



Home Office

# **Country Policy and Information Note**

## **Vietnam: Fear of illegal moneylenders**

**Version 2.0**

**January 2023**

# Preface

## Purpose

This note provides country of origin information (COI) and analysis of COI for use by Home Office decision makers handling particular types of protection and human rights claims (as set out in the [Introduction](#) section). It is not intended to be an exhaustive survey of a particular subject or theme.

It is split into 2 parts: (1) an assessment of COI and other evidence; and (2) COI. These are explained in more detail below.

## Assessment

This section analyses the evidence relevant to this note - that is information in the COI section; refugee/human rights laws and policies; and applicable caselaw - by describing this and its inter-relationships, and provides an assessment of, in general, whether one or more of the following applies:

- a person is reasonably likely to face a real risk of persecution or serious harm
- that the general humanitarian situation is so severe that there are substantial grounds for believing that there is a real risk of serious harm because conditions amount to inhuman or degrading treatment as within [paragraphs 339C and 339CA\(iii\) of the Immigration Rules](#) / Article 3 of the [European Convention on Human Rights \(ECHR\)](#)
- that the security situation is such that there are substantial grounds for believing there is a real risk of serious harm because there exists a serious and individual threat to a civilian's life or person by reason of indiscriminate violence in a situation of international or internal armed conflict as within [paragraphs 339C and 339CA\(iv\) of the Immigration Rules](#)
- a person is able to obtain protection from the state (or quasi state bodies)
- a person is reasonably able to relocate within a country or territory
- a claim is likely to justify granting asylum, humanitarian protection or other form of leave, and
- if a claim is refused, it is likely or unlikely to be certifiable as 'clearly unfounded' under [section 94 of the Nationality, Immigration and Asylum Act 2002](#).

Decision makers **must**, however, still consider all claims on an individual basis, taking into account each case's specific facts.

## Country of origin information

The country information in this note has been carefully selected in accordance with the general principles of COI research as set out in the [Common EU \[European Union\] Guidelines for Processing Country of Origin Information \(COI\)](#), April 2008, and the Austrian Centre for Country of Origin and Asylum Research and Documentation's (ACCORD), [Researching Country Origin Information – Training Manual](#), 2013. Namely, taking into account the COI's relevance, reliability, accuracy, balance, currency, transparency and traceability.

The structure and content of the country information section follows a [terms of reference](#) which sets out the general and specific topics relevant to this note.

All information included in the note was published or made publicly available on or before the 'cut-off' date(s) in the country information section. Any event taking place or report/article published after these date(s) is not included.

All information is publicly accessible or can be made publicly available. Sources and the information they provide are carefully considered before inclusion. Factors relevant to the assessment of the reliability of sources and information include:

- the motivation, purpose, knowledge and experience of the source
- how the information was obtained, including specific methodologies used
- the currency and detail of information
- whether the COI is consistent with and / or corroborated by other sources.

Multiple sourcing is used to ensure that the information is accurate and balanced, which is compared and contrasted where appropriate so that a comprehensive and up-to-date picture is provided of the issues relevant to this note at the time of publication.

The inclusion of a source is not, however, an endorsement of it or any view(s) expressed.

Each piece of information is referenced in a footnote. Full details of all sources cited and consulted in compiling the note are listed alphabetically in the [bibliography](#).

### **Feedback**

Our goal is to provide accurate, reliable and up-to-date COI and clear guidance. We welcome feedback on how to improve our products. If you would like to comment on this note, please email the [Country Policy and Information Team](#).

### **Independent Advisory Group on Country Information**

The [Independent Advisory Group on Country Information](#) (IAGCI) was set up in March 2009 by the Independent Chief Inspector of Borders and Immigration to support him in reviewing the efficiency, effectiveness and consistency of approach of COI produced by the Home Office.

The IAGCI welcomes feedback on the Home Office's COI material. It is not the function of the IAGCI to endorse any Home Office material, procedures or policy. The IAGCI may be contacted at:

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Information about the IAGCI's work and a list of the documents which have been reviewed by the IAGCI can be found on the Independent Chief Inspector's pages of the [gov.uk website](#).

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# Assessment

Updated on 9 January 2023

## 1. Introduction

### 1.1 Basis of claim

1.1.1 Fear of persecution or serious harm by non-state actors (illegal moneylenders).

### 1.2 Points to note

1.2.1 Loan shark is a term commonly used to describe a moneylender who charges extremely high rates of interest, typically under illegal conditions. This term is used in many sources quoted within this note.

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## 2. Consideration of issues

### 2.1 Credibility

2.1.1 For information on assessing credibility, see the instruction on [Assessing Credibility and Refugee Status](#).

2.1.2 Decision makers must also check if there has been a previous application for a UK visa or another form of leave. Asylum applications matched to visas should be investigated prior to the asylum interview (see the [Asylum Instruction on Visa Matches, Asylum Claims from UK Visa Applicants](#)).

2.1.3 In cases where there are doubts surrounding a person's claimed place of origin, decision makers should also consider the need to conduct language analysis testing (see the [Asylum Instruction on Language Analysis](#)).

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## 2.2 Exclusion

- 2.2.1 Decision makers must consider whether there are serious reasons for considering whether one (or more) of the exclusion clauses is applicable. Each case must be considered on its individual facts and merits.
- 2.2.2 If the person is excluded from the Refugee Convention, they will also be excluded from a grant of humanitarian protection (which has a wider range of exclusions than refugee status).
- 2.2.3 For guidance on exclusion and restricted leave, see the Asylum Instruction on [Exclusion under Articles 1F and 33\(2\) of the Refugee Convention](#), [Humanitarian Protection](#) and the instruction on [Restricted Leave](#).

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## 2.3 Convention reason(s)

- 2.3.1 People who fear illegal moneylenders are not considered to form a particular social group (PSG) within the meaning of the 1951 UN Refugee Convention. This is because they do not share an innate characteristic, or a common background that cannot be changed or a characteristic or belief that is so fundamental to identity or conscience that a person should not be forced to renounce it **and** they do not have a distinct identity in Vietnam because those who have taken loans from illegal money lenders are not perceived as being different by the surrounding society.
- 2.3.2 In the absence of a link to one of the 5 Refugee Convention grounds necessary for the grant of refugee status, the question is whether the particular person will face a real risk of serious harm sufficient to qualify for Humanitarian Protection (HP).
- 2.3.3 For further guidance on the 5 Refugee Convention grounds see the Asylum Instruction, [Assessing Credibility and Refugee Status](#).

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## 2.4 Risk

- 2.4.1 In general, the treatment of persons who fail to re-pay illegal loans is not sufficiently serious by its nature and/or repetition, or by an accumulation of various measures, to reach the high threshold of 'serious harm' necessary to qualify for HP. The onus is on the person to demonstrate otherwise. Decision makers must consider each case on its facts.
- 2.4.2 Only the State Bank of Vietnam and official state-approved credit institutions are licensed to conduct banking operations in Vietnam and the Civil Code makes lending money for high interest illegal. Interest rates must not exceed 150% of the base rate (see [Legal position](#)).
- 2.4.3 Legal money lending is complicated, and a World Bank study found that approximately 79% of people in Vietnam do not have access to formal financial services. A report in Southeast Asia Globe noted that weak regulation of legal lending institutions had allowed some lenders to harass borrowers for repayments (see [Legal moneylenders](#)).
- 2.4.4 The number of moneylenders operating in the country and the number of those affected by illegal loans is unknown although illegal moneylending is reportedly widespread. The Investor magazine noted that trade union surveys indicated that over a third of workers are destitute, have debts and have borrowed from loan sharks. The Covid-19 pandemic has also resulted in an increase in money lending activity owing to increased job instability, with the Ministry of Public Security (MPS) reporting that in the first 6 months of 2020 criminal cases related to illegal moneylending had increased by 700% compared with the same period in 2019 (see [Prevalence](#)).
- 2.4.5 People can borrow money from illegal moneylenders with very little collateral, sometimes just by using smartphones apps and identity cards. Interest rates are not usually written on loan papers making it hard for people to keep track of how much they owe and difficult to prove the loan or interest rate agreed as it is not documented. Interest rates are often extortionate and the loanee can be required to repay many times the value of the money they initially borrowed (see [Nature of moneylending](#)).
- 2.4.6 The type of illegal money lender varies, those described as 'neighbourhood money lenders' tend to be smaller scale with lower rates, acting on trust and offering more flexibility to debtors. Neighbourhood moneylenders tend to rely on relationships between them and their client to ensure money is repaid and are unlikely to resort to violence or actions that may damage their reputation within the neighbourhood (see [Neighbourhood moneylenders and Repercussions of non-payment](#))
- 2.4.7 Where people find themselves unable to repay loans to money lenders with links to criminal gangs, they can be subject to harassment threats, kidnapping and violence. Creditors also sometimes harass family members and the person's employer in an effort to make the person repay the debt, using threats to company reputation, damage to property and physical harm to them and their families as a way of eliciting co-operation (see [Repercussions of non-payment](#)).
- 2.4.8 Illegal moneylending is often linked to migration, so where there are indicators of trafficking, decision makers should refer to the country policy



and information note on [Vietnam: trafficking](#).

- 2.4.9 For further guidance on assessing risk, see the Asylum Instruction on [Assessing Credibility and Refugee Status](#).

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## 2.5 Protection

- 2.5.1 In general, the state is both willing and able to offer effective protection. There is a functioning criminal justice system for the detection, prosecution and punishment of acts constituting persecution or serious harm, which is generally accessible. The onus is on the person to demonstrate otherwise. Decision makers must consider each case on its facts.
- 2.5.2 The Vietnamese authorities have made efforts to tackle illegal moneylending with some provinces setting up special police units to address the problem. The Ministry of Public Security (MPS), who manage the police, told the UK Home Office fact Finding Team in 2019 that the government had recognised the seriousness of the issue of illegal moneylending and had directed them to address it (see [Police effectiveness in dealing with illegal moneylenders](#)).
- 2.5.3 According to some reports, police are proactive in investigating illegal moneylending networks and prosecution of these networks has occurred. An article in VnExpress International noted that since 2019 MPS have dealt with more than 2,700 cases of illegal moneylending involving nearly 5,000 people. Nearly 2,000 cases, involving 4,000 defendants have also been prosecuted (see [Arrests/prosecutions](#)).
- 2.5.4 Whilst authorities have shown a willingness to police illegal moneylending and prosecutions have occurred, apprehending and convicting offenders remains difficult. The high interest rates charged by creditors which are not normally written on loan papers make it difficult to prove a violation occurred. The increase in moneylending apps has also made it difficult to police, although a lack of evidentiary evidence does not mean that authorities are unwilling (see [Loan sharks/pawnbrokers](#) and [Peer-to-peer money lending \(P2P\)](#)).
- 2.5.5 Corruption can affect police effectiveness and impunity remains. However, DFAT noted the distinction between high- and low-level corruption with higher level corruption much less tolerated and more likely to be investigated and punished (see [Corruption](#)).
- 2.5.6 The government has taken steps to improve lending options and protect against aggressive debt collection. In June 2022, Prime Minister Pham Minh Chinh requested that the central bank find solutions to help people access official bank loans to prevent them from seeking credit from illegal moneylenders. In 2021 the government also introduced curbs on financial companies to limit the number of times they can contact debtors when seeking repayments and to prevent financial companies from selling debt to third parties for collection (see [Action to combat illegal moneylending](#)).
- 2.5.7 For further guidance on assessing state protection, see the Asylum Instruction on Assessing Credibility and Refugee Status.

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## 2.6 Internal relocation

- 2.6.1 In general, internal relocation is reasonable. However, this will depend on the person's circumstances, the nature of the threat and the reach and ability of the moneylender to locate and pursue the person but this will depend on the person's circumstances and the nature of the threat. Decision makers must consider the guidance set out in country policy and information note on [Vietnam: trafficking](#) when considering the reasonableness of internal relocation for single women who claim to fear an illegal moneylender. Each case must be considered on its facts. The onus is on the person to demonstrate why they would not be able to relocate.
- 2.6.2 Vietnam is a large country of over 103 million people with several large cities, 6 of which have a population of over a million. The law allows for freedom of internal movement which is common. Local police require citizens to register when staying overnight in any location outside of their local area although police do not enforce the laws to the extent that it would prevent internal relocation. Those who move without permission can sometimes be hampered from seeking legal residence permits, public education, and health-care benefits (see [Freedom of movement](#)).
- 2.6.3 For further guidance on considering internal relocation and factors to be taken into account, see the Asylum Instruction on [Assessing Credibility and Refugee Status](#).

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## 2.7 Certification

- 2.7.1 Where a claim is refused, it is unlikely to be certifiable as 'clearly unfounded' under section 94 of the Nationality, Immigration and Asylum Act 2002.
- 2.7.2 For further guidance on certification, see [Certification of Protection and Human Rights claims under section 94 of the Nationality, Immigration and Asylum Act 2002 \(clearly unfounded claims\)](#).

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# Country information

This section was updated on: 3 January 2023

## 3 Legal position

### 3.1 Laws and policy developments on loans/pawnbrokers

#### 3.1.1 The law on credit institutions states:

'Article 12.- Types of credit institutions

1. The Vietnamese credit institutions include: State credit institutions, joint stock credit institutions of the State and the people, and cooperative credit organizations.

2. Depending on the demands of the country's socio-economic development, the State shall allow the establishment of joint-venture credit institutions, non-bank credit institutions with 100% foreign capital in Vietnam; permit foreign banks to open their branches in Vietnam. Foreign credit institutions may open their representative offices in Vietnam. Such representative offices shall not be allowed to conduct business operations in Vietnam.

'Article 14. Right to conduct banking operations

1. Organizations that fully meet the conditions under this Law and other relevant laws and are licensed by the State Bank may conduct one or some banking operations in Vietnam.

2. Individuals and organizations other than credit institutions are prohibited from conducting banking operations, except escrow, purchase and sale of securities by securities companies.

'Article 51.- Credit contracts

The lending must be established in a credit contract. The credit contract must contain the lending conditions, the loan use purpose, the form of loan, the loan amount, the interest rate, the loan duration, the security form, the value of the property as security, the mode of debt repayment and other commitments agreed upon by the involved parties.<sup>1</sup>

#### 3.1.2 The criminal code of Vietnam states:

'Article 201. Usury in civil transactions

1. Any person who offers loans at an interest rate that is five times higher than the maximum interest rate specified in the Civil Code and earns an illegal profit of from VND 30,000,000 [approx. £1000<sup>2</sup>] to under VND 100,000,000 [approx. £3400<sup>3</sup>] or previously incurred a civil penalty or has a previous conviction for the same offence which has not been expunged shall be liable to a fine of from VND 50,000,000

<sup>1</sup> Fin Dev Gateway, '[Vietnam: Law on Credit Institutions](#)', January 2005

<sup>2</sup> Xe.com '[30,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)', 6 December 2022

<sup>3</sup> Xe.com, '[100,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)', 6 December 2022

[approx. £1700<sup>4</sup>] to VND 200,000,000 [approx. £6800<sup>5</sup>] or face a penalty of up to 03 years' community sentence.<sup>6</sup>

- 3.1.3 The UK Home Office (HO) conducted a Fact-Finding Mission (FFM) to Vietnam between 23 February and 1 March 2019. The Fact-Finding Team (FFT) were informed by representatives from the Ministry of Public Security (MPS), in a written statement sent via the British Embassy, that the policy for illegal moneylending is based on the following legal documents:

'According to the Civil Code, the regulated interest rate cap is normally 20% unless otherwise stipulated by the law. Excessive interest rates will be disabled.

'Moneylenders offering loans at an interest rate that is 5 times higher than the interest rate cap specified in the Civil Code or earning an illicit profit from VND 30,000,000 [approx. £1000<sup>7</sup>] upwards or having been administratively sanctioned or sentenced for the same unspent offence shall be punished according to Article 201 of the Criminal Code with a maximum penalty of 3 years in prison.

'Moneylenders offering loans required collaterals out of the extent of criminal punishment according to Article 201 of the Criminal Code with an interest rate exceeding 150% of the basic rate announced by the State Bank of Vietnam at the time of lending shall be administratively sanctioned in accordance with Decree No. 167/2013/ ND-CP with a maximum fine from VND 5,000,000 [approx. £171<sup>8</sup>] to VND 15,000,000 [approx. £513<sup>9</sup>]. For the same act and interest rate mentioned above, however, without collaterals, no regulations on punishment are stipulated.

'Acts of debt collection such as cursing, throwing dirt or waste, causing urban landscape disturbance, etc., and so violating Decree No. 158/2013/ND-CP regarding the penalties for administrative violations in Culture, sports, tourism and advertising sectors will be subject to administrative sanctions.

'Acts of debt collection made lives, health and property of debtors injured to the extent of criminal liability prosecution may be punished for related offenses such as: Murder, Intentional injury, Death threat, Unlawful arrest, Property deliberate damage, Property Seizing, Property Destruction, etc.<sup>10</sup>

- 3.1.4 According to the US State Department's 2022 Trafficking in Persons report, the Government of Vietnam 'enacted a series of policies to eliminate worker-paid service fees and commissions that have historically placed Vietnamese workers at high risk of debt-based coercion in several sectors and key destination countries.'<sup>11</sup>

<sup>4</sup> Xe.com, '[50,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)', 6 December 2022

<sup>5</sup> Xe.com, '[200,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)', 6 December 2022

<sup>6</sup> Criminal Code, '[Criminal Code- Law No. 100/2015/QH13](#)', 27 November 2015

<sup>7</sup> Xe.com '[30,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)', 6 December 2022

<sup>8</sup> Xe.com, '[5,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)' 6 December 2022

<sup>9</sup> Xe.com '[15,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)', 6 December 2022

<sup>10</sup> UK Home Office, '[HO FFM report](#)' (annex D- MPS), September 2019

<sup>11</sup> USSD, '[2022 Trafficking in Persons Report: Vietnam](#)', 19 July 2022

- 3.1.5 The Investment Law 2020, which came into effect in January 2021 banned financial companies from selling bad debt to third parties<sup>12</sup>.

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This section was updated on: 3 January 2023

## 4 Nature of moneylending

### 4.1 Prevalence

- 4.1.1 Viet Nam Net, an online news source, noted in 2019 that: 'According to the [State Bank of Vietnam] SBV's Banking Supervision Agency, loan sharks with exorbitant interest rates often targeted people with unstable incomes who lived in remote areas and need money for healthcare and food.'<sup>13</sup>
- 4.1.2 Viet Nam Net, noted in a report from 2020 that the Covid-19 pandemic has resulted in many people losing their jobs and has allowed illegal moneylending to increase. The article noted that MPS had reported that '...in the first six months of 2020, the number of criminal cases of this kind increased by 700 percent compared with the same period last year. From April 15, 2019, to April 15, 2020, the police discovered 1,152 cases and 2,423 subjects related to black credit. 1,427 defendants in 602 cases have been prosecuted, while 911 subjects in 382 cases have been fined. The police said black credit has exploited legal loopholes to develop. Lenders now easily approach borrowers through social networks and apps.'<sup>14</sup>
- 4.1.3 Channel News Asia, who are based in Singapore with correspondents in major Asian cities and report on global developments with an Asian perspective, noted that: 'Since the COVID-19 outbreak, millions of Vietnamese workers have experienced unemployment, furloughs or falling incomes. Job instability and fallen incomes have benefitted both legal and illegal lending.'<sup>15</sup>
- 4.1.4 The Australian Government's Department of Foreign Affairs and Trade (DFAT) country information report of January 2022, based on a range of public and non-publicly available sources including on-the-ground knowledge and discussions with a range of sources, stated: 'Illegal moneylending is widespread in Vietnam. Loan sharking is not necessarily hidden. Usurious [extortionate] loans may be made by ostensibly legitimate moneylending or pawnshop businesses, online advertising in social media or simply posters in the streets. Usury itself is a criminal offence and may lead to other offences related to gangs, money laundering or violence.'<sup>16</sup>
- 4.1.5 The Investor magazine noted in July 2022 article that:  
'As of April [2022], consumer loans in the country amounted to over VND2,260 trillion [approx. £84.4 billion<sup>17</sup>], accounting for over 20% of the economy's outstanding loans, up 8.93% against the end of 2021. Surveys

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<sup>12</sup> Channel News Asia '[Commentary: As bad debt climbs, rough collection tactics...](#)', 16 July 2021

<sup>13</sup> Viet Nam Net, '[Vietnam central bank enhances measures against loan sharks](#)', 6 May 2019

<sup>14</sup> Viet Nam Net, '[Black credit leading people to dead end, with no escape from...](#)', 12 November 2020

<sup>15</sup> Channel News Asia '[Commentary: As bad debt climbs, rough collection tactics...](#)', 16 July 2021

<sup>16</sup> DFAT, '[Country Information Report Vietnam](#)' (para 3.102), 11 January 2022

<sup>17</sup> Xe.com, '[2,260,000,000,000 VND to GBP](#)', 21 September 2022

carried out by trade unions over a number of years have revealed that around a third of Vietnamese workers are destitute, have debts and borrowed from loan sharks using social insurance and identity cards as collateral.<sup>18</sup>

- 4.1.6 CPIT was unable to find country information on the number of moneylenders operating in the country or the number of people affected by illegal loans (see [Bibliography](#))

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## 4.2 Legal moneylenders

- 4.2.1 Diplomatic sources told the UK Home Office FFT that: 'Although trust in the Vietnamese banking system is improving, there are still many people who do not have bank accounts.'<sup>19</sup>

- 4.2.2 Southeast Asia Globe reported in November 2021 that:

'Although a burgeoning consumer finance industry has taken root in Vietnam, weak regulation has allowed many financial institutions to harass borrowers, pushing the bounds of legality. Some legal lenders mirror loan sharks: disturbing borrowers' relatives, posting smear photos online and going to borrowers' houses to pressure them to pay off their loans.

'The economic impact of Covid-19 has left many financially drained in Vietnam and issues surrounding bad debt have been exacerbated. During the first quarter of 2020, local banks reported a 45% increase in past-due loans.

'...Although a circular issued by the State Bank of Vietnam in March 2020 called for credit institutions to restructure repayment periods and waive or reduce interest rates, the protocol is not legally binding.'<sup>20</sup>

- 4.2.3 An article by Channel News Asia highlights that although companies lending money may appear credible, they may outsource debt collection to third parties who use forceful and intimidating debt collection tactics:

'FE Credit should have had strong foundations, being a branch of the credible Vietnam Prosperity Joint-Stock Commercial Bank that leads the Vietnamese consumer finance market and having built up a base of 14 million low-income and unbanked aspiring borrowers since its founding in 2015.

'...There have been expressed public concerns online with hundreds of YouTube videos showing quarrels between mafia-like collectors and distressed borrowers, and Facebook groups hosting harassed and revengeful borrowers.

'... Consumer finance companies like FE Credit may either commission third parties to recover portfolios of bad debt for a margin of the profit or sell them at a low price altogether.

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<sup>18</sup> The Investor, '[Seafood association urges crackdown on loan sharks](#)', 26 July 2022

<sup>19</sup> UK Home Office, '[HO FFM report](#)' (annex D- Diplomatic sources), September 2019

<sup>20</sup> Southeast Asia Globe, '[Vietnam lenders adopt loan shark tactics](#)', 18 November 2021



'... FE has refuted claims it allows the use of such measures to intimidate borrowers. Yet FE Credit's stance is also that third-party collectors are legitimate companies that operate under a business registration certificate for debt collection, which until recently, was a legal arrangement when debt could be sold to third parties.

'Never mind that those same laws also stipulate collectors must refrain from "infringing upon life health, dignity, honour, personal freedom, property rights and other civil rights" of debtors and related individuals.'<sup>21</sup>

#### 4.2.4 A paper published by the Yusof Ishak Institute notes that:

'Consumer finance is a thriving sector that has been growing at an annual pace of 20 percent in Vietnam.

'...Policy-makers and financial players promote consumer finance as an antidote to black credit gangs or usurious practices. However, banks and financial companies use controversial collection practices, including threatening borrowers' relatives, friends and employers who are not legally liable for repaying the debt.

'...Some financial companies such as FE Credit appear to go beyond conventional collection practices by hiring external collectors with ties to black credit gangs that harass borrowers and their personal connections.

'...The harassment of borrowers' personal networks and the use of strong-arm collection practices by formal fincos such as FE Credit have been causing public concern in Vietnam for years. 3 This anxiety echoes a deeper worry about informal 'black credit' gangs being involved in 'loan sharking' activities.'<sup>22</sup>

#### 4.2.5 Asia Perspective, who offer services to European companies operating in China and South-East Asia, noted that: 'According to a study by the World Bank, about 79% of people in Vietnam do not have access to formal financial services, including lending. There are also around 60% of small and medium enterprises (SMEs) that are not able to borrow from banks due to a lack of assets.'<sup>23</sup>

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### 4.3 Neighbourhood moneylenders

#### 4.3.1 Alliance Anti-Traffic (AAT), a non-profit, non-partisan and non-religious organization that aims who work to protect women and children in Southeast Asia from sexual exploitation and trafficking, noted in a report from May 2020 that: 'Neighborhood moneylenders lend money to their social networks, mainly to people they are familiar with and trust. They cultivate a reputation for gentleness and combine flexibility and verbal violence to enforce repayment.'<sup>24</sup>

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<sup>21</sup> Channel News Asia '[Commentary: As bad debt climbs, rough collection tactics...](#)', 16 July 2021

<sup>22</sup> Yusof Ishak Institute, '[The Ambivalence of Heavy-Handed Debt Collection in...](#)', 16 September 2021

<sup>23</sup> Asia Perspective, '[Vietnam's Fintech Industry is A Natural Magnet for Capital](#)', 17 June 2022

<sup>24</sup> AAT, '[Easy to Borrow, Hard to Repay: Credit and Debt in Ho Chi Minh City's Sex ...](#)', May 2020

4.3.2 The International Institute for Asian Studies noted in an article in their spring 2021 newsletter that:

‘... women operate as small-scale ‘neighbourhood moneylenders’. They work individually, use savings to launch small lending ventures, and offer flexible borrowing conditions to handpicked clients. They use their extensive experience and connections to lend money in their social networks. A prerequisite to lending is familiarity with and trust in their borrowers, typically a neighbour, a friend, an acquaintance or a business partner.

‘... To issue a loan, female moneylenders need to know the borrower’s work and house address, but refrain from asking for an ID or a household certificate as collateral. Once they gain experience and contacts in the moneylending trade, build their reputation and increase their capital, they expand their operation to more distant circles in their social networks. Most argue that they ‘lend money for affectionate reasons’ [cho mượn tình cảm], meaning at slightly lower rates and with more flexibility toward defaulters’<sup>25</sup>

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#### 4.4 Loan sharks/pawnbrokers/gangs

4.4.1 In a written statement sent via the British Embassy following the UK HO FFM to Vietnam, MPS stated that:

“Black Credit” is a form of lending, borrowing or raising capital at an interest rate exceeding the interest rate prescribed by the law, which is carried out by individuals, groups or financial services business organizations in alliance with acts of illegal debt collection and appropriation of debtors’ property.

‘...“Black Credit” lenders include individuals, groups of people operating without permission or hiding their illegal operation in the form of pawnshops, financial businesses, leasing of licensed properties.

‘...To smoothen the “Black Credit”, these lenders usually play some certain tricks like leaflets websites, social networks, advertisements of giving loans without direct meeting, without mortgage, simple procedures, immediate disbursement for a loan amount from 1 million to several tens of million dong. They also use high technology to organize “Black Credit” activities through the internet in the form of online lending, peer-to-peer lending at high interest rates. In order to circumvent the law and evade the investigation and evidence collection of police agencies, high-interest loans are often masked by disguised contracts of which interest rates are intentionally showed in the contract lower than in reality or revealed in another paper (such as a loan note, handwritten paper to be able to destroy or change easily).’<sup>26</sup>

4.4.2 AAT’s 2020 report stated that: ‘Giang hồ gangs issue loans to borrowers with whom they need no previous relationships. They do not establish labor ties with their clients. They cultivate a reputation of aggressiveness and use

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<sup>25</sup> IIAS, ‘[The gendered structure of moneylending in Vietnam](#)’, 2021

<sup>26</sup> UK Home Office, ‘[HO FFM report](#)’ (annex D- MPS), September 2019



strong-arm recovery methods.<sup>27</sup>

- 4.4.3 The International Institute for Asian Studies noted in an article in their spring 2021 newsletter that:

‘Male moneylenders operate in gangs, which people commonly refer to as *giang hồ* [outlaw], *xã hội đen* (lit.: ‘black society’; meaning gangster, or mafia) and *tụi Hải Phòng* (lit.: ‘gang from Hải Phòng’, a coastal city in Northern Vietnam popularly considered a hotbed of criminality). These gangs cultivate a reputation of being reckless, belligerent and cold-hearted and, in some cases, display tattoos, fancy vehicles, flashy jewellery, and stacks of cash on social media. Some of these gangs use pawnshops and rental and wholesale businesses as fronts for their operations. They lend money to a range of borrowers whom they recruit through social networks and aggressive marketing. For small unsecured loans, they do not require collateral, trust, or a prior connection with the borrower. Some ask for a photocopy of the ID or household certificate, and only occasionally keep the original document.’<sup>28</sup>

- 4.4.4 In December 2021 Viet Nam News interviewed Nguyễn Thanh Hà, Chairman of the Board of Directors of SBLAW Law Firm, about black credit. Nguyễn Thanh Hà stated that:

‘If in the past, we often saw “utility pole banking” with many advertisements for quick loans with low interest rates on leaflets posted along the walls and poles. Now, with the development of the internet, people create different apps where borrowers can use smartphones to borrow money simply by providing their identity card.

‘...Through the internet, these apps have blossomed and grown so much that it's very difficult for the authorities to control. Meanwhile, borrowing through the app is relatively easy, so people who need money are easily lured to take a temporary loan to solve their personal needs. But only after taking the loans do they know that the actual amount received is lower than they expected and the interest rate very high.

‘And, when the debt is due and people can't pay it, they are introduced to another app to borrow again. People keep getting caught up in the cycle of borrowing through apps after apps when they can't pay their previous debts.’<sup>29</sup>

- 4.4.5 The 2022 DFAT report noted that:

‘While limited information is available about loan shark victims, DFAT was able to ascertain from in-country sources that gangs in general have national and international reach, sometimes in the form of informal networks rather than gangs. It is not clear if those gangs are involved in loan sharking but, if they are, the threat of violence could exist in different parts of the country. This would not apply to those who have borrowed money from smaller, non-

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<sup>27</sup> AAT, ‘[Easy to Borrow, Hard to Repay: Credit and Debt in Ho Chi Minh City's Sex ...](#)’, May 2020

<sup>28</sup> IIAS, ‘[The gendered structure of moneylending in Vietnam](#)’, 2021

<sup>29</sup> Viet Nam News, ‘[Black credit apps need to be handled strictly: lawyer](#)’, 28 December 2021

gang lenders.<sup>30</sup>

4.4.6 VnExpress International, an online newspaper, reported in June 2022 that:

‘Tran Thi Toan, 35, an official with the trade union of New Apparel Far Eastern Vietnam Co., Ltd. in Binh Phuoc, said black-market lending was a critical issue facing many workers. She said that in recent times, many workers have been mired in financial difficulties due to the pandemic, but, unable to get loans from banks, they’ve had no choice but to turn to loan sharks.

‘...Senior Lieutenant General Luong Tam Quang, Deputy Minister of Public Security, admitted that loan sharks were committing very "sophisticated" crimes under the guise of businesses offering financial support services. They would lend without collateral, lend in the form of capital mobilization, capital contribution, and business asset contribution, he said. They usually entice workers to borrow money directly or through applications, social networks with "unusually" high interest rates. "There are cases in which the interest rate is 90-100 percent month and even up to 700-1,000 percent month and loan sharks usually threaten, terrorize, appropriate assets when the borrowers fail to pay on the due date," he said.’<sup>31</sup>

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#### 4.5 Peer-to-peer money lending (P2P)

4.5.1 Peer-to-peer lending (also referred to as P2P) is an online system of borrowing money where individual borrowers or businesses are matched to lenders. Lending amounts tend to be small and for short periods of time usually between one month and two years<sup>32 33</sup>. There are approximately 100 firms, including foreign-invested ones, which offer P2P lending in Vietnam<sup>34</sup>.

4.5.2 Vietnam+, an online new site, reported in April 2022 that:

‘In the P2P lending activity that has emerged in Vietnam in recent years, the banking watchdog has warned some firms use the name of P2P lending model to deceive people who lack information, advertise falsely such as high profits, high interest rates to cheat, appropriate people’s money to invest in this model or deceive borrowers about low interest rates, easy lending conditions while applying “exorbitantly high” actual interest rate.

‘...In the absence of regulations, loans on P2P platforms would be considered as civil transactions under the 2015 Civil Code with the interest rate not exceeding 20 percent of the principal per year.

‘However, in reality, many lending apps operate like a credit institution when mobilising capital from organisations and individuals and then lending at “exorbitant high” interest rates of up to 300-400 percent per year.

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<sup>30</sup> DFAT, ‘[Country Information Report Vietnam](#)’ (para 3.106), 11 January 2022

<sup>31</sup> VnExpress International, ‘[Protect workers from loan sharks: PM](#)’, 12 June 2022

<sup>32</sup> Viet Nam News, ‘[Peer to peer lending becoming increasingly popular in VN](#)’, 6 September 2018

<sup>33</sup> Vietnam+, ‘[Regulatory sandbox for P2P lending needs strict requirements](#)’, 25 April 2022

<sup>34</sup> Vietnam+, ‘[Regulatory sandbox for P2P lending needs strict requirements](#)’, 25 April 2022

'Currently, most P2P platform providers in Vietnam have registered their business activities as investment consultation, commodity auction services, brokerage or IT services. Many agreements between the parties involved in the P2P lending model (P2P lending firms, investors, borrowers, third parties) lack clarity and binding due to under regulation so it may lead to disputes, lawsuits or even swindling.'<sup>35</sup>

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#### 4.6 Links to trafficking

4.6.1 A 2019 article on the Electronic Immigration Network website notes that: '...Loan sharks are closely connected to trafficking victims and often act as migration brokers. Traffickers frequently take advantage of debt bondage to control their victims, as trafficked person are lured with promises of economic opportunity. Traffickers also threaten families back home to ensure the victims continue to cooperate.'<sup>36</sup>

4.6.2 The 2022 DFAT report noted that:

'...Moneylending and migration are commonly linked and the reason for the loan may have been to fund a people smuggler in the first place.

'Moneylending is commonly linked to people trafficking. People are expected to pay money at each stage of the journey and are then held in servitude with the threat of violence where they owe money. Victims of trafficking may be used as recruiters for new victims to pay off their debts.'<sup>37</sup>

4.6.3 The Global Initiative Against Transnational Organized Crime report 'Global organised crime index 2021' noted that '... criminal groups involved in human-trafficking and human-smuggling operations are known to provide financial services, or 'shark loans', to victims.'<sup>38</sup>

4.6.4 The US State Department's 2022 Trafficking in Persons report noted that: 'Vietnamese labor recruitment firms—in particular, those affiliated with state-owned enterprises—and unlicensed brokers reportedly continued to charge some workers seeking overseas employment higher fees than the law allowed, placing many in indebtedness that traffickers could use to exploit them.'<sup>39</sup>

4.6.5 For more information on trafficking please refer to the country policy and information note on [Vietnam: trafficking](#).

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#### 4.7 Repercussions of non-payment

4.7.1 In a written statement sent via the British Embassy following the UK HO FFM to Vietnam, MPS stated that:

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<sup>35</sup> Vietnam+, '[Regulatory sandbox for P2P lending needs strict requirements](#)', 25 April 2022

<sup>36</sup> EIN, '[Vietnam's Human Trafficking Problem Is Too Big to Ignore](#)', 12 November 2019

<sup>37</sup> DFAT, '[Country Information Report Vietnam](#)' (para 3.104 & 3.105), 11 January 2022

<sup>38</sup> Global Organized Crime Index '[Country profile- Vietnam](#)', 2021

<sup>39</sup> USSD, '[2022 Trafficking in Persons Report: Vietnam](#)', 19 July 2022

'Upon late repayment of debtors, these lenders certainly call their employees or hire external ganglands to carry out the debt collection in illegal manners like threats, psychological terrorization such as throwing dirt, placing funeral wreaths, coffins, using free SIM cards to threaten the debtors, destroying the debtor's property, intentionally injuring, humiliating the debtors, causing troubles at their residence place, business place etc. These activities do not in the scope of the criminal punishment but cause fear, confusion, economic damage, loss of victims' credibility and produce pressing matters for the masses around them. Many victims were controlled and threatened by these wrongdoers so they aren't denounce and cooperate in providing evidence to the police. Particularly to legalize debt collection in sophisticated way, they also set up State-authorized debt collection companies in which a gang of criminals... are hidden in the shade of a company.'<sup>40</sup>

4.7.2 Diplomatic sources told the UK Home Office FFT that: 'If they take out a loan it is a loan for the family. We do occasionally receive anecdotal reports where someone does something in the UK and the family here get harassed.'<sup>41</sup>

4.7.3 IOM told the UK HO FFT that: 'Depending on the circumstances, it is certainly possible that retribution could be sought for an unpaid debt.'<sup>42</sup>

4.7.4 News sites reported that people who were unable repay their loans and their friends and family were threatened by their debtors<sup>43 44</sup>.

4.7.5 The International Institute for Asian Studies noted in an article in their spring 2021 newsletter, referring to the tactics of male moneylenders, that:

'In line with a reputation for ruthlessness, they [Giang hồ lenders] use brutal recovery tactics. Their motto is 'if I lend money, I can always get it back'. Their methods include charging penalties and compound interest, insults and beatings, making a fuss at borrowers' homes, harassing their relatives, disclosing the debt to a spouse, posting their pictures and personal information in their neighbourhood, and splashing paint and fermented shrimp sauce at their front door. These bullying campaigns have devastating effects on late repayers.'

'... Giang hồ lenders' use of extreme violence to recover loans stirs up public indignation and concern and a strong call for political action, to which the government has responded with persecution and has used as a justification for liberalising consumer lending. However, these male lenders embrace the stereotype of the ruthless and 'evil' usurer who crushes the poor with high-interest rates and strong-arm recovery methods. ...Giang hồ lenders also embody certain ideals of masculinity, in particular men's 'hot temper' that can easily turn into aggressive and violent behaviour (and intimate partner violence) when they consume alcohol. Although conforming to these gender roles marginalises male moneylenders as deviant and puts them at risk of

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<sup>40</sup> UK Home Office, '[HO FFM report](#)' (annex D- MPS), September 2019

<sup>41</sup> UK Home Office, '[HO FFM report](#)' (annex D- Diplomatic sources), September 2019

<sup>42</sup> UK Home Office, '[HO FFM report](#)' (annex D- IOM), September 2019

<sup>43</sup> Tuoi Tre News, '[Vietnam police bust loan shark rings charging yearly interest...](#)', 4 September 2020

<sup>44</sup> Viet Nam News, '[Five people arrested in HCM City loan shark apps bust worth ...](#)', 21 April 2020

repression and stigmatisation, it allows them to generate enough fear and respect among borrowers to sustain their lending operation.

'... As flexible as neighbourhood moneylenders' practices are [see [Neighbourhood moneylenders](#)], they must also recoup their money to sustain their business. When they run out of patience, they harass and insult late repayers.

'... As opposed to giang hồ gangs, neighbourhood moneylenders rarely hit 'stubborn' borrowers or 'make a fuss' at their home and workplace. Inflicting physical violence on associates, friends and family members would damage their reputation in the neighbourhood and therefore their capacity to recruit new clients. In fact, the relationship between moneylenders like Nở and Phường and their clients is framed within the terms of reference chị-em or 'old sister-young sister/brother'. This referential system lends itself to the narrative of moneylending as a mark of 'good sentiments' [tình cảm], a term frequently used in family and close interactions. The obligation to pay back is bound not only by the terms of credit but also by the seniority and the familial relations denoted by the pair of kinship pronouns.'<sup>45</sup>

- 4.7.6 Channel News Asia reported in July 2021 that employed gangs sometimes use: '...forceful recovery methods including charging penalties, sending a deluge of insults and threats, harassing relatives and publicly disclosing borrowers' debt status. Violent collection practices regularly make the headlines in Vietnam...'<sup>46</sup>
- 4.7.7 The 2022 DFAT report stated: 'There is a potential for retaliation for unpaid debts. This can take different forms, ranging from harassment and public embarrassment to violence. These actions might be carried out by hired thugs contracted by creditors, and members of families might also face harassment, threats or violence for family members' unpaid debts.'<sup>47</sup>
- 4.7.8 In April 2022, two Vietnamese women admitted to an Appeal Court that they imprisoned another Vietnamese woman for failing to pay back a loan. The women were accused of unlawfully detaining her and extorting 300 million Vietnamese Dong (approx. £11,000<sup>48</sup>) from her family in exchange for her release<sup>49</sup>.
- 4.7.9 In July 2022 VnExpress International reported that loan sharks in Ho Chi Min City were harassing employers of workers who had taken out loans and defaulted on their repayments, threatening destructive action against their business as well as relatives<sup>50</sup>. The Investor also reported in July 2022 that the Vietnam Association of Seafood Exporters and Producers had urged the police to take action as member firms were being harassed and its CEO defamed by loan sharks for loans their employees had defaulted on<sup>51</sup>. The Investor article stated that when employees defaulted on their payments they

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<sup>45</sup> IIAS, '[The gendered structure of moneylending in Vietnam](#)', 2021

<sup>46</sup> Channel News Asia '[Commentary: As bad debt climbs, rough collection tactics...](#)', 16 July 2021

<sup>47</sup> DFAT, '[Country Information Report Vietnam](#)' (para 3.104), 11 January 2022

<sup>48</sup> Xe.com '[300,000,000 VND to GBP - Vietnamese Dong to British Pounds](#)', 5 September 2022

<sup>49</sup> Khmer Times, '[Loan sharks admit confining woman to get their money](#)', 5 April 2022

<sup>50</sup> VnExpress International, '[Usurious loan sharks harass factories after workers default](#)', 24 July 2022

<sup>51</sup> The Investor, '[Seafood association urges crackdown on loan sharks](#)', 26 July 2022



were threatened, along with their relatives and friends<sup>52</sup>. Both articles noted that employers were also threatened and told to co-operate by making the workers repay their debt or risk negative publicity about the company, damage to the factory, physical harm to themselves and their family<sup>53 54</sup>.

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This section was updated on: 3 January 2023

## 5 Protection

### 5.1 Ministry of Public Security (MPS)

#### 5.1.1 Diplomatic sources expressed their views on the MPS to the UK HO FFT:

‘The effectiveness of police, the ministry of public security are one of the most powerful and are seen as guardians of regime with close links with the Communist Party of Vietnam (CPV). ...In Vietnam the Ministry of public security have several functions- with ensuring social order they have been doing a good job but crime rates are low. You feel pretty safe here. There’s almost ...no gun violence... Its rare to see fighting with weapon/knife crime. They do a good job in terms of that.

‘...Its not a traditional law enforcement agency its more similar to China. Their primary focus is on control for the CPV and maintaining public order. It is a bureaucratic organisation with too many mid-level decision makers. There is no cross-agency co-ordination and that is where there is the hold up. There is some work done in terms of traditional law and order but not as we know it as westerners. MPS is the largest in terms of power and man power.’<sup>55</sup>

#### 5.1.2 The 2022 DFAT report noted that:

‘There are two main security forces under the Ministry of Public Security (MPS). The People’s Security Force primarily collects intelligence to detect activities that damage national security; while the People’s Police Force is responsible for social order and public safety, and manages more traditional police work, including criminal investigations, neighbourhood policing, traffic control, household registration and identification cards.

‘Police operate at national, provincial, district, and commune levels. The distinction between different police units may not be obvious to people who deal with police, except for traffic police who wear a different coloured uniform. Commune police often have lower salaries and fewer benefits than police at the district, provincial, and national levels. Police are generally well-trained, and many receive degrees in policing or higher-level vocational education.

‘In-country sources told DFAT police tend to react to crime rather than proactively investigating crime. That is, police often rely on catching people in the act of committing crime rather than investigating or using

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<sup>52</sup> The Investor, [‘Seafood association urges crackdown on loan sharks’](#), 26 July 2022

<sup>53</sup> VnExpress International, [‘Usurious loan sharks harass factories after workers default’](#), 24 July 2022

<sup>54</sup> The Investor, [‘Seafood association urges crackdown on loan sharks’](#), 26 July 2022

<sup>55</sup> UK Home Office, [‘HO FFM report’](#) (annex D- Diplomatic sources), September 2019

circumstantial evidence. This is not always the case, however, and in-country sources told DFAT that sometimes police take very strong and effective action to investigate crime, but this is not a consistent experience. Political crimes may receive more police attention than non-political crimes.<sup>56</sup>

- 5.1.3 The US Department of State (USSD) noted in its 2021 Human Rights report on Vietnam, published on 12 April 2022, that: ‘The Ministry of Public Security is responsible for internal security and controls the national police, a special national security investigative agency, and other internal security units. Civilian authorities maintained effective control over the security forces. There were credible reports that members of the security forces committed numerous abuses.’<sup>57</sup>

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## 5.2 Independence of the judiciary

- 5.2.1 The 2022 DFAT report noted that:

‘The highest court is the Supreme People’s Court with three Superior People’s Courts (appeal courts) in Hanoi, Da Nang and HCMC beneath it. Under these there are provincial-level courts, which act both as first instance (trial) courts and appeal courts. Beneath these are District Courts. Other tribunals may also exist, for example the Central Military Court hears military matters and is directly subordinate to the Supreme People’s Court.

‘Corruption is common in the courts. Judges often demand bribes from lawyers. Wages are low and appointments are short, which reduces independence for fear of having to reapply for jobs. Sources claim court outcomes may effectively become ‘auctions’ of who pays a higher bribe. Civil cases, particularly involving money, are more susceptible to bribery, but criminal judges, court officials and prosecutors also take bribes which may affect the outcome (sentences and verdicts). Lawyers’ fees might include money for corrupt payments. Courts are busy and criminal trials may take around six months, but it depends on the trial and the caseload of the court. Bribes can assist in speeding proceedings.

‘Political trials are generally heard in superior courts, such as the provincial courts, and not in lower, local courts. Along with other serious crimes (such as drug crimes) these cases are less likely to be subject to corruption and a favourable verdict is unlikely to be for sale...

‘The judiciary is subordinate to the CPV; there is no separation of powers. Judges at all levels are members of the CPV and are screened by the CPV before their appointment. There are rules issued to judges about what may or may not be admitted as evidence, but these are not public. This is more evident in high-profile cases but day-to-day court proceedings, by their nature, receive less attention and it is difficult to assess the level of political interference. Nepotism and cronyism also affect courts, meaning that judicial

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<sup>56</sup> DFAT, [‘Country Information Report Vietnam’](#) (para 5.1-5.3), 11 January 2022

<sup>57</sup> USSD, [‘2021 Country Reports on Human Rights Practices: Vietnam’](#), 12 April 2022

officers may not be well-trained in the law or its application.<sup>58</sup>

- 5.2.2 The 2021 USSD report noted that: ‘The law provides for an independent judiciary, but the judiciary was effectively under the control of the CPV. There were credible reports political influence, endemic corruption, bribery, and inefficiency strongly distorted the judicial system.’<sup>59</sup>

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### 5.3 Police effectiveness in dealing with illegal moneylenders

- 5.3.1 Viet Nam News, reported in August 2018 that:

‘Police in southern Bình Thuận Province have set up a special police unit to crack down on illegal loan sharks, which have reportedly been increasing their activities with many sophisticated tricks that ensnare locals in never-ending debt traps. Nguyễn Ngọc Hai, chairman of the provincial People’s Committee, said the committee has asked the city, districts and communes to strengthen prevention and fight usury [extortionate] interest crime as proposed by the province’s police force. Previously, the provincial police had sent documents to the committee to warn about loan sharks in the province.

‘... To proactively prevent and strictly handle this type of crime, the provincial police have asked the provincial People’s Committee to inform local people about the tricks of loan shark groups.’<sup>60</sup>

- 5.3.2 The Ministry of Public Security (MPS) told the UK HO FFM in 2019 that: ‘Because of the serious nature of this crime [Black Credit] the government directs MPS to control this crime and others relating to it.’<sup>61</sup>

- 5.3.3 The 2022 DFAT report noted that:

‘Some state protection is available from the police, but its effectiveness is not clear. Police may proactively seek out loan sharks, but debtors may be reluctant to approach the police. Police may also be unwilling or unable to investigate or prosecute moneylenders because there is typically no written evidence of the loan. This is particularly true in recent years as much loan sharking activity has moved online during the COVID-19 pandemic and the identity of the moneylender may not be clear to the debtor.’<sup>62</sup>

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### 5.4 Arrests/prosecutions

- 5.4.1 There are several news reports reporting on arrests/prosecution made relating to illegal moneylending.

- In February 2020 Viet Nam News reported that 21 people involved in a loan shark gang has been given jail sentences totalling 99 years. The gang was led by Nguyễn Đức Thành, who had established an illegal company lending money at extortionate interest rates. According to the

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<sup>58</sup> DFAT, ‘[Country Information Report Vietnam](#)’ (para 5.6- 5.9), 11 January 2022

<sup>59</sup> USSD, ‘[2021 Country Reports on Human Rights Practices: Vietnam](#)’, 12 April 2022

<sup>60</sup> Viet Nam News, ‘[Specialist police unit set up to target loan sharks](#)’, 7 August 2018

<sup>61</sup> UK Home Office, ‘[HO FFM report](#)’ (annex D- MPS), September 2019

<sup>62</sup> DFAT, ‘[Country Information Report Vietnam](#)’ (para 3.103), 11 January 2022



news report the gang ‘... lent money to around 95 people with total loans worth more than VNĐ32 billion [approximately £1.2 million<sup>63</sup>]. They earned VNĐ8.6 billion [approximately £317,000<sup>64</sup>] from the deals.’<sup>65</sup>

- In April 2020 Viet Nam News reported that police in Ho Chi Minh City had broken up a payday loan ring headed by Chinese nationals. The network had approx. 60,000 debtors who were charged interest rates of 1,095 per cent per year. The 60,000 debtors were across 63 localities with a total loan amount of VNĐ100 billion [approx. £3.7 million<sup>66</sup>]<sup>67</sup>.
- In August 2020 VNExpress International reported that ‘A HCMC court Tuesday [18 August 2020] sentenced two Chinese men and three Vietnamese nationals to 1-1.5 years in jail for running a loan racket charging yearly interest of 912.5 percent. ... Investigators said the ring had nearly 500 customers and had earned profits of over VNĐ658 million [approximately £24,000<sup>68</sup>] after six months of operation.’<sup>69</sup>
- In September 2020 Tuoi Tre news reported that police in the Central Highlands had ‘... broken up two groups of loan sharks who required their debtors to pay interest rates of up to 720 percent a year.’ The report went on to note that one of the loan shark groups would terrorize and threaten debtors when they couldn’t pay. The report also notes that the police arrested 9 people from the 2 groups and were investigating further<sup>70</sup>.
- In March 2021 Saigon online reported that 7 people were arrested for being members of a loan shark gang. The gang ran a money-lending service through Facebook called "Homebank" and charged annual interest rates of 240 to 810%. Fifty-one high-interest loan documents were seized during the police raid on the gang<sup>71</sup>.

5.4.2 Southeast Asia Globe noted that: ‘In 2019, the Ministry of Public Security investigated 210 loan shark rings believed to have been operated by more than 2,000 people.’<sup>72</sup>

5.4.3 VnExpress International, in an article from June 2022, stated that: ‘In the past three years, the ministry has handled more than 2,700 cases with nearly 5,000 people involved, and prosecuted nearly 2,000 cases with 4,000 defendants.’<sup>73</sup>

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## 5.5 Action to combat illegal moneylending

5.5.1 Channel news Asia reported in July 2021 that:

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<sup>63</sup> Xe.com, ‘[32,000,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)’, 5 October 2022

<sup>64</sup> Xe.com, ‘[8,600,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)’, 5 October 2022

<sup>65</sup> Viet Nam News, ‘[99 years in prison granted to black credit gang](#)’, 19 February 2020

<sup>66</sup> Xe.com ‘[100,000,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)’, 12 September 2022

<sup>67</sup> Viet Nam News, ‘[Five people arrested in HCM City loan shark apps bust worth ...](#)’, 21 April 2020

<sup>68</sup> Xe.com, ‘[658,000,000 VND to GBP - Vietnamese Dongs to British Pounds](#)’, 5 October 2022

<sup>69</sup> VNExpress International ‘[Chinese loan sharks charging extortionate interest jailed](#)’, 18 August 2020

<sup>70</sup> Tuoi Tre News, ‘[Vietnam police bust loan shark rings charging yearly interest...](#)’, 4 September 2020

<sup>71</sup> Saigon Online, ‘[Online loan shark gang found in HCMC, prosecuted](#)’, 23 March 2021

<sup>72</sup> Southeast Asia Globe, ‘[Vietnam lenders adopt loan shark tactics](#)’, 18 November 2021

<sup>73</sup> VnExpress International, ‘[Protect workers from loan sharks: PM](#)’, 12 June 2022

‘Vietnam recently imposed regulatory limits on consumer personal loans to mitigate the exposure of financial institutions.

‘Apart from limits on personal-loan-to-total-consumer-loan ratios, the State Bank of Vietnam has imposed curbs that allow only financial companies to contact debtors no more than five times a day from 7am to 9pm. Debt collection activities must now exclude involving entities with no debt repayment obligations to the financial institution.

‘The recent Investment Law passed by the National Assembly of Vietnam has also banned debt collection services since January. Financial companies can no longer commission or sell bad debt to third parties by law.

‘Still, collection practices in Vietnam could be more strictly regulated and enforced when anecdotal accounts suggest consumer finance companies continue to enlist such debt collectors through alternative arrangements like debt trading agreements.’<sup>74</sup>

5.5.2 In June 2022 VnExpress International reported that:

‘Prime Minister Pham Minh Chinh has asked the central bank and the Public Security Ministry to protect workers from loan sharks. The request was made after Chinh met with workers at the Convention Center in northern Bac Giang Province. The meeting was broadcast online in 62 provinces, cities and headquarters of the Vietnam General Confederation of Labor.

‘... PM Pham Minh Chinh requested the central bank to come up with solutions to make sure that official bank capital will come to the people in need, and guarantee appropriate scale and efficiency, which will contribute to preventing loan sharks.

‘... Also at the event, several workers have asked for support to attend skill training courses as some had faced difficulties when taking those courses, including the high tuition fees and the traveling cost. PM Chinh said the demand to become skillful laborers was a "rightful" one and related units must prioritize resources to serve it.’<sup>75</sup>

5.5.3 The Investor noted in July 2022 that: ‘On July 13 [2022], Deputy Governor of the State Bank of Vietnam (SBV) Dao Minh Tu said that the banking sector was ready to disburse a loan package of VND20 trillion (\$855 million) for workers at industrial parks at half the current interest rate in order to counter usurious informal and illegal credit.’<sup>76</sup>

5.5.4 In October 2022 VietNam news reported that:

‘HDBank subsidiary HD SAISON Finance Company Limited and a finance company owned by VPBank have signed an agreement with the Vietnam General Confederation of Labour to provide loans of VNĐ20 trillion (US\$836.6 million) to workers at industrial parks around the country. The agreement followed directions by the Prime Minister and the State Bank of Vietnam to provide workers with loans at preferential interest rates to protect

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<sup>74</sup> Channel News Asia ‘[Commentary: As bad debt climbs, rough collection tactics...](#)’, 16 July 2021

<sup>75</sup> VnExpress International, ‘[Protect workers from loan sharks: PM](#)’, 12 June 2022

<sup>76</sup> The Investor, ‘[Seafood association urges crackdown on loan sharks](#)’, 26 July 2022

them from loan sharks.<sup>77</sup>

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## 5.6 Corruption

5.6.1 When asked about the prevalence of corruption within the police an Academic source told the UK HO FFT that corruption is: ‘...at every level. Bribery to the police on the road to the Ho Khau official .... Even the police who investigate criminal cases can ask for bribes from the victim and/ or from the criminal too. A very serious situation here. In the last year [2018 /19] there are many corruption cases related to the police here. There are no checks and balances, the power of the police is big and there is no control on them.’<sup>78</sup>

5.6.2 When asked whether the local police are open to bribery diplomatic sources told the UK HO FFT that:

‘Yes. It goes through all strata of society. Traffic police are liable to accepting bribes. I can’t say necessarily that it the bribes that make them commit the crime as superiors will be issuing orders and they want to get confessions. It is seen as reasonably normal practice to exert violence. There are too many occasions where violence has been used for it to be one off, it seems to be systemic.

‘...Although the CPV has initiated an anti-corruption campaign, with some powerful figures being prosecuted, and amended Vietnam’s anti-corruption legislation in 2019, corruption still permeates throughout society, in both the public and private sectors including in the police and judiciary. The lack of checks and balances hinders progress, though this should not suggest that corruption is present in the majority of arrests or prosecutions.’<sup>79</sup>

5.6.3 The 2022 DFAT report stated that:

‘A 2019 Transparency International survey on corruption found that more than 61 per cent of Vietnamese people had paid a bribe to police in the last 12 months. Sources have reported cases of organised crime groups bribing local police to not respond in specific situations, and instances in which police have not responded when citizens have called for help. Sources have also reported that local police sometimes use contract ‘thugs’ and ‘citizen brigades’ to harass and beat political activists and religious adherents perceived as undesirable or a threat to national security.

‘A distinction should be made between high- and low-level corruption. Police corruption may take the form of ‘coffee money’, a small payment at the side of the road, which may in turn be paid to superiors or other parts of Government as part of a patronage network. This may be seen by people as the ‘way things are’ and not necessarily recognised as corruption. High-level corruption, including payments by organised crime or in politics, is much less tolerated. In-country sources told DFAT such matters are likely to be

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<sup>77</sup> VietNam News, [‘Deal signed to disburse loans worth \\$836m ...’](#), 11 October 2022

<sup>78</sup> UK Home Office, [‘HO FFM report’](#) (annex D- Academic source (1)), September 2019

<sup>79</sup> UK Home Office, [‘HO FFM report’](#) (annex D- Diplomatic sources), September 2019

investigated and severely punished.<sup>80</sup>

#### 5.6.4 The 2021 USSD report noted that:

‘The government occasionally took corrective action, including prosecutions against officials who... engaged in corruption, but police officers and state officials frequently acted with impunity... Although the law provides criminal penalties for corruption by officials, the government did not implement the law effectively, and officials frequently engaged in corrupt practices. This included existing and retired officials from the politburo, central party, military, and public security services.’<sup>81</sup>

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This section was updated on 6 December 2022

## 6 Freedom of movement

### 6.1 Geography and demography

6.1.1 World Atlas noted that Vietnam is: ‘Located in the Indochinese Peninsula's eastern edge, Vietnam covers an area of around 331,211.6 sq. km. The coastline of mainland Vietnam is about 3,260 km long. The country also includes several islands. ... Vietnam comprises of 58 administrative provinces and 5 municipalities.’<sup>82</sup>

6.1.2 According to the CIA World factbook the population of Vietnam is approximately 103.8 million with 38.8% of the population living in urban areas. The main urban areas are Ho Chi Minh City (with a population of 9.077 million), the capital Hanoi (population 5.067 million), Can Tho (population 1.786 million), Hai Phong (population 1.382 million), Da Nang (population 1.188 million) and, Bien Hoa (population 1.078 million)<sup>83</sup>.

6.1.3 Britannica noted that:

‘Diverse cultural traditions, geographies, and historical events have created distinct regions within the country. The lowlands generally have been occupied by ethnic Vietnamese, while the highlands have been home to numerous smaller ethnic groups that differ culturally and linguistically from the Vietnamese. The highland peoples can be divided into the northern ethnic groups, who have affinities with peoples in southern China who speak Tai languages; and the southern highland populations, who have ties with peoples in Cambodia, who speak Mon-Khmer languages (Austroasiatic family), and peoples in Indonesia and elsewhere in Southeast Asia, who speak Austronesian languages. A north-south variation has also emerged among the ethnic Vietnamese as they have expanded southward from the Red River delta along the coastal plain and into the Mekong delta.’<sup>84</sup>

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<sup>80</sup> DFAT, ‘[Country Information Report Vietnam](#)’ (para 5.4- 5.5 ), 11 January 2022

<sup>81</sup> USSD, ‘[2021 Country Reports on Human Rights Practices: Vietnam](#)’, 12 April 2022

<sup>82</sup> World Atlas, ‘[Vietnam Maps & Facts](#)’, last updated 24 February 2021

<sup>83</sup> CIA ‘[World Factbook- people and society](#)’, last updated 22 September 2022

<sup>84</sup> Britannica ‘[Vietnam – Climate](#)’, last updated 16 August 2022

## 6.2 Ability to relocate

- 6.2.1 The 2022 DFAT report noted that: ‘Internal relocation is common. Police keep close watch over relocation and citizens staying even one night away from their homes must register with local police. ...Internal relocation and re-registration in a new residence is possible, but bureaucratic difficulties may arise for certain people.’<sup>85</sup>
- 6.2.2 The 2021 USSD report noted that: ‘The constitution provides for freedom of internal movement, foreign travel, emigration, and repatriation, but the government regularly imposed limits on the movement of individuals, especially those convicted under national security or related charges or outspoken critics of the government.’<sup>86</sup>

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## 6.3 Ho Khau registration

- 6.3.1 The UK HO FFT asked Hagar, an NGO working with survivors of abuse, slavery and trafficking, about the Ho Khau system they stated that: ‘We call it permanent residence, it’s not really a problem because as long as you have a permanent residence, you can get temporary residency papers if you want to live in other provinces.’<sup>87</sup>
- 6.3.2 An Academic source told the UK HO FFT that:  
‘The Ho Khau system is related to social benefits, access to public school or medical care. But it doesn’t have any barrier for travel around the country.  
‘... Every household is provided with a book with information on them. Sometimes besides social benefit the official registration affects something like buying a car i.e.: asking someone to buy a car in their name. 3 or 4 years ago, to get the internet you had to have official Ho Khau, but now they have removed it. Also with water and electricity it has been removed. More and more services have been removed from requiring Ho Khau.’<sup>88</sup>
- 6.3.3 The 2022 DFAT report stated that:  
‘Residents’ homes need to be registered with a document known as a hộ khẩu, or household registration book. In practice, police do not strictly enforce laws regarding residence to the extent that it would prevent internal relocation, particularly from rural to urban areas as part of Vietnam’s recent rapid urbanisation. With urbanisation have come slums, particularly in large cities, as former rural residents have moved in search of work. DFAT is not aware of other cases where registration is refused; such refusal is unlikely.  
‘There are two categories of registration (reduced from four under the previous law): temporary and permanent. Household registration requires citizens to register their permanent residence in only one district in Vietnam. To gain permanent residence status in a new district, citizens must either marry into a family already holding permanent residence, purchase land, or

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<sup>85</sup> DFAT, ‘[Country Information Report Vietnam](#)’ (para 5.18 & 5.24), 11 January 2022

<sup>86</sup> USSD, ‘[2021 Country Reports on Human Rights Practices: Vietnam](#)’, 12 April 2022

<sup>87</sup> UK Home Office, ‘[HO FFM report](#)’ (annex D- Hagar), September 2019

<sup>88</sup> UK Home Office, ‘[HO FFM report](#)’ (annex D- Academic source (1)), September 2019

live in rental housing with an official lease and a minimum amount of liveable space.

‘Large cities such as Hanoi and Ho Chi Minh City have previously enacted local legislation to prevent relocation. These regulations may change rapidly.

‘...In practice, internal migrants might be entitled to basic social services when they relocate to big cities like HCMC and Hanoi, but local authorities may not apply these policies consistently. Those who own a house or an apartment will have an easier time registering in one of those two cities. Those who attempt to relocate may experience bureaucratic difficulties, but DFAT understands that relocation is not impossible.

‘Without a local registration, access to services such as public education and healthcare becomes difficult; a local registration is required to access government services. A child cannot be registered without household registration documents and an identity card. It is possible to re-register in a new locale after moving, but this process can be lengthy and difficult, which deters some people.’<sup>89</sup>

- 6.3.4 The USSD 2021 report noted that: ‘Citizens (or their hosts) must register with local police when staying overnight in any location outside their own homes. ...Authorities did not strictly enforce residency laws for the general population, and migration from rural areas to cities continued unabated. Moving without permission, however, hampered persons from obtaining legal residence permits, public education, and health-care benefits.’<sup>90</sup>

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<sup>89</sup> DFAT, [‘Country Information Report Vietnam’](#) (para 5.19- 5.23), 11 January 2022

<sup>90</sup> USSD, [‘2021 Country Reports on Human Rights Practices: Vietnam’](#), 12 April 2022



# Terms of Reference

A 'Terms of Reference' (ToR) is a broad outline of what the CPIN seeks to cover. They form the basis for the [country information section](#). The Home Office's Country Policy and Information Team uses some standardised ToR, depending on the subject, and these are then adapted depending on the country concerned.

For this particular CPIN, the following topics were identified prior to drafting as relevant and on which research was undertaken:

- Legal position
  - Laws on loans/pawnbrokers
- Nature of moneylending
  - Loan sharks/gangs and black credit
  - Peer-to-peer money lending (P2P)
  - Prevalence
  - Repercussions on non-payment
- Police
  - General effectiveness
  - Action to combat illegal money lending
  - Corruption
- Freedom of movement
  - Ability to relocate
  - Ho Khau registration

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# Version control

## Clearance

Below is information on when this note was cleared:

- version **2.0**
- valid from **9 January 2023**

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### **Official – sensitive: Start of section**

The information in this section has been removed as it is restricted for internal Home Office use.

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### **Official – sensitive: End of section**

## Changes from last version of this note

Country information updated.

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