

Russia's Overdue Payday Loan Portfolio Hits New Record

More than a third of all short-term loans are in arrears.

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More than 5 million payday loans are in arrears. **Andrei Nikerichev / Moskva News Agency**

The number of overdue payday loans in Russia hit a record high of 5.4 million in February, according to consumer credit ratings agency Equifax.

In total, Russians owe 172 billion rubles (\$2.2 billion) to microfinance organizations — ultra short-term loans which typically come with high interest rates and are designed to tide over borrowers for a matter of weeks or months — the agency [told](#) the state-run RIA Novosti news agency.

But more than a third of the outstanding total — 60 billion rubles (\$790 million) — is currently held by borrowers who are more than 90 days behind on their repayment schedule. That figure was up 2.2% during February alone, taking the volume of late payday loans, as well as the number of distressed borrowers, to a record high.

Russia's Central Bank said last week that the average indebtedness of borrowers — the amount of their monthly income which goes toward repaying debts — had [increased](#) during the pandemic as a result of falling incomes.

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Through years of declining and stagnant living standards, regulators have long been watchful of Russia's swelling payday loan portfolio and the ability of borrowers to repay, fearing it could be a source of wider economic instability. Rights groups have also been concerned following multiple [reports](#) during Russia's last economic crisis about the violent methods used by debt collectors to recoup loans from heavily indebted borrowers.

Russia's overall outstanding loan portfolio, including payday, retail and corporate loans grew by 10% during the coronavirus pandemic, ratings agency Fitch calculated. Around one in eight loans had to be restructured, although this was most often done by small businesses, with just 5% of retail loans needing to be reviewed.

Nevertheless, the Central Bank is [upbeat](#) on the health of the country's banking sector and has not raised alarms about growing indebtedness among businesses or households. It believes a much smaller portion of loans are expected to turn bad than previously thought, and the growth in personal debt burdens has also been lower than it feared at the start of the pandemic.

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