

# Consumer Guide

## About Interbank Debt Relief Plan

The specific objective of an interbank debt relief plan negotiated under this framework is to help guide you to reach a household budget you can live within while implementing repayment plans with your financial creditors which strive to maximize your available resources towards the ultimate elimination of the balances owed. As it is very likely that you will have debts with more than one financial creditor, the Hong Kong Association of Banks, the DTC Association and the Hong Kong S.A.R. Licensed Money Lenders Association Limited have produced a framework to make interbank debt relief plans involving multiple financial creditors easier and more cost effective for all parties. An interbank debt relief plan can help you:

- renegotiate the monthly repayments and terms of your unsecured debt repayments, without incurring any fees or charges
- combine these repayments and pay them as a single monthly instalment
- avoid action from collection agents, wage garnishments, or legal actions
- avoid bankruptcy and its inherent problems for debtors such as difficulty in obtaining credit in the future, travel restrictions, etc.
- back on track towards financial stability
- build a positive future credit track record

## I. Process

**When in financial difficulty in making the repayments to your financial creditors, it is your interest to contact your financial creditors directly rather than through firms acting as intermediaries in the discussion of any interbank debt relief plan. Typically, an interbank debt relief plan will go through the following process:**

1. You will attend a confidential interview with one of your financial creditors. Once it is determined that there is a probable and viable case, you will be required to authorise that creditor to contact your other financial creditors to initiate the negotiation of an interbank debt relief plan and authorise all of your financial creditors to exchange among them information relating to you and your indebtedness.
2. In order for your financial creditors to consider your case, you will have to provide them with complete, accurate and up-to-date information on your current financial position, such as your income proof, a statement of your assets and liabilities listing all of your financial creditors and amounts owing to each of them and provide copies of bank statements and bank passbooks. You may also give details of the nature of any security provided to financial creditors to facilitate their assessment.

3. Should your financial creditors decide to proceed with the negotiation of an interbank debt relief plan, they will elect a lead creditor who will negotiate the terms of the interbank debt relief plan with you on their behalf. The lead creditor may appoint an authorized service provider to manage and administer the interbank debt relief plan as agreed with you.
4. There will then be a 30-day standstill period immediately following the appointment of the lead creditor. During this period, it is expected that negotiation with the lead creditor should be commenced and completed. During the standstill period, the participating financial creditors will not make a demand or commence legal proceedings or petition for bankruptcy against you. However, the standstill shall not prevent secured creditors from enforcing their security.
5. The lead creditor may provide you with a formal proposal detailing the repayment terms for the restructured debt. When you receive the formal proposal, you should study it carefully and contact the lead creditor to accept the proposal and/or ask any questions.
6. The standstill may be brought to an end if the lead creditor considers that an interbank debt relief plan is not viable or if 75% in value of your financial creditors require it to be terminated. The standstill may expire if an interbank debt relief plan is not concluded or may be extended once by 30 days to allow more time if agreed by 75% in value of your financial creditors.

## **II. Your Responsibility under the Interbank Debt Relief Plan**

1. If you have filed for bankruptcy, a pre-condition of your accepting the proposal is that you should take steps to obtain from the High Court an order for the dismissal/withdrawal of your bankruptcy petition.
2. Once you have accepted the proposal, you must make sure that you make your monthly payment to the lead creditor by the due date specified in the approved proposal. Late payments will jeopardize your continued participation in the interbank debt relief plan, so you must always make sure **THAT YOU HAVE ENOUGH FUNDS IN YOUR ACCOUNT** to perform a direct debit into the specified repayment account.
3. You may continue to receive monthly statements from your creditors. Open these statements immediately and review them for accuracy. If your statement indicates a mistake in interest rate, late fees, or any other problem, you should call the creditor concerned and keep the lead creditor informed.
4. If you work overtime or get a bonus or gift and would like to apply all or some of it towards reduction of your restructured debt, send the extra money to the lead creditor with a note indicating how you would like the money be used. We strongly recommend that you build up a reserve in your account equal to a minimum of two months of your monthly payment before you consider making additional payments towards the restructured debt. In the event of an unforeseen emergency, this reserve will enable you to make sure your payment is available for disbursement and thus protect your continued participation in the interbank debt relief plan. The goal is to eliminate debt in a sensible fashion and to secure

a financially stable future. By learning to save and build reasonable reserves for the unpredicted events of life, you will be taking important steps towards realising your ultimate success.

5. Keep good records. If you have not done so in the past, now is the time to start. Set up a filing system to keep track of all creditor statements and payments to the lead creditor. Keep receipts for everything you spend money on and track your expenses against your budget. Monitor your finances regularly but at least each month. Keep meticulous track of all ATM withdrawals. Know how you are spending your money. Look for ways to save money on a daily basis. Saving is the key to financial health. Open a special savings account and watch your savings grow.
6. Keep the lines of communication open. If you move or get a new phone number, please notify the lead creditor and the service provider it has appointed to administer your interbank debt relief plan, either by phone or in writing with your next monthly payment and also notify all of your financial creditors of your change of address or telephone number. It is important that your statements continue to go to you, enabling you to monitor your accounts

### **III. What You Should Avoid In Order Not To Jeopardise The Interbank Debt Relief Plan**

Your participation in the interbank debt relief plan could be terminated for one or more of the following reasons:

1. Non-payment — A missed payment to the lead creditor may result in termination of your interbank debt relief plan by your lead creditor and late fees and regular interest may be reinstated on your account.
2. Partial Payment — The payment agreed upon in your proposal is the payment your creditors will accept. Partial payments put you at the same risk as non-payment.
3. False Information — Supplying false, misleading or incomplete information, including statement of affairs, income proof and the like may be cause for termination.
4. Failure to comply with other obligations — Failing to comply with any other obligations under the interbank debt relief plan agreement may terminate the interbank debt relief plan.
5. Accumulating New Debt — Once financial creditors have accepted lower payments or reduced interest, they will not look favourably upon the accumulation of new debt. Increasing your debt may be viewed by your financial creditors as a signal of further worsening of your financial situation. It is best to talk with your lead creditor before taking on any new financial obligations.
6. Direct Payment to Creditors — Once you approve the financial creditors' proposal, all payments must go to the lead creditor's dedicated trust account by

direct debit. Do not send payments directly to any other financial creditor participating in the interbank debt relief plan as this may cause administrative errors with an adverse affect on your new payment arrangements.

7. Acceleration of other indebtedness — If any of your other debts are accelerated or a secured creditor takes possession of any of your assets, this may terminate the interbank debt relief plan.
8. Composition with Creditors — If you enter into any other composition with your creditors, this may terminate the interbank debt relief plan.

#### **IV. Help Improve Your Credit Rating -**

Your creditors will report your account default data to the various credit reference agencies. Records of account default data may be kept by the credit reference agencies for up to 5 years from the date the account is fully settled. However, by enrolling in the debt relief plan, and making punctual repayments, your credit report will show your effort spent in settling your debt. Over time this will improve your credit rating.

Your creditors will want to work out with you a viable solution to your financial problems, please contact your lead creditor to discuss further details.