



HONG KONG MONETARY AUTHORITY  
香港金融管理局

Our Ref: B1/15C  
B9/67C

8 November 2024

The Chief Executive  
All Authorized Institutions

Dear Sir/Madam,

**Cooling-off Period for Unsecured Consumer Credit Products**

With a view to promoting responsible borrowing and reducing the risk of impulsive and excessive borrowing, I am writing to set out the requirements for retail banks (including digital banks) to put in place arrangements for provision of cooling-off period to individual customers of unsecured consumer credit products.

The cooling-off period arrangement aims to provide individual customers with a reasonable time period to carefully re-consider their financial obligations and assess their repayment capacity after entering into a credit agreement in order to minimise, if not totally avoid, the impact of impulsive and excessive borrowing. With reference to international standards such as Recommendation on Consumer Protection in the field of Consumer Credit promulgated by the Organisation for Economic Co-operation and Development as well as taking into account good banking practices, the Hong Kong Monetary Authority sets out in this circular the relevant requirements on cooling-off period that retail banks (including digital banks) should provide to individual customers of unsecured consumer credit products. The details are as follows:

- **Scope** – Retail banks should provide cooling-off period on all unsecured consumer credit products offered to individual customers. During the cooling-off period, individual customers may repay/redeem the loans concerned with full principal repayment. Individual customers should be allowed to repay/redeem the loans without provision of any specific reasons. For the avoidance of doubt, the cooling-off period is not applicable to secured lending.
- **Duration** – The cooling-off period during which individual customers may repay/redeem their loans should not be shorter than 7 calendar days immediately following the day of drawdown of the loans.
- **Fees and charges** – In order not to deter customers from repaying/redeeming the loans with full principal repayment during the cooling-off period, individual customers should not be charged with any handling fee or prepayment or early settlement fee or other fees of similar nature due to the loan repayment/redemption. Any interest payable for customers who have made repayment/redemption should not be at a rate higher than that charged otherwise if the customers have not made repayment/redemption within the cooling-off period as a backdoor way for imposing fees and charges.
- **Channels** – Retail banks should provide customers with channel(s) that are accessible, timely and efficient to facilitate them to repay/redeem their loans during the cooling-off period should they wish to do so. Retail banks should also process any relevant requests from individual customers without undue delay.
- **Disclosure and transparency** – Retail banks should set out and clearly communicate to customers the provision of cooling-off period and the key features (e.g. duration, no fees and charges for exercising cooling-off, any interest payable when exercising cooling-off, etc.), as well as the available channel(s) for repaying/redeeming the loans at the time of loan application and notification of loan approval. The communication should be made in a prominent manner to ensure customers are well informed of the details about the cooling-off period.

The above requirements apply to retail banks (including digital banks). Authorized institutions (“AIs”) are also strongly encouraged to arrange their subsidiaries in Hong Kong which carry on retail banking business and offering

unsecured consumer credit products to follow the above requirements. Other AIs are encouraged to adopt similar consumer protection measures if they are offering such products to individual customers.

### **Implementation**

Retail banks (including digital banks) offering unsecured consumer credit products to individual customers should review and revise as necessary their systems and documentation and comply with the requirements set out in this circular as soon as practicable and in any case no later than **end-June 2025**. In the event of retail banks (including digital banks) having difficulty in observing the implementation timeline, they may discuss with the HKMA through their usual contacts at the Banking Conduct Department.

If there is any question on this circular, please contact Ms Ivy Lo on 2878-1708 or Ms Cora Ching on 2878-8211.

Yours faithfully,

Alan Au  
Executive Director (Banking Conduct)

c.c.: The Chairman, The Hong Kong Association of Banks  
The Chairman, The DTC Association  
Secretary for Financial Services and the Treasury (Attn: Mr Kelvin Lo)