

# Consumer Indebtedness Risks Spiraling Out of Control

By [The Moscow Times](#)

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The capacity of borrowers to service and repay their debt has decreased significantly over the last year, raising the specter of massive defaults in the retail banking sector, Vedomosti reported Monday, citing an analysis by Svyaznoy Bank.

Analyzing the credit records of its clients and using the databases of two large consumer reporting agencies, the bank said a new group of borrowers has appeared over the last two years consisting of people using new loans every four to six months to partially pay back previous debt.

The number of borrowers who have had more than four loans simultaneously has risen to 19 percent from 6 percent a year ago, and the total average debt of each of them is 500,000 rubles (\$15,300), the study showed.

Doubling in the last two years, retail debt reached 8.8 trillion rubles in July.

According to the Central Bank, half of this can never be repaid.

"People have failed to weigh their income with their debt and have continued to consume on credit, while banks have used them to raise their portfolios," said Andrei Kozlyar, director of risk management at Svyaznoy.

Retail borrowers account for 45 percent of the economically active population, according to Central Bank data. In some regions, nearly 100 percent have taken a loan, the National Credit History Bureau said.

Despite the situation, banks have taken no additional measures to make borrowers repay their loans, according to research by Frank RG, a Moscow financial consultancy.

Currently, only 40 percent of loans are repaid. This is a sign not that banks are failing to work on the problem, Kozlyar said, but that borrowers cannot settle their debts.

This is dangerous, Kozlyar said: "Banks are keeping quiet about the indebtedness of their customers, which is only making the situation worse. If a borrower to whom you've given a third loan tomorrow goes out, takes two more, and can't pay, he isn't going to repay any money to anyone."

The Central Bank is planning to cap the size of personal loans and introduce a maximum share part of borrower income that can go toward paying back a loan, Vladimir Chistyukhin, head of the Central Bank's financial stability department, said last week.

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