected to review and make any necessary improvements to ensure that their digital platforms are designed in such a way which can enable customers to make informed borrowing decisions.

Should you have any questions regarding this circular, please contact Ms Christine Wong on 2878-8288 or Mr William Chan on 2597-0899.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

Encl.