



# COMPLAINTS WATCH

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The Complaints Watch is published half-yearly by the Banking Complaints Unit of the Hong Kong Monetary Authority (“HKMA”). It highlights the latest complaint trends, emerging topical issues, and areas that Authorized Institutions (“AIs”) should be alert to. By publishing the Complaints Watch, the HKMA aims to promote proper standards of conduct and prudent business practices among AIs and to promote public understanding of financial products offered by AIs. Because of sensitivity, the cases mentioned in this newsletter may represent a synthesis of multiple cases and certain details may be omitted or altered.

## Complaint Statistics<sup>1</sup>

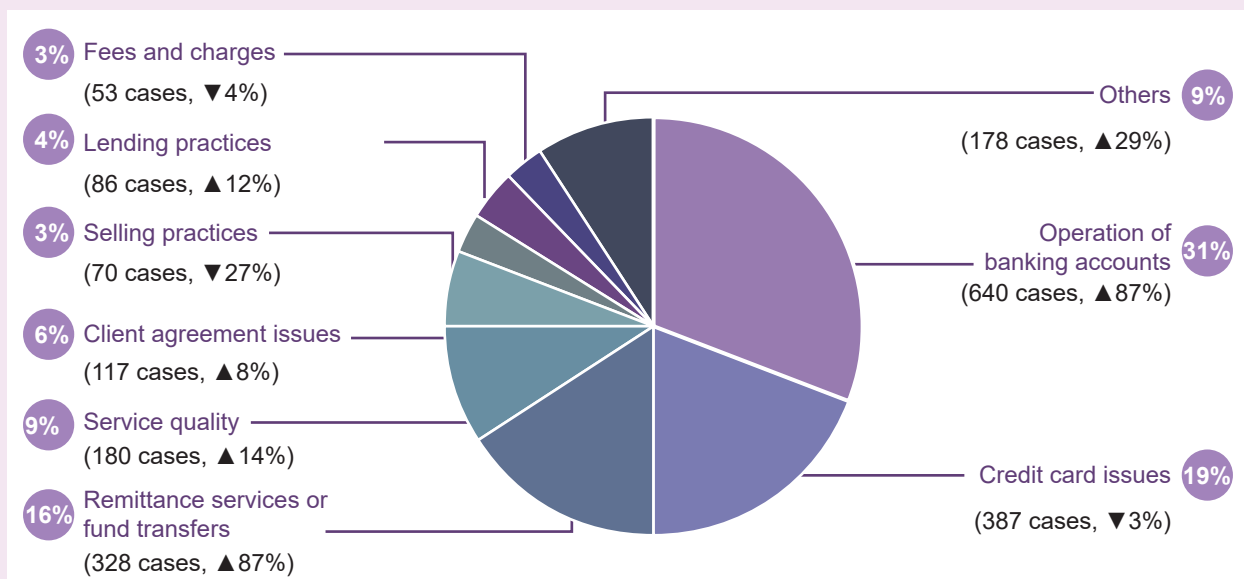
Table 1

Progress in the HKMA’s handling of banking complaints. The number of new complaints received by the HKMA in the second half of 2024, as compared to the same period last year.

	Jul – Dec 2024		
	General banking services	Conduct-related issues	Total
Received during the period	1,926	113	2,039 ▲ 32%
Handling completed during the period	1,762	129	1,891 ▲ 21%

Chart 1

Types of banking complaints received in Jul – Dec 2024



<sup>1</sup> Unless otherwise specified, amount and percentage changes are measured on a year-on-year basis.

In the second half of 2024, the HKMA received 2,039 banking complaints, representing an increase of 32% compared with the same period last year. The number of complaints about the operation of banking accounts increased notably to a total of 1,030 cases in 2024, with a rise of 64% to 640 cases in the second half of the year. The increase was attributable to more account reviews and increased monitoring undertaken by banks in response to enhanced intelligence sharing between the Police and the banks. As the fraud landscape evolves, the HKMA will continue to promote public-private collaboration in combating fraud. The HKMA has also requested banks to improve customer communication so as to keep any inconvenience to customers to a minimum.

## Handling Media Enquiries on Customer Complaints

A few months ago, the HKMA received a customer complaint regarding a dispute over the amount of money deposited into an automated teller machine (“ATM”) of a bank. The bank demonstrated exemplary practices in handling the complaint and addressing media concerns. Als may make reference to the practices adopted by the bank in this case when they encounter similar complaints in the future.



In this case, the complainant claimed that there was a discrepancy between the amount deposited via the ATM by another person into his account with the bank and the amount of deposit shown in his bank account record. In support of his claim, the complainant provided an image of the ATM deposit slip. The complainant requested to review the CCTV footage and reported his case to a television programme. If handled improperly, this case might adversely affect the bank’s reputation and arouse unwarranted concerns about the reliability of ATM deposit services.

The bank immediately conducted a thorough investigation including reviewing the CCTV footage and found no irregularity. The ATM cash reconciliation result supported the bank’s transaction record, indicating that the deposit amount shown in the complainant’s bank account was correct. The bank also verified the consistency of the format between the deposit slip shown in the image provided by the complainant versus the bank’s usual deposit slips.

Having taken legal advice, the bank provided a robust response to the media, explaining the details of the ATM cash depositing services and the outcome of the complaint handling. The bank made clear that, as the ATM had functioned properly and the deposit had been correctly recorded, the complaint was unsubstantiated. The bank also accepted the complainant’s request to jointly review the relevant CCTV footage subject to compliance with reasonable legal requirements.

The proactive and meticulous approach adopted by the bank in this case successfully protected its reputation and maintained public confidence in ATM deposit services, while continuing to observe the important principle of treating customers fairly. This case is highly relevant to Als which provide ATM and other retail banking services.

# Debt Collection Activities Conducted by Purchasers of Bank Debts

For the purpose of credit risk management, AIs may sell loans to third parties. Before selling and assigning debts to third parties, AIs should have effective arrangements in place to ensure that the borrowers will continue to be treated fairly notwithstanding that title to the loans is to be assigned to the third parties.



In a recent complaint case, a finance company approached the complainant for repayment of what it claimed to be a debt owed by the complainant to an AI, from which the finance company had acquired the debt about eight years ago. No collection efforts had been made since the sale of debt until recently. The finance company also failed to provide documentary proof of the existence of the original debt. The complainant felt aggrieved as he did not recall having borrowed from the AI. He further considered that any existing legal claim against him in relation to the said debt should have been invalidated after the lapse of six years.

Following its established practices, the HKMA referred the complaint to the AI. The AI considered that the finance company had not acted reasonably in its debt collection efforts and had failed to give due regard to applicable laws, including the Limitation Ordinance. The AI further considered that the finance company had breached its undertakings under the debt assignment agreement with the AI to manage debt collection and handle borrowers' complaints according to good market practices and relevant regulatory requirements applicable to AIs. The AI followed up with the finance company, addressed the concerns of the complainant and resolved the case.

Treating customers fairly is an integral part of good governance and corporate culture. To put this principle into action, it is important that before selling and assigning debts to third parties, AIs should put in place effective measures (e.g. including relevant requirements in the debt assignment agreement with the purchaser) to ensure that the purchaser undertakes to adhere to the same standards as AIs in debt collection and complaint handling. There should also be a mechanism for borrowers to seek help from the AIs in cases where the purchaser fails to conduct debt collection appropriately.

# Liability for Unauthorised Transactions with Lost Credit Card

The HKMA received a number of complaints about banks' decisions to hold cardholders partially or fully liable for unauthorised credit card transactions. The common justification given by the banks is that the cardholder has failed to safeguard his or her card. Two examples of these complaints are set out below.



## Examples:

Ms. A hung her zipped bag containing her wallet at the back of a chair while having lunch with a friend at a restaurant. At least one of them remained seated around the table throughout the meal. She subsequently discovered the loss of her card when she wanted to pay the bill, upon which she immediately reported the loss to the bank.

Mr. B put his credit card in a locked suitcase, rather than in a safe, in his hotel room. The card was found missing after he returned to the room, and he immediately contacted the bank.

The HKMA would like to remind banks of the relevant requirements in the Code of Banking Practice ("COBP") applicable to such situations. While Section 39.3 of the COBP stipulates that "card issuers should give clear and prominent notice to cardholders that they may have to bear a loss when a card has been used for an unauthorised transaction before the cardholder has told the card issuer that the card/authentication factor has been lost, stolen, or the authentication factor or card information has been compromised.", it also states that **"provided that the cardholder has not acted fraudulently, with gross negligence or has not otherwise failed to inform the card issuer as soon as reasonably practicable after having found that [his or her] card...has been lost or stolen...the cardholder's maximum liability for such card loss should be confined to a limit specified by the card issuer, which should not exceed HK\$500"**. This provision was formulated back in 2001 following a comprehensive review of the COBP, drawing reference to the practice in other jurisdictions including the U.K. and the U.S.<sup>2</sup>

<sup>2</sup> At the time of the introduction of this Section, the applicable liability caps for card loss in the U.K. and the U.S. were GBP50 and US\$50 respectively. The cap in the U.K. has subsequently been reduced to GBP35.

In its circular issued in April 2023, the HKMA has made it clear that “gross negligence is a high bar, and so long as the cardholder has already made reasonable endeavours in safeguarding card and card information, and identifying and reporting card loss and unauthorised transaction(s), banks should give full consideration when considering the loss(es) that they would expect and propose the cardholder to bear”. The circular has also reminded banks to “consider all relevant circumstances of unauthorised transactions, with due regard that the circumstances of each individual case may differ”.

In the complaints handled by the HKMA, the banks sometimes attempted to attribute the credit card loss incidents to the cardholders’ failure to keep the cards secure, and for this reason, intended to hold them liable for the unauthorised transactions conducted prior to the card loss reports. However, judging from the information available, whether or not the cardholders have acted with gross negligence is subject to debate. The HKMA would like to remind banks to take into account the actual circumstances of each incident, and in cases where they decide to hold the cardholder liable for any amount of the unauthorised transactions exceeding the HK\$500 threshold stated in Section 39.3 of the COBP, they should be in a position to provide a clear explanation to the cardholder why he or she is considered to have acted fraudulently, with gross negligence, or has failed to inform the card issuer as soon as reasonably practicable after finding that the card has been lost or stolen.

*Comments and feedback on Complaints Watch are welcome.*

*Please email them to [bankcomplaints@hkma.gov.hk](mailto:bankcomplaints@hkma.gov.hk).*