

Public consultation on the Regulation of Debt Collection Activities

Aim

1. The Ministry of Home Affairs (MHA) invites the public to provide feedback on our proposals to regulate debt collection activities in Singapore.

Background

2. Over the past few years, there has been a high number of Police reports made against debt collection companies and their staff for conducting debt collection in a manner that caused alarm and nuisance to members of the public (from 134 reports in 2015 to a peak of 590 in 2018). The yearly breakdown is in **Annex A**.

Proposals to regulate debt collection activities

3. MHA recognises that debt collection is a legitimate activity that facilitates the fulfilment of financial obligations. However, in view of the increasing concerns, there may be a need to institute upstream regulatory interventions on the industry, to better manage the disamenities from such activities.

4. The proposed legislation seeks to (i) ensure that only companies and individuals who are assessed to be suitable by the Police undertake debt collection activities, and (ii) set boundaries for the conduct of such activities.

5. Our guiding principle is to calibrate the regulatory requirements based on the risk of the companies or individuals engaging in problematic debt collection conduct. The proposals are set out below.

Definition of debt collection activity

6. We propose to define debt collection activity as any activity undertaken to collect or attempt to collect any debt, but excludes the serving or attempting to serve any legal process or letter of demand on any person in connection with the enforcement of any debt. This applies both to the collection of debt owed to one's company and collection of debt owed to others (whether companies or individuals). The definition covers both physical and non-physical activities (e.g. visiting the debtor's workplace or residence and making phone calls to the debtor). The definition is scoped broadly to prevent errant debt collectors from finding ways to circumvent the regulations.

Licensing of Debt Collection Companies and requirement for their staff to seek approval from Police to be a debt collector

7. We propose to introduce a licensing regime for debt collection companies (companies that carry out debt collection as a primary business), and an approval regime for their staff (whether employees or contractors) collecting debts. As these parties are most likely to account for the majority of the problematic debt collection conduct, the tightest requirements will be applied on them.

8. A person who wants to run a company that offers debt collection services will have to apply for a licence from the Police, while a person who wants to carry out debt collection activities for a debt collection company or multiple debt collection companies will have to jointly apply with each company for approval from Police.

9. These applicants will be subject to screening by the Police and must be determined by Police to be suitable before being granted a licence or approval. This is similar to the application process for many other regulatory regimes. Licensed companies and approved staff will have to comply with debt collection rules and regulations, and penalties can be imposed for breaches.

Class licensing of companies with specified businesses

10. We propose to class license companies that have primary commercial interests that are not debt collection, but conduct debt collection activities extensively to recover debts owed to their own business. These types of business will be specified in the proposed legislation, and include business conducted by a licensed moneylender, bank, merchant bank or finance company.

11. Under a class licensing framework, companies which meet the stipulated criteria in paragraph 10 will be automatically class-licensed. They and their employees do not need to apply for licensing or approval from the Police, and thus need not pay any application fees. Nevertheless, class licensees and their employees must still comply with the debt collection rules when collecting the companies' debts. Police can impose regulatory sanctions for breaches, such as revoking the class licence, thereby preventing the company and their employees from performing any debt collection activities.

12. Class licensing is a calibrated licensing approach that imposes a lower regulatory burden compared to the individual licensing regime. This is based on Police's observation that the majority of reports lodged for debt collection harassment are against debt collection companies collecting debts on behalf of others, rather than companies collecting their own debts.

Debt collection rules

13. We propose to introduce rules for debt collection activities by licensees and class-licensed companies, and their staff. The rules will set out acceptable debt collection conduct, such as requirements for debt collectors to verify that the person from whom they are attempting to collect debt is indeed the debtor, and unacceptable debt collection conduct, such as debt collectors displaying or using physically threatening words, behaviour, writing, sign or visible representation. The proposed list of rules is in **Annex B**.

14. We will introduce offences and penalties for breaches. More serious offences, such as performing debt collection without a licence, will be included in the main Act with heavier penalties, while other debt collection offences will be introduced in subsidiary legislation or licensing conditions, with penalties tiered based on the egregiousness of the conduct.

Exclusions from debt collection regulations

15. We propose to exclude the following from the debt collection regulations:

- a. Law practice entities and insolvency practitioners that are already regulated. This is given that their activities pose low risk of public disorder and their regulators already have controls over their conduct.
- b. Collections conducted by or on behalf of the Government will also be exempted. This will include enforcement of Court judgments or orders by the Sheriff and Bailiffs of the Courts.

- c. Court-administered debt collection activities. These include activities by (a) the Official Assignee when acting as an administrator for a debt repayment scheme, or as a trustee of the estate of a bankrupt, under the Insolvency, Restructuring and Dissolution Act 2018, or when enforcing a Maintenance Order under the Maintenance Orders (Reciprocal Enforcement) Act 1975; and (b) the Official Receiver who may be involved in debt collection activities when acting as a liquidator for a Court-ordered winding-up case.

Other proposals

16. We propose to provide powers for the Police to administer and enforce the licensing regime. The regulator will be the Police Licensing and Regulatory Department, which will have powers to grant or refuse applications for licences, to modify or add licensing and approval conditions, and to suspend or revoke licences or approvals. These powers will be subject to the necessary safeguards, such as avenues for appeal and the requirement for Police to give sufficient notice of their licensing actions. These powers are also provided in other regulatory laws administered by the Police. The Police will also have the powers of entry and inspection, and of investigation.

Providing feedback

17. We invite the public to [share your views on the proposals via this link](#) by 29 Jun 2022.

Annex A: Statistics on debt collection harassment

The table below provides the number of Police reports on debt collection harassment in recent years. Overall, there has been a high number of Police reports.

Year	Number of Police reports on debt collection harassment
2015	134
2016	252
2017	379
2018	590
2019	361
2020	248
2021	272

Annex B: Debt collection rules and offences

Rules for individuals:

1. An individual must not act as a debt collector without the appropriate licences and approvals, i.e.
 - a) An individual can only collect debts for a debt collection entity which is licensed (individually licensed or class licensed); and
 - b) The individual must obtain approval from Police to operate as a debt collector for individually licensed debt collection entities. No such approval is required in the case of class licensed debt collection entities.

A debt collector must not:

2. Display or use any physically threatening words, behaviour, writing, sign or visible representation.
3. Affix, post or display any notice(s) in relation to the debt on a property that is not the debtor's property (e.g. house or car), nor his workplace, or any public place.
4. Continue to collect or continue attempting to collect money from, or continue to communicate with the person, if:
 - a) The person has informed the debt collection entity or the collector that the person is not the debtor, unless the debt collection entity or collector first takes all reasonable precautions to ensure that the person is in fact the debtor; or
 - b) The debtor has informed the debt collection entity or the collector by any verifiable means that the debt is in dispute and that the debtor wishes to settle the debt through other legal means (e.g. through court or mediation).

A debt collector must:

5. Verify that the subject of the debt collection from whom he is attempting to collect a debt, indeed owes the debt (e.g. signatory to a debt contract or listed as a valid Director of the company that owes debts to the creditor). This rule will ensure that debt collectors do not mistakenly attempt to collect debt from the wrong persons.

Rules for all companies (including licensees and class licensees):

A debt collection entity must not:

6. Carry on a debt collection business, or advertise to be a debt collection entity, without a licence or class licence.

A debt collection entity must:

7. Ensure that any employee or individual deployed to perform debt collection activities does not contravene the law or the rules for debt collectors.
8. Allow the licensing officer or authorized officers to gain entry into the business premises for investigations, or to secure relevant information or evidence for investigations.

Rules for licensees only:

A licensee must not:

9. Make a false declaration during an application for or to renew a licence.
10. Deploy an individual to act as a debt collector without approval.
11. Knowingly allow certain persons who are not fit or proper to continue acting as a key appointment holder for the licensee.

A licensee must:

12. Keep proper records such as contracts with creditors and Police's approval of staff.
13. Ensure that there is a proper contract detailing the terms of appointment by the creditor, the debt to be recovered, and the debtor. This rule will help facilitate Police's investigations if there are complaints from any party.
14. Notify Police of the cessation of business within 14 days.
15. Notify Police of the cessation of employment or deployment of any debt collector within 14 days.