

## FSA establishes a project team on money lending business in Japan

Resource type: [Legal update](#): [archive](#)

Status: **Published on 15-Dec-2009**

Jurisdiction: [Japan](#)

This article is part of the PLC Global Finance November e-mail update for Japan.

*Atsumi & Partners*

---

### Speedread

The Financial Services Agency of Japan has established a project team to research the state of money lending business in Japan and the participants in it, and compare the industry in Japan with that of foreign countries to determine the necessity for measures to ensure the smooth enactment of the amended Money Lending Business Law. The project team is expected to take a leading role in optimising the efficiency of money lending business in Japan and dealing with continuing concern regarding unlicensed moneylenders.

---

It is difficult to feel pity for moneylenders most of the time, but the business of money lending in Japan has, in recent years, not been easy for those registered to engage in it. For example, on 13 January 2006, the Supreme Court of Japan set an historic precedent by holding that the debtors of registered moneylenders were entitled to be repaid amounts constituting "Gray-zone interest". So-called Gray-zone interest rates are those that exceed the interest rate cap stipulated by the Interest Restriction Act (for which no penalty applies) but which do not exceed the interest rate cap specified by the Investment Law (for which a penalty does apply).

Following the decision of the Supreme Court, registered moneylenders now face amendments proposed to be made to the Money Lending Business Law (which will fully take effect by June 2010). The gist of the amendments are to:

Limit the total amount that can be lent to a debtor to one-third of his or her gross annual income.

Establish higher minimum capital requirements for engaging in money lending businesses.

Penalise moneylenders for making contracts with interest rates exceeding the interest rate cap stipulated by the Interest Restriction Act.

Generally tighten the regulation of money lending business.

In the current economic crisis, many money lending businesses in Japan are facing hard times. For example, in September 2009, Aiful Corporation, a major money lending business, filed for business rehabilitation ADR procedures. As of September 2009, the number of registered money lending businesses in Japan stood at around 5,000; a dramatic decrease from the 47,000 or so registered moneylenders engaged in the business at the peak of such activity in March 1986.

Given the tougher regulation of registered moneylending business and the decrease in the number of registered moneylenders, some commentators have voiced concern that the business of moneylending could look more attractive to unregistered moneylenders, which could have the unintended effect of encouraging illegal lending and unscrupulous collection practices.

In light of these concerns, the Financial Services Agency of Japan has established a project team to research the state of money lending business in Japan and the participants in it, and compare the industry in Japan with that of foreign countries to determine the necessity for measures to ensure the smooth enactment of the amended Money Lending Business Law. The project team is expected to take a leading role in optimising the efficiency of money lending business in Japan and dealing with continuing concern regarding unlicensed moneylenders.

---

## Resource information

**Resource ID:** 3-501-0554

**Published:** 15-Dec-2009

**Products:** PLC Cross-border, PLC Global Finance, PLC US Law Department

## Related content

### Topics

Cross-border: finance (<http://www.practicallaw.com/topic7-200-1612>)

© Practical Law Publishing Limited 1990-2011 (<http://www.practicallaw.com/0-207-4980>). Terms of use (<http://www.practicallaw.com/9-103-0884>) and privacy policy (<http://www.practicallaw.com/jsp/privacy.jsp>). Subscription enquiries +44 (0)20 7202 1220 or email [subscriptions@practicallaw.com](mailto:subscriptions@practicallaw.com) The reference after links to resources on our site (e.g. 2-123-4567) is to the PLC Reference ID. This will include any PDF or Word versions of articles.