

Banks Under Investigation for Violating Debtor's Privacy Rights

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The number of complaints to the Federal Mass Media Inspection Service by debtors claiming that banks have breached privacy laws grew from 90 for all of last year to 140 in the first eight months of this year.

The inspection service attributes the growth in complaints to the public's growing familiarity with the law and increased trust in the government, spokesman Mikhail Vorobyov said.

One complaint, originating in Novosibirsk regarding Alfa Bank and Credit Collection Group was validated by the inspection service last month, and the case has been passed on to the Moscow courts.

The service found Alfa Bank guilty of violating privacy laws by handing the client's name and address to the collection agency.

Seventy-three banks and 16 collection agencies have been investigated this year. The service plans to look at seven more collection agencies and 97 more banks before the year ends.

The privacy law passed in 2007 prohibits passing personal information of an individual to a third party without the person's consent.

Loan agreements issued since then usually include a clause about passing personal information to a debt collector in case the client fails to pay the back the loan, Vorobyov said. But many loans were issued prior to 2007.

If the bank did not include this point in the agreement when lending the money and the client refuses to pay the debt, the situation turns tricky.

Banks are allowed to sell their debt to a third party, while the privacy law prohibits passing personal information to a third party without the debtor's agreement, said Kira Koruma, partner at Yakovlev & Partners.

"It's nonsense," Koruma said. "How can they sell debt obligations to a third party without giving out personal information?"

Another point of conflict comes from the lack of regulations on how debt collectors should behave, Koruma said. Russian debt collectors became notorious for their brutal tactics in the 1990s. Although collection tactics have become more humane, intimidation and other violations of law are still common.

Collectors showed up at one debtor's house and attempted to appraise his property, which can only be done by authorized individuals, Koruma said.

"The laws still need to be worked out," Koruma said.

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