

- Far Glory Life Insurance stipulated terms in its credit agreement to accelerate the maturity of a debt, which deprived borrowers of the opportunity to make remedies in advance. Such action, obviously unfair and sufficient to affect trading order, violated Article 24 of the Fair Trade Law. 【March 23, 2006】**

Far Glory Life Insurance (hereafter Far Glory) stipulated terms in its credit agreement to accelerate the maturity of a debt, which deprived borrowers of the opportunity to make remedies in advance. During its 750th Commissioners' Meeting on March 23, 2006, the FTC determined that such action, obviously unfair and sufficient to affect trading order, violated Article 24 of the Fair Trade Law. In addition to ordering Far Glory to cease the aforementioned unlawful act, the FTC also imposed a fine of NT\$500,000.

To protect trading order in the financial market, the FTC formulated the Fair Trade Commission Policy Statements on the Business Practices of the Financial Industry, which clearly stipulates that when it becomes necessary for financial institutions to take protective measures such as accelerating the maturity of a debt in the event of a deficiency in the borrower's credit, it is advisable for a financial institution to reach an agreement with the borrower in advance to define what constitutes a deficiency in credit: e.g., (1) a failure to repay the principal of any single debt as stipulated; ... (6) a failure to repay the interest on any single debt as stipulated; (7) where the security is attached or the security is destroyed or lost, declines in value, or is insufficient to secure the creditor's rights; (8) where the actual use to which the party puts the borrowed funds is different from the purpose approved by the financial enterprise; (9) where there is a likelihood that the financial enterprise will not be repaid because of a disposition for compulsory execution, injunction, or other precautionary measures. For an acceleration clause based on reasons listed in points (6) to (9), the borrower should be given a reasonable period of advance notification or prompting.

Articles 8 and 22 of the aforementioned Far Glory agreement, which the FTC examined, stipulated that in the event of a deficiency in credit as stipulated in Article 8, paragraphs 6 to 9 of the agreement, Far Glory need not notify or send dunning letters to the borrower before proceeding to accelerate the maturity of the debt. Such stipulation deprived borrowers of the opportunity to make remedies in advance. The contractual rights of both parties were obviously uneven, and the borrower was placed in a disadvantageous position due to information asymmetry. The obviously unfair conduct was sufficient to affect trading order and violated Article 24 of the Fair Trade Law.

After taking into account the motive, objective, expected improper benefits, degree of damage to trading order, duration of the actions, benefits obtained, scale of business, business operations, revenue and market position, whether the competent authority had previously corrected or warned against such acts, type and number of previous violations, interval of violations, punishments incurred, conduct after the violation, cooperation during the investigation, and other factors, the FTC imposed the aforementioned punishment.