Q2 2020 overview of creditors sector

At the end of the second quarter of 2020 there were 45 creditors not associated with credit institutions, 11 creditors associated with credit institutions, and 9 credit intermediaries operating in the market.

The uncertainty caused by the spread of the Covid-19 virus made consumers less active in taking new consumption loans in the second quarter. There were 16% fewer new consumer loan contracts signed in the second quarter than in the first quarter, and 33% fewer than a year earlier at 153,000 in the quarter down from 227,000 a year earlier. There was a fall over the year of 40% in car lease contracts signed, and of 35% in other monetary credit, which means unsecured small loans. The smallest impact was felt by instalment purchases of assets, as 10% fewer such contracts were signed in the second quarter than in the second quarter of 2019.

Key indicators	Q1 2020	Change	Q2 2020
Stock of consumer loans	1 176 million €	?	1 162 million €
Number of contracts	516 695	?	515 202
of which new contracts	182 568	?	152 822
Net interest income	31.9 million €	?	25.2 million €

The substantial drop in borrowing activity caused the value of the aggregate loan portfolio of consumer loans issued by creditors to fall by 1.1% in the second quarter, having only ever grown previously, to stand at 1.16 billion euros at the end of June.

The reduction in loans issued did not lead to any changes in the division of the market between creditors. The market share of creditors associated with credit institutions remained at 81% of the stock of the loan portfolio of the sector, or 945 million euros. The largest market share among them was held by Swedbank Liising with 27%. The remaining 19% of the market, worth 217 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.

The coronavirus crisis started to affect the quality of the loan portfolio of creditors in the second quarter as the volume of overdue loans increased from 15.4 million euros to 18.7 million. The quality of the loan portfolios of both creditors associated with credit institutions and creditors independent of credit institutions was affected most in unsecured loans classed as other monetary credit, but small loans had a greater impact on the loan portfolios of creditors independent of credit institutions as very many of them specialise in exactly that sort of loan. The stock of overdue small loans at creditors not associated with credit institutions increased by 2.8 million euros, while the stock of overdue small loans at creditors associated with credit institutions increased by 0.2 million euros.

Overall the share of overdue loans at creditors not associated with credit institutions increased over the quarter from 6.2% to 7.7%. The stock of overdue loans at creditors associated with credit institutions remained unchanged at 0.2% of their portfolio.

Main development trends and risks

- The uncertainty caused by the spread of the coronavirus continued to restrain borrowing in the second quarter. Creditors issued 33% fewer new loans in the second quarter than in the same quarter of the previous year. The steady reduction in lending activity meant the stock of the aggregate loan portfolio of creditors declined for the first time to its level of the start of the year.
- The second quarter also saw the first signs of deterioration in the quality of loans as the share of overdue loans in the loan portfolio of creditors not associated with credit institutions rose to 7.7%.
- • The spread of the coronavirus has temporarily increased the risk of consumers losing their incomes or having their incomes reduced and in consequence suffering payment difficulties or using loans to replace their income.

Quarterly reviews of the creditors sector

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