

SME Loan Guarantee Scheme

**Some Common Problems observed
in Default Claims lodged by
the Participating Lending Institutions**

Payment Request

1. The participating lending institution (PLI) has submitted the Payment Request Form (TID 605, TID 615, TID 605i or TID 645) when the relevant repayment is outstanding for less than 61 days.
2. The PLI fails to submit the Payment Request Form within six months after the earliest relevant repayment date of the facility.
3. In respect of Accounts Receivable Loan, the repayment date and discounted value in the default claim do not tally with that specified in the facility letter.
4. The PLI has included interest, penalties, charges and capitalisation of interest and charges in the principal when applying for Government's guarantee^λ.
5. The PLI has not applied all amounts (including but not limited to repayment of principal and interest, credit balances, and other recovery proceeds) received after the relevant repayment date towards repayment of the outstanding indebtedness of the SGS facility. As stipulated under Clause 6.4 of the SGS Deed, any repayment received by the PLI (including interest) after the default date should go to repay the outstanding indebtedness of the SGS facility.
6. The PLI has not provided all the requisite documents as stipulated in the prevailing "General Guidelines on Submission of Default Claim" to support the default claim at the time of the submission of the Payment Request Form.

Loan management

7. The PLI has allowed drawdown of SGS facility when the borrower sells, sub-leases, charges, parts with possession of the business installations and equipment acquired under the SGS without the prior written consent of the PLI and TID.

^λ TID will adjust the risk sharing factor to exclude such parts of interest, penalties, charges and capitalisation of interest and charges from the principal for the purpose of calculating the amount of compensation.

8. In respect of Accounts Receivable Loan, the PLI has allowed advance be made available to the borrower in the absence of / without verifying the relevant invoices and/or supporting documents on the delivery of goods or services.
9. In respect of Accounts Receivable Loan, the PLI has allowed further advance be made available to the borrower (not for setting off the outstanding repayment) even when the borrower fails to pay on a repayment date of the facility.

Documentation

10. The PLI fails to declare accurately the guarantor(s) of the SGS facility in the loan guarantee application form.
11. The PLI fails to produce documentary evidence to substantiate that the borrower has substantive business operation in Hong Kong as declared in the loan guarantee application form.
12. The PLI fails to ensure that the signatory on the loan guarantee application was the authorised signatory of the borrower.
13. The PLI fails to produce the required documents e.g. invoice and receipt, proof of delivery of goods or services, financial statements, audited report, demand letter, etc., either because of misplacement or such documents were not collected /properly kept at the outset.
14. The audited account / financial statements obtained from the borrower are not duly certified, or the financial statements do not contain the full set of balance sheet and profit and loss account.
15. The PLI fails to produce the bank statements in respect of other facilities granted to the borrower or related companies at the time or after the borrower submitted its application for the SGS facility. The purpose of collecting such documents is to check if (i) there were any overdue records in other facilities at the time when the PLI considered the SGS facility; (ii) the SGS facility was used for repaying the other facilities; and (iii) the PLI has applied all amounts received by it from the borrower after the default of the SGS facility towards repayment of the outstanding indebtedness of the SGS facility.
