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# Are Russian Borrowers Paying Down Debt Faster?

## When hopes for a ban on debt collectors did not pan out, borrows began actively paying back loans.

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**Sergei Porter / Vedomosti**

Debtors are rushing to repay overdue loans and paying down debt in larger increments, according to data provided by Sequoia Credit Consolidation.

The average payment on auto loans has risen by 66 percent since early 2016, by 22 percent for credit card debt, by 29.5 percent on cash loans, and by 19.4 percent on POS loans. In fact, the average payment has nearly reached pre-crisis levels.

Sequoia President Yelena Dokuchayeva explained that the increase is due to greater economic stability – lower inflation, a stronger ruble, and an end to falling wages — and also to increased financial literacy among the population, and to debtors realizing that eventually they will have to pay off their debts in full. She added that many current borrowers plan to take out major loans for cars, apartments, tracts of land, home remodeling, and higher education, and are eager to pay down current debt as quickly as possible in order to qualify for new loans.

Alexander Savinov, deputy president of collection agency Sentinel Credit Management, a subsidiary of Alfa Bank, notes slightly different figures for the average increase in credit payments since the beginning of the year: 45 percent — 50 percent on auto loans, 10 percent on credit cards and 15 percent on cash loans. However, he attributed the rise to a less optimistic cause: “Debtors now have some money in hand and want to repay a large part of their debt as quickly as possible because most have no confidence that they’ll have such an opportunity later,” he said.

The collection of arrears on credit card debt increased by 44 percent from the second to third quarters this year, and by 17 percent on consumer loans, according to Dmitry Teplitsky, CEO of collections agency Active Business Collections (ABC), a subsidiary of Sberbank. He added that the agency did not see a sudden increase in the size of repayments. At the same time, it did note that buying power remained as high as it had been at the beginning of the year, although the agency had expected it to drop in the second half of the year when people allocate most of their incomes to summer vacations. Teplitsky does not anticipate that payments will rise in the future because neither the economy nor real incomes are growing. At the same time, he said, collections are traditionally highest in the fourth quarter.

“Many borrowers postponed making payments during the first half of the year in the hope that collection agencies would be banned,” explained NAPKA first vice president Alexander Morozov. He said the State Duma had considered 12 bills connected with the collections market, that the Kuzbass region had already banned collections agencies, that rumors circulated of plans to introduce debt amnesty, and so on. And after each such prominent media report, borrowers kept a lower profile and decreased the size of their payments for a time. However, the adoption of the law, “On protection of the rights of individuals during the collection process,” in July 2016 decisively legitimized the work of collection agencies in the public mind and convinced borrowers that collection agencies would not disappear and that they would have to repay their debts, Morozov said.

“We see a certain improvement in the situation with debtors that have gone into arrears, and especially with those with relatively little back debt,” noted Loko Bank deputy chairman Andrei Lyushin. Payments have risen by 7 percent to 10 percent as clients attempt to return to a normal payment schedule as quickly as possible, he said. However, it would be wrong to conclude that the situation is stabilizing completely because the number of overdue loans is growing, Lyushin said.

The United Credit Bureau (UCB) regards the statistics from collection agencies with some skepticism. “We analyzed the data on payments that borrowers made on loans and did not see such a trend,” said a UCB representative. “The size of the average payment is decreasing, as is the size of the average loan.” The average loan size is decreasing because the overall volume of issued loans decreased from 2014 to 2015.

The size of debt payments might have increased because lenders learned to combine multiple loans issued to a single borrower into a single consolidated loan, suggests National Credit History Bureau marketing director Alexei Volkov. In place of several loans, the borrower has only one. In this way, he makes fewer payments overall, and each one is larger than before. Collection agencies and lenders both make use of this practice. However, Dokuchayev insists that the statistics from various loan segments proves that the size of confirmed payments has increased, without taking into account the effect of consolidated loans.

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