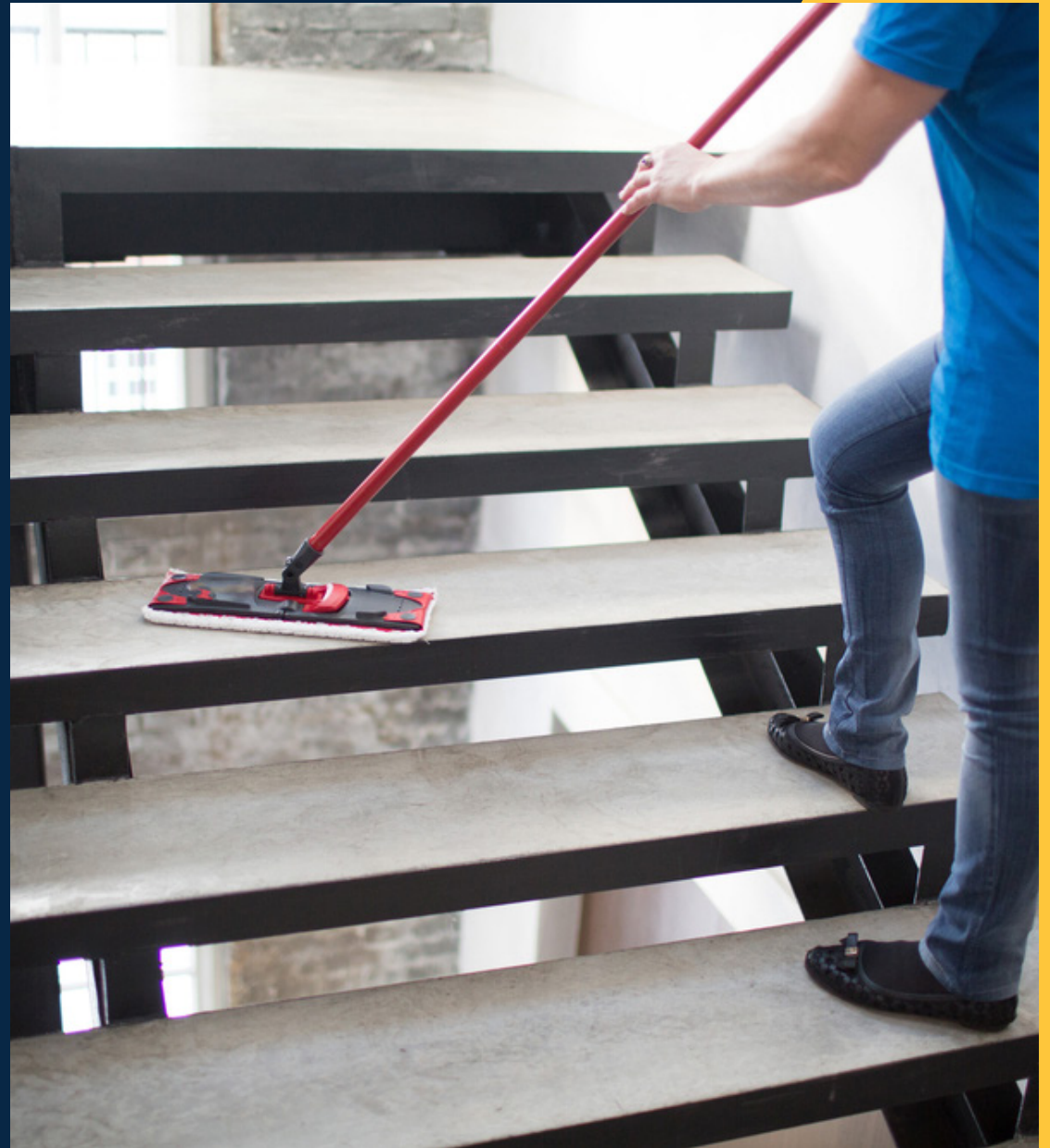




CASE STUDY

Filipino Domestic Migrant
Workers in Hong Kong
and Cross Border Debt
Bondage



Overview

This case study was written in collaboration with Migrasia. We thank Migrasia for their ongoing work in this field, and their support in providing vital information for our members.

Hong Kong employment agencies recruiting Filipino nationals as domestic migrant workers have historically been committing cross border debt bondage for the past 40 years. What is described below is roughly representative of 60% to 80% of such debt bondage cases in Hong Kong and brings to light some of the methods used by agencies to exploit migrant domestic workers.

When employment agencies recruit Filipino domestic workers to work in Hong Kong family homes, the agencies will communicate to the workers that they have to pay excessive fees, such as training fees. In reality, these fees should be paid by the agencies themselves. In the event that the worker cannot afford the fees, the agency will suggest to the worker that a loan can be taken out via a money lender in the Philippines, which the agency colludes with. These loan agreements will be issued without the agency explaining in full transparency the terms and interest rates of the agreement. Workers will not be given a copy of the agreement which therefore cannot be used as evidence in a court of law should the worker file a complaint to law enforcement.

These loan agreements are issued with very high interest rates (exceeding 150% on average). The Money Lenders Ordinance in Hong Kong stipulates that the maximum interest rate is capped at 60% per year. Loan agreements that are over this percentage can lead to an indictable offense in Hong Kong. Employment agencies will circumvent these laws by ensuring that the loan is taken out in the Philippines where there are no usury laws or limitations to loan interest rates. The lender will usually assign these loans for payment collection to a Hong Kong licensed money lender.

The specific instructions for the loan payments are generally communicated via WhatsApp or physical papers mailed to the employer's address. The payments are either paid into a Hong Kong corporate bank account or via a number of remittance service operators which transfer the funds into an overseas account where regulations of the jurisdiction are lax. These accounts are generally ultimately controlled by the aforementioned Hong Kong licensed money lender assigned with debt collection. The Philippines- and Hong Kong-based money lenders collude with one another or are ultimately owned by the same individual(s) located in a different jurisdiction where corporate records are opaque.



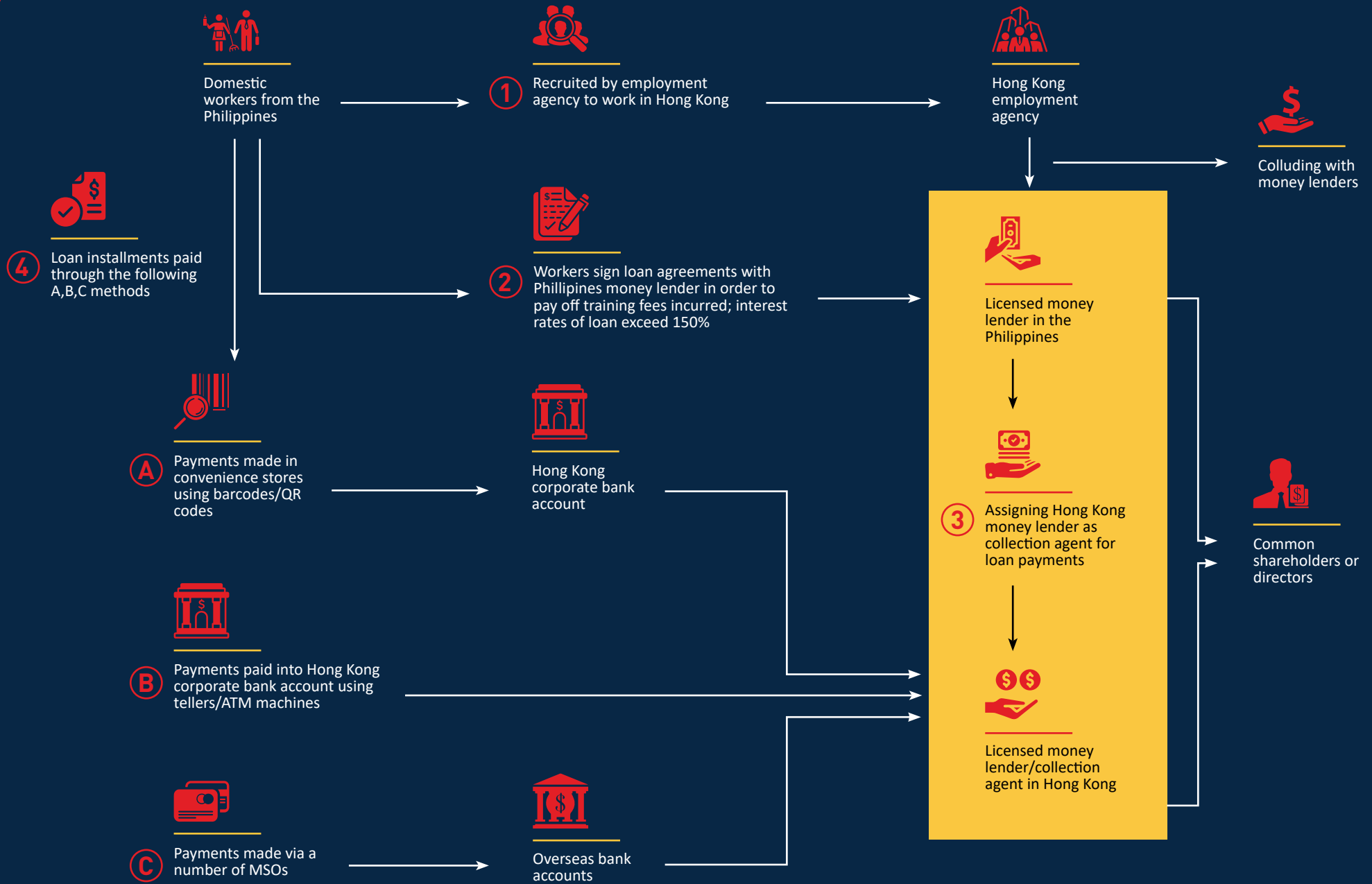
The collection company or the Hong Kong agency may also ask employers to make payment directly to the Hong Kong collection company. This deducts money from the migrant workers salary.

Domestic workers tend not to file a police complaint because there is a risk that the employment agency can manufacture an issue pertaining to the worker which could result in the termination of the workers' employment. Additionally, the workers may not be able to produce ample evidence of the agency's misconduct as they do not possess a copy of the loan agreement and receipts from the convenience store payments (ink on the receipts generally fades quickly).

The operations of the money lenders and employment agencies are constantly evolving. Some of the barcodes/QR codes issued by the lenders for loan payment at convenience stores were previously blocked by remittance companies and banks after successful intervention from NGOs and lawyers who received complaints. As a result, some lenders have reassigned their loan collection to the Philippines and domestic workers are now instructed to pay back their loans into a bank account in the Philippines.

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Indicators and red flags that financial institutions and convenience store employees should look out for:

- Domestic workers' primary concern is job stability and sending money back home. Therefore, their transactional habits should also reflect this and they will habitually transfer funds to family members' accounts, rather than third party companies.
- There are several, typical means through which a domestic worker will pay off their loans:
 - o Domestic workers will often be given papers with barcodes/QR codes in order to make loan payments in convenience stores to Hong Kong corporate bank accounts. Barcodes/QR codes are utilised to hide real bank account details, ensuring anonymity of the shell companies collecting the payments.
 - o Domestic workers will sometimes be instructed to make monthly deposits into a Hong Kong corporate bank account via a teller or an ATM machine.
 - o Money lenders will also designate a number of MSOs for domestic workers to pay off their loans. This is usually an indicator that the lenders have had their bank accounts closed before and is trying to diversify the means through which they can collect payment.
- Suspicious and complex company ownership structure behind the Philippines- and Hong Kong-based money lenders as well as the employment agency. These ownership structures tend to span across numerous jurisdictions and generally link back to the same individual(s).
- When conducting due diligence on a new client (particularly for financial institutions), litigation searches on an individual or their affiliated companies may yield former patterns of behaviour that indicate involvement in cross border debt bondage.
 - o Hong Kong judiciary¹
 - o Paid databases such as Tolfin and D-Law

1. https://www.judiciary.hk/en/judgments_legal_reference/index.html

About Migrasia:

Migrasia Global Solutions Limited (Migrasia) is a Hong Kong tax-exempt incubator that fosters solutions relating to migration in Asia. Every year throughout Asia, millions of men and women migrate for work to support their families. This migration process is fraught with challenges ranging from non-transparent placement practices to abuse and modern slavery. Migrasia endeavors to end bonded labour and migrant exploitation in Asia by supporting a range of innovative, data-driven, technology, investigation, and research projects.

Appendix A: Other Indicators Applicable


Common red flag indicators for Hong Kong employment agencies that may be involved in illegal and clandestine activities:

- Official registered address is the same as that of a Trust or Company Service Provider (“TCSP”).
- Official registered address is the same as that of a MSO.
- Having regular changes in their TCSP or corporate secretaries, which can be found the company’s corporate filings.
- Putting false residential addresses of directors/shareholders of the companies in corporate filings (particularly in annual returns).
- Sharing an office space with other employment agencies, debt collectors, money lenders or other migration-related entities.
- Same directors/shareholders across the employment agency and migration-related companies.



A large, stylized red logo consisting of two overlapping 'M' shapes. A thin red diagonal line runs from the bottom left towards the top right, passing through the center of the 'M' shapes.

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