

Central Bank to Cap Rates on Consumer Loans and Microfinance

By [The Moscow Times](#)

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The Central Bank may soon gain the authority to limit interest rates on all noncorporate loans as well as on loans issued by microfinance lenders, Kommersant reported Monday, citing an amended draft bill on consumer lending.

The amendments are aimed at curbing usurious interest rates on consumer loans, now often the only conditions under which low-income citizens can borrow money.

According to the bill, which is soon to face its second reading in the State Duma, the Central Bank would calculate the average interest rates for various loan types each quarter and then fix the legally acceptable deviations from these averages at a range of up to 30 percent.

The Central Bank would have a great deal of autonomy, deciding which rates to limit and by how much, as well as designating the different loan categories. These categories could be numerous, as regulators would take into consideration a range of factors including type cash

or credit; sum; duration; and whether or not the borrower provided collateral.

Rates on microloans to individuals and small and midsize businesses would also be subject to restrictions, which could potentially push some microlenders into the "gray market," said the deputy director of microlender Domashniye Dengi, Andrei Bakhvalov.

The ability to limit interest rates would help alleviate the debt load of low-income borrowers as well as spurring banks to replace high-risk assets with more secure ones, Central Bank Deputy Chairman Mikhail Sukhov said in September.

On the other hand, the measure is likely to trigger a short-term economic slowdown, as rapid growth in consumer lending has been one of few forces maintaining growth in the Russian economy in recent years, economists said.

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