
Q3 2019 overview of creditors sector

At the end of the third quarter of 2019 there were 49 creditors not associated with credit institutions, 11 creditors associated with credit institutions, and 8 credit intermediaries operating in the market.

The combined portfolio of outstanding consumer loans of creditors increased at its typical rate of 4.1% in the third quarter of 2019, or 44 million euros, to 1.13 billion euros; in the third quarter of 2018 it grew by 4.3% or 41 million euros. The annual growth in the outstanding loan portfolio was 13%. The largest parts of the quarterly growth in loan volumes were the 26 million euros added in leases and the 17 million euros added in unsecured small loans recorded as other monetary credit.

Key indicators	Q2 2019	Change	Q3 2019
Stock of consumer loans	1 084 million euros	?	1 128 million euros
Number of contracts	471 174	?	487 107
Net interest income	21.9 million euros	?	25.1 million euros

The market share of creditors associated with credit institutions remained at 82% of the stock of the loan portfolio of the sector, or 924 million euros. The largest market share among creditors associated with credit institutions was held by Swedbank Liising with 26%, followed by SEB Liising with 20% and Luminor Liising with 19%. The remaining 18% of the market, worth 204 million euros, was held by creditors independent of credit institutions. The largest market share among these was held by IPF Digital Estonia with 3% of the market, and Placet Group and Creditstar Estonia with 2% each.

Creditors not associated with credit institutions stand out the most for their activity in lending, since although they have a much smaller share of the market than creditors associated with credit institutions at 18%, they issued 41% of all new loans in the third quarter, worth 95 million euros; they also issued 41% of loans in the third quarter of 2018, worth 68 million euros. Creditors issued a total of 230 million euros of new loans in the third quarter. Alongside the leasing companies of the large banks in the top ten lenders were creditors not associated with credit institutions like Bondora, which came in fourth with 7% of all the loans issued in the third quarter; Monefit Estonia, which was in fifth with 6% of the loans; BB Finance in seventh with 5% of loans; Placet Group in ninth with 5% of loans; and Creditstar Estonia which came in tenth with 4% of all the loans issued. However, a large number of the creditors not associated with credit institutions remain reticent about lending, as 38 creditors issued less than 1 million euros in loans in the third quarter, and 30 of them issued less than 300,000 euros.

The quality of the loan portfolio, which Finantsinspektsioon monitors through loan write-offs and loans overdue more than 30 days, is very different at creditors associated with credit institutions and at those that are independent of credit institutions. Creditors not associated with credit institutions wrote

off 2.4 million euros of loans in the third quarter, or 1.2% of their loan portfolio. Creditors associated with credit institutions wrote off some 0.8 million euros at the same time, or 0.09% of their loan portfolio.

Creditors not associated with credit institutions had 12.5 million euros of overdue loans, or 6.1% of their portfolio, while creditors associated with credit institutions had 1.4 million euros of overdue loans, or 0.2% of their portfolio. This means that though the loan portfolio of creditors not associated with credit institutions is one quarter the size of that of creditors associated with banks, the share of bad loans (this refers to the combined share of overdue and written off loans) in it is much higher at 7.3% than the 0.24% in the portfolio of creditors associated with banks.

The dynamics of overdue loans in the past two years indicate that the result of various supervisory measures has been a steady reduction in the share of overdue loans in the portfolio of creditors not associated with credit institutions.

Main development trends and risks

- Companies from other countries, including members of the European Union continue to show interest in entering the market for creditors and credit intermediaries.
- There has also been interest in entering the market from local shops whose main business is selling goods or services to consumers, and that currently provide hire purchase options in cooperation with a creditor.
- The biggest risk to the operations of creditors is still the ability of companies to meet requirements for responsible lending. As responsibility for meeting the requirements for responsible lending lies with the managers of the creditor, one risk is in the structural design of the creditor as an organisation. The second risk point in meeting the requirements for responsible lending is the obligation for creditors to check the information submitted by consumers. This means that one risk point for creditors is how available, comprehensive and accurate information on the consumer is.

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