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Rate Limits for Consumer Loans Mulled

By The Moscow Times

September 08, 2013



In an attempt to clamp down on expensive consumer loans, the Central Bank may begin setting maximum rates that banks are allowed to charge their clients.

Giving the Central Bank the authority to set rate fluctuation ranges for different types of unsecured consumer loans was discussed at a recent meeting with Central Bank Chairwoman Elvira Nabiullina, Kommersant reported Friday, citing a source familiar with the meeting.

Rates currently range widely for certain consumer loans. Mortgage loans differ by 1.77 percentage points from the average rate, 13.73 percent, but point of sale loan rates sometimes deviate 24 percentage points from the average and can reach 60 percent annually.

The amendments have already been submitted to the Finance Ministry and could be added to a law on consumer lending expected to pass the Duma this fall.

Central Bank Deputy Chairman Mikhail Sukhov said consumer loan regulation could partially

solve problematically high-rates for low-income borrowers and would also push banks to substitute their high-risk assets with more secure ones.

However, the measure would also slow lending, leading to fears that it could lower consumer demand and hamper a Russian economy that has seen only limited growth in 2013.

Central Bank data shows that unsecured loans accounted for 63.5 percent of all retail loans in the first half of the year.

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