



The Betty Letters

My Dear Grandchild,

Some banks in Hongkong are reverting to 'blackmailing' their customers. According to Jo, who colours my hair at least once per month in order that I am able to retain part of my youthful appearance, he was told that, if his hair salon wants to get better credit terms with his bank, along with preferred interest rates, then, it would be to his advantage to have all of his cash, placed in fixed deposit with the bank. Jo, who swings left and right (you know what that means, I suppose), does not mind in which bank he keeps his company's money, provided that the money is safe and that it earns interest, commensurate with the rates that other banks are offering. However, the point, about which he objects, most strenuously, is that he, on behalf of his company, is being pressured to uplift his company's fixed deposits in one bank and transferring them, all, to another bank – where the interest rate is lower – and this act is performed for no other reason than, if he does not accede to the demand, then, Jo's Place, the name of the hair salon, may have trouble, in the months to come. Jo's company, as you can imagine, is not a very big one, financially, and I estimate that its annual gross income is less than \$HK5 million, with the net profit, probably, coming down to \$HK400,000 ... or thereabouts. True, Jo's Place is not of the size of the income of a 5-star hotel and commercial complex, in terms of revenue, but it is, what used to be called, a type of 'salt-of-the-earth' establishment. This is the type of business that made Hongkong what it is today. The entrepreneurialism of Hongkong people, such as Jo, caused this territory to be the envy of the Western World, prior to July 1, 1997. It was a bastion, if you will, of free enterprise. Now, in these difficult days, some of the largest banks in Hongkong (and the world) are resorting to blackmailing their customers by trying to force them to shunt all deposits into their banks ... or suffer the consequences of having to pay higher interest rates or, in some cases, I have been told, cutting off facilities, completely. This is not the time to apply such tactics, in my opinion, because, if a bank treats a customer fairly, of course the customer would be more than happy to use the same bank as its depository of surplus funds. I would go further and state that a bank should never apply such unethical tactics. It is quite disgraceful!

I talked this matter over with your grandfather, Bo-Bo. He said that it happens all the time, but more so in Hongkong of late. He said that if it happened in China, proper, then, such an act could be considered a corrupt practice. However, he, also, said: 'Banks have to earn a crust, too, you know. Sometimes, customers have to be taught the meaning of 'quid pro quo.' Now, I, always, thought that a quid was slang for a pound sterling, but I had no idea what was meant by the noun phrase, 'pro quo'. I assume that the origins of this noun phrase were in medicine and along the lines that doctors teach students who, in turn, treat patients – I teach you so that you can treat patients ... for a quid. Everybody knows that one catches more bees with honey than with vinegar, but, at the same time, threats do not for friends make. People are unlikely to forget the way that they have been treated today by bankers who employ tactics that are meant to instil fear in their customers by employing veiled threats that the customer's company could find itself with no credit lines, or with credit lines, the interest rates of which are prohibitively high. There are very few companies in business, today, that can operate without bank assistance in supplying bridge financing and/or assisting in the partial funding of the purchases of investment properties. In Bo-Bo's terms, banks, today, have people by the short and curlies. But this is wrong. Banks should be part of the investment climate of the territory

and, in addition to being one important avenue to bridge or seed financing, bank should assist, where necessary, in the decision process for the sake of their customers and for their own sake. However, this is not the case in Hongkong. And it is bad, bad, bad!

When having luncheon in Gaddi's with some of my friends, a few days after Jo had finished highlighting my hair, I talked of the matter to which I have been referring. It was, then, that I was told that, in addition to certain bank, demanding the transference of fixed deposits, many banks are demanding that their customers purchase only the banks' products. Bank products, in this case, refers to insurance, securities, deposit links, Letters of Credit, using solicitors of their choosing, regardless of the cost per hour of the solicitor, and so on. I am naive, so I, stupidly, asked as to the reason for this demand. The answer was that they were not quite sure, but that there must be a good reason. Digging a little deeper, I soon discovered that most banks own all or part of insurance companies, they have interests in securities companies, and, in most cases, the banks can call the tune insofar as the hourly costs are concerned in respect of certain solicitors. This, to me, is but another example of blackmail albeit smoothly covered over. In the broadest sense, banking consists, mainly, of safeguarding and the transfer of funds, lending or facilitating loans, guaranteeing creditworthiness, and the exchange of money. Banking in Hongkong, today, appears to be a far cry from the above and, what irritates me about many banks is that the people, employed in certain positions, are not bankers, at all, but, at best, salespeople, or, at worst, legal blackmailers.

What is happening to us? Has Hongkong forgotten its roots? What happened to professionalism?

Talk to you, next week.

Chief Lady

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