

## COURTS

# Test case on cash firm may change lending landscape

**Global Merchant Funding is accused of operating a moneylending business without a licence**

**Joyce Man**

joyce.hyman@scmp.com

A business set up to provide short-term, high-cost cash advances will face trial accused of conducting a moneylending business without a licence, in what may be a test case that could change the lending business in Hong Kong.

At a hearing in Eastern Court yesterday, Global Merchant Funding pleaded not guilty, arguing that its cash advances were not loans.

The summons were issued under Section 29 of the Money Lenders Ordinance, which forbids running a lending business without a licence.

Three former senior bankers had founded the firm in late 2008 to provide financing to restaurants, bars and retailers which could not raise funds from banks.

Special magistrate Yu Cheuk-man adjourned the case to February 21 for pre-trial proceedings. The firm is accused of committing the breach from May 9 to June 13 this year. Offenders can face a fine of up to

HK\$100,000 and jail of two years. The firm's founders include Richard Grainger, a former senior director at Barclays Capital, and its backers include the high-profile Asian hedge fund Artradis Fund Management.

GMF Finance Limited, of which Global Merchant Funding's co-founders are directors, has applied for a money-lender's licence, and that application was placed before acting principal magistrate David Dufton in a different courtroom within Eastern Court yesterday. The magistrate adjourned that process to March 13, after the firm and the government agreed to reschedule it.

The firm's website says cash advances for merchants is a new product in Hong Kong and Singapore, but that it has existed for over 10 years in countries including the United States and Britain. Retailers and bankers say the situation appears to be a test case that may significantly change the lending industry if businesses without proper licenses were allowed to follow a similar business model.

Grainger started the business with Avery Stone, a former MasterCard Worldwide executive, and Simon Zoen, a former top Citibank worker.

Zoen has more than 15 years of experience in consumer banking and had previously worked at Chase Manhattan, Bank of America and GE Capital, according to the firm's website. Avery has worked in management positions at American Express.

Senior public prosecutor Anthony Chau Tin-hang said the government planned to call seven or eight witnesses.

Barrister Adrian Bell SC will represent the firm, the court was told.



# 80%

Is the effective annual interest rate that Global Merchant Funding could levy on a loan of HK\$100,000 paid back in three months