

IMPROVING RULES ON CREDIT BUSINESS TO EXPAND FINANCING OPPORTUNITIES FOR LOWER INCOME GROUPS

The FSC announced its plans to improve rules on credit business to make sure that financing opportunities are sufficiently provided to lower income groups even after the four percentage point reduction in maximum legal lending rate takes effect in July. Along the same line, the authorities will continue to work on the measures to stamp out illegal predatory lending as planned.¹

KEY MEASURES

I. LOWERING FEES TO HELP REDUCE LENDING COSTS

The maximum brokerage fees will be lowered by one percentage point as shown in the table below to help reduce the lending costs.

	As is		To be
Up to KRW5 million	4%		3%
Above KRW5 million	KRW200,000 + 3% of the amount in excess of KRW5 million	⇒	KRW150,000 + 2% of the amount in excess of KRW5 million

II. EASING REGULATIONS ON SELECTIVE CREDIT BUSINESSES

Among the registered entities, the authorities will select credit businesses that have no records of violating regulations and are focused on lending to lower income groups to offer them an array of regulatory incentives with the aim of ultimately making more credit lending opportunities available to lower income groups. The incentives will include fundraising opportunities through banks, allowing their loan services to be put up on online loan brokerage platforms along with the mainstream loans and increasing the total asset threshold from the current tenfold of equity capital.

III. IMPROVING EFFICIENCY IN CONSUMER PROTECTION THROUGH TIGHTENED SUPERVISION

Regulatory supervision will be strengthened to close loopholes in consumer protection. For the registered entities, the authorities will seek to introduce new monetary sanctions in place of the current three-month suspension of business

¹ Please click [here](#) to see the press release dated June 23, 2020.

operation, prevent unfair lending contracts by strengthening supervision on loan agreements and newly create a registration qualification that requires credit businesses to maintain a minimum number of regular employees. Other measures for strengthening supervision on all credit business entities include expanding the reentry restriction period from one year to three years after business closure, allowing credit businesses to check criminal records for hiring purposes and promoting voluntary compliance by checking the relevant association membership status of regionally registered entities.

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