

FSC SEEKS REVISIONS TO CREDIT BUSINESS ACT TO TIGHTEN RULES ON ILLEGAL PREDATORY LENDING

The FSC introduced revisions to the Act on Registration of Credit Business and Protection of Finance Users to strengthen rules on illegal predatory lending on June 26. The proposed revisions are a follow-up measure to the government's plans to combat loan sharking announced earlier.

KEY REVISIONS

- (a) The term “unregistered credit service providers” and “unregistered loan brokers” will be changed to “unlawful private loan service providers” and “unlawful private loan brokers,” respectively.
- (b) The maximum annual interest rate charged by “unlawful private loan service providers” will be limited to six percent,¹ and the re-issuance of loans in larger amounts with accrued interest as well as loan contracts without authentic documentation will be invalidated.
- (c) In order to prevent online brokerage activities that attempt to bypass regulations, more specific definitions will be applied to private loan businesses and private loan brokerage services.
- (d) The maximum penalty for unlawful private loan service providers and brokers will be increased from KRW50 million to KRW100 million. For false and/or exaggerative advertisements, penalty will be increased to up to three years of imprisonment or KRW100 million.
- (e) Consumer safeguards will be strengthened for private loan users by introducing more rigid requirements for document keeping and returning.

The revisions will be finalized and submitted to the National Assembly after a 40-day promulgation period.

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For any inquiry, please contact Foreign Press & Relations Team at fsc_media@korea.kr.

¹ Under the current law, up to 24% annual interest rate can be changed.