

13 Bank Employees Across 10 Banks Arrested in 140 Million Hong Kong Loan Fraud Scheme



Think internal fraud is not a problem across the world? Think again. In fact, it appears to be a very real problem in China, where a massive internal case was just found last week.

A Hong Kong bank employee received HK\$70,000 for turning a blind eye to a suspicious loan application. The payment came from middlemen who had orchestrated a fake loan request for \$1.2 million, part of a government program meant to help struggling businesses survive the pandemic.

That transaction was just one piece of what say was one of Hong Kong's largest internal banking fraud cases. Authorities arrested 32 people on October 30th and 31st, including 13 bank workers who allegedly took HK\$500,000 in bribes to push through \$140 million in fraudulent loans.

The arrests came after a single whistleblower tip from a Hong Kong resident. What started as one suspicious case unraveled into a scheme that turned into one of the biggest cases in history.

22 Ghost Companies and Fake Documents Controlled By Middlemen

Grace Yee, an investigator who looked into the case, said middlemen controlled every step of the fraud.

They recruited fake business owners, paid off bank staff, opened accounts, and prepared loan applications for companies that existed only on paper. Most of the 22 businesses involved had no real operations. Some were shell companies created just to apply for loans.

The fraud targeted three government loan programs that were launched during COVID.

Ricky Ho, chief inspector from the police, said seven business owners submitted forged bank statements, rental agreements, and tax documents to make their companies look legitimate. "By doing so, they exaggerated their sales, leading approval officers to mistakenly believe that these small and medium-sized enterprises had substantial operations, thereby approving the loans," he said.

Eight companies got HK\$50 million in loans. Most of the money was withdrawn quickly and never repaid.

How the Bribery Of Bank Employees Worked

Bank employees received about 6 percent of each loan they approved. The fake business owners got 5 to 7 percent. The middlemen kept the rest.

"In one case, we found that the intermediary and the bank's frontline staff agreed to pay the other party about 6 per cent of the loan amount as pay," Yee said. "After the bank approved a loan of HK\$1.2 million, the bank's frontline staff received about HK\$70,000."

Some of the middlemen had worked at banks before and so they knew how the system worked and which documents loan officers would check carefully.

The 13 arrested bank employees worked at 10 different institutions. Some had already left their jobs by the time investigators caught them.

In 2021 and Earlier This Year There Were Similar Cases of Internal Fraud

The announcement last week was just the latest in a string of internal fraud involving bank employees who were bribed for rubber stamping COVID loans to shell companies.

A 2021 case involved HK\$40 million in scams and bribes to four bank officers.

Another operation in March this year, code-named "Arrow Shower," found mortgage referral bribes involving 18 employees at 10 banks.