
Q4 2020 overview of creditors sector

At the end of 2020 there were 56 creditors in the market and 10 credit intermediaries. About the same amount was issued in loans in the fourth quarter as in the third, as over 171,000 new contracts were signed for 196 million euros. Lending activity is currently about 10% below where it was before the Covid-19 pandemic.

Key indicators	Q3 2020	Change	Q4 2020
Stock of consumer loans	1 170 million €	?	1 185 million €
Number of contracts	501 362	?	513 930
of which new contracts	175 185	?	171 531
Net interest income	25.0 million €	?	27.4 million €

The biggest change in the activities of creditors was the rapid growth in instalment credit in the fourth quarter. One third more instalment credit contracts were signed, as 39,000 contracts were signed in the fourth quarter and 29,000 in the third quarter. Fewer new contracts were signed for other types of loan than in the previous quarter, and they were at 81-86% of their level from before the crisis. An exception was leases of other assets, where only 21% as many contracts were signed as before the crisis. Unsecured small loans in the form of other monetary credit continued to be the most common type of loan, with 120,000 contracts.

The aggregate loan portfolio of creditors grew relatively little over the quarter, increasing by 1.3% to stand at 1.18 billion euros at the end of the year. The annual growth was also lower than in previous years at 1.9%.

The quality of the loan portfolio worsened somewhat in the fourth quarter. Some 10% of loans issued by creditors were overdue, up from 9.6% in the third quarter. This was mainly due to creditors operating independently of credit institutions, where the share of overdue loans exceeded 16%.

The additional reporting that started to apply to creditors at the end of the year allowed the size of the claims assigned because of payment difficulties to other parties, including collection firms, to be estimated for the first time. There were more than 3000 such contracts in the fourth quarter, making up 0.6% of current contracts. Markedly fewer loan claims were written off though, as 35,000 current contract, or 6.8% of them, were written off. This meant a total of around 90,000 contracts, including overdue loans, were facing payment difficulties.

Main development trends and risks

- Lending activity at creditors remained at the same level as in the third quarter. The number of loans issued during the quarter was almost at its pre-crisis level. More instalment loans were issued than in 2019.
- The quality of the loan portfolio deteriorated as the general state of the economy worsened. There were around 90,000 contracts facing payment difficulties in the fourth quarter as they were overdue, written off or assigned to other parties, making 17.5% of current contracts. The majority of these were unsecured small loans.
- The risk of falling into payment difficulties because of the second wave of the coronavirus remained at the same level.

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