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A Million Russians Close to Bankruptcy

Number of Russians who meet bankruptcy criteria passes the landmark figure for the first time.

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The Russian consumer credit market has been expanding rapidly over recent years. **Donat Sorokin / TASS**

The number of Russians eligible for bankruptcy has passed one million for the first time in history, research by a credit ratings agency has shown.

Russians can declare bankruptcy if they have debts of at least 500,000 rubles ($7,800) and are more than 90 days behind in their repayment schedule. For comparison, the average Russian income is around 45,000 rubles per month ($700).

The National Bureau of Credit Histories said 1.03 million Russians meet those criteria, up 5% from the previous year.

Only around 10% of debtors who are eligible to file for insolvency actually do, said National Bureau of Credit Histories CEO Alexander Vikulin. “This is primarily due to the fact that

bankruptcy for borrowers is a forced and expensive measure, which should be resorted to only in extreme cases," he said.

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In the first ten months of 2019, 54,000 Russians filed for personal bankruptcy, Russian news website RBC reported.

More than seven in ten of the bankruptcy candidates had taken on unsecured or short-term payday loans. On the back of five years of a squeeze on living standards, the level of unsecured consumer debt has been growing rapidly in Russia over the past few years, increasing by more than 20% on an annualized basis.

More than 50% of all Russian debtors are handing over at least half their monthly income in loan repayments, a recent government report found. That was up from 42% who met the same criteria last year.

The Central Bank this year introduced new rules, such as interest rate caps and mandatory credit checks on potential lenders, in a bid to cool the expansion, with the growth in loans expected to slow down over the next 12 months.

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