

# Central Bank Tries to Deflate Credit Bubble by Regulating High Interest Loans

By [The Moscow Times](#)

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Between half and two thirds of the consumer loans granted by leading banks in July have an annualized interest rate more than 25 percent, a news report said Thursday.

The Central Bank, thrown into a cold sweat by a mounting consumer credit boom, is trying to deflate the bubble by requiring banks to release details, starting from July, about the number of loans they dish out with annual interest rates above 25 percent.

In an attempt to inject ballast into the system, banks with large high-interest portfolios will see their capital requirements hiked.

Of eight market leaders, Trust Bank had the lowest share of high interest loans, at 47 percent, Vedomosti reported.

In contrast, 75 to 76 percent of the loans offered by Svyaznoy Bank, Leto Bank and TKS-Bank fell into the high-interest bracket.

Between these extremes, charging 25 percent interest on 57 to 68 percent of their loans, were Home Credit, OTP-Bank, Renaissance Credit and Vostochny.

The banks neither denied nor confirmed Vedomosti's figures, but some tried to take the edge off the figures.

Leto Bank's financial director Alexander Samokhvalov said that interest rates are not always fixed, adding that his bank has a scheme that allows rates to be renegotiated and lowered if the borrower keeps making payments on time.

High-interest rates can also be "sharply reduced" for responsible borrowers at TKS-Bank, said its president, Oliver Hughes.

Not stopping at simply publicizing the information, from July, the Central Bank has linked the quantity of high-interest rate consumer loans in a bank's portfolio with that bank's capital requirements. The more high-interest-rate loans a bank grants, the greater its capital reserves must be.

Already, one month into the initiative, banks are feeling the impact.

For example, Svyaznoy Bank, looking forward to the new regime, estimated that it would need to bolster its capital by 40 to 50 percent during 2013, if it were to realize its business plan, a spokesperson of the bank said.

Representatives of Renaissance Credit, Russian Standard and Vostochny declined to comment.

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