

## Q1 2018 overview of creditors sector

Finantsinspektsioon has published a short review of the developments in the Estonian creditors sector in the first quarter of 2018 and of the main risks to the sector.

At the end of the first quarter of 2018, 52 companies were licensed as creditors and eight companies were licensed as credit intermediaries. A further dozen creditors associated with credit institutions were also operating on the grounds of the exemption stipulated in the legal acts.

Key Indicators	Q4 2017		Q1 2018
Balance of the loan portfolio	867 mln €	?	907 mln €
Number of contracts	497 181	?	501 086
Net interest income	32,1 mln €	?	28,8 mln €

The stock of the loan portfolio of licensed creditors and creditors operating with an exception grew by 4.5% in the first quarter, or 39 million euros, to stand at 907 million euros at the end of the quarter. A large majority of 80% of this was the 725 million euros that had been issued by creditors associated with credit institutions. The largest market share among creditors associated with credit institutions was held by Swedbank Liising AS with 25%, followed by Nordea Finance Estonia AS with 21% and AS SEB Liising with 20%. The remaining 20% of the market was held by creditors that are not associated with credit institutions. The largest market share among these is held by IPF Digital Estonia OÜ and Koduliising AS with 3% of the market each, and Creditstar Estonia AS with 2%.

The loan portfolio of creditors associated with credit institutions mainly comprises vehicle leases, which make up 83% of the total portfolio at 602 million euros. The most common product in the loan portfolio of other creditors is unsecured small loans and hire purchase loans, which make up a total of 81% of their loan portfolio at 147 million euros.

The quality of the loan portfolio of creditors associated with credit institutions is very different from the quality of that of other licensed creditors. The quality of the loan portfolio of the independent creditors not associated with credit institutions remains worse than that of the consumer credit portfolio of creditors operating on the grounds of the exemption, which are associated with credit institutions, for almost all types of loan. The lowest quality is other monetary credit (mainly unsecured small loans), where the share of loans past due more than 90 days was 4% for creditors associated with credit institutions and 12.7% for all other creditors and.

## **Main development trends and risks**

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- The quality of the loan portfolio of creditors varies widely and depends on the type of consumer credit provided. The quality of unsecured consumer credit loans without known intended use, or instant loans, is notably worse than that of other types of consumption loan like mortgages, leases and hire purchase loans.
  - The biggest risk in the creditor sector is the ability of companies to meet requirements for responsible lending, for which the ultimate responsibility lies with managers of a creditor. One of the possible reasons causing this risk is an inefficient organisational and structural design of creditors. The other possible risk factor is lack of willingness and actual ability of creditors to verify the information presented by consumers as is required by responsible lending rules.

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