



**USAID**  
FROM THE AMERICAN PEOPLE

# USAID FINANCIAL SECTOR TRANSFORMATION PROJECT

## BANKS AND CONSUMER LENDING

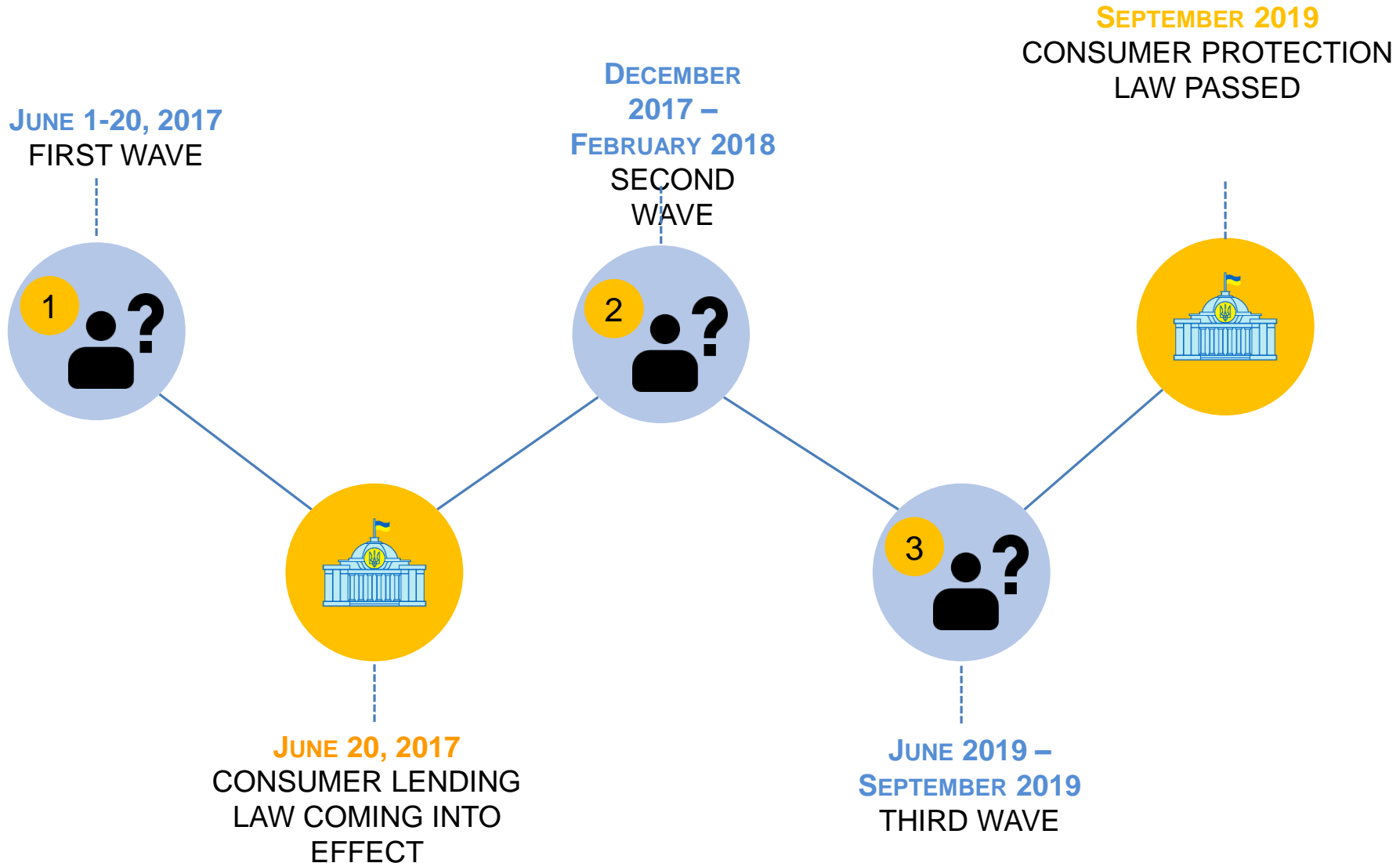
### Results of the Consumer Lending Survey Findings, June-September 2019

*Tetyana Grischenko*  
*Legal Team Lead, USAID Financial Sector*  
*Transformation Project*

27 November 2019

Kyiv

# MONITORING OF COMPLIANCE WITH THE CONSUMER LENDING LAW



# SURVEY METHODOLOGY – THIRD WAVE

## WHICH LOAN

- No specific purpose loan without collateral
- 1 year
- UAH 5,000 – 5,500

- 20 banks selected – 15 with portfolio > UAH500m offering such loans; 5 with portfolio < UAH500m
- 71 visits, number of visits varied on the loan portfolio

## MEASUREMENT

- Ads
- Disclosure
- Contracts
- Drawdown/repayment

- Mystery shoppers
- Desk study

## ANALYSIS

- Completeness
- Consistency
- Legality

- RAPR calculation
- Data “for the future”

# LAW RESULTS – PRE-CONTRACTUAL INFORMATION

BEFORE THE CONSUMER LENDING  
LAW COMING INTO EFFECT

68%

DID NOT RECEIVE ANY WRITTEN INFORMATION/PASSPORT AT THE INITIAL CONSULTATION

78%

DID NOT RECEIVE A DRAFT AGREEMENT

3 WAVE

68%

72%

2 WAVE

20%

DID NOT RECEIVE A PASSPORT WITH ALL MANDATORY INFORMATION

34%

44%

DIFFERENCE BETWEEN PASSPORT AND AGREEMENT

31%

11 out of 20 banks **never** provide passport prior to entry into agreement, and 8 banks **sometimes** provide it

# ORAL CONSULTATIONS AND INSURANCE MATTERS

## 2 WAVE

70%

DIFFERENCES BETWEEN ORAL CONSULTATIONS AND PASSPORT/AGREEMENT

65%

RAPR NOT STATED AS IN AGREEMENT (STATED INCORRECT OR NOT STATED AT ALL)

20%

CREDIT CARD FORCED UPON BORROWER

100%

INSURANCE WITHOUT A CHOICE OF INSURANCE COMPANY

50%

PASSPORT "WITHOUT INSURANCE"

## 3 WAVE

66%

72%

27%

90%

35%

**Incorrect** information is provided practically on all matters

# VIOLATIONS IN AGREEMENTS

## 2 WAVE

## 3 WAVE



LENDER'S RIGHT TO DEMAND EARLY REPAYMENT IF THE BORROWER DISAGREES WITH A CHANGE OF PAYMENT UNDER THE LOAN



LENDER'S RIGHT TO CHANGE AGREEMENT UNILATERALLY



VIOLATION OF THE BORROWER'S RIGHT TO THE EARLY REPAYMENT



ALLOWING THE LENDER TO DETERMINE THE PRIORITY OF CLAIMS ON ITS OWN

At least one of these violations was recorded in all banks, other than **one**

# GREEN VS. RED LIGHTS

Bank	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10	Bank 11	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Bank 18	Bank 19	Bank 20	
<b>VIOLATION</b>																					
Ads in compliance with the law, yes/no/N/A																					
Passport given, % of visits				17%					50%	75%	25%										
Passport given during initial consultation, % of visits	27%		83%	67%				33%		75%	50%	67%			50%						
Passport contained all mandatory info, % of visits				17%			33%														
Info in passport consistent with agreement, % of visits	64%	88%			50%		33%														
Draft agreement given, % of visits	91%			33%			63%	50%	50%	25%	50%	67%		50%							
RAPR given orally as stated in passport/agreement, % of visits	64%	75%		83%				83%	50%	75%	50%	83%		50%	50%						
Oral and written info consistent, % of visits	55%		50%	67%	50%				50%	75%	50%				50%	50%					
Additional credit limit not forced, % of visits				17%	50%								17%								
Agreement contained all mandatory info, % of visits				33%																	
<b>PROVISIONS</b>																					
Unlawful provisions in agreement, number																					
Bank secrecy/arbitration court provisions, yes/no																					
<b>VIOLATION</b>																					
No conflicting info on %/fees in agreement, % of visits																					
Choice of insurance company given, % of visits, N/A											50%	50%									
Did not force insurance not stated in passport/agreement,% of visits, N/A		88%		17%				33%		25%											
Insurance premium returned at withdrawal, % of visits, N/A																					
Interest charged for days of use, % of visits		88%						33%													

on advertizing or insurance - there was no in such bank

violations in 100% of visits

violation in 0% of visits

A borrower did not enjoy all “green lights” in **any** of 20 banks

# INTEREST RATES

	AVERAGE NOMINAL RATE IN THE BANK	AVERAGE RAPR IN THE BANK (STATED IN THE AGREEMENT)
Bank 2	54.2%	54.3%
Bank 17	49.0%	79.0%*
Bank 11	54.0%	80.3%
Bank 14	56.0%	84.9%
Bank 9	15.0%	85.9%
Bank 7	0.0%	94.0%
Bank 20	0.0%	94.5%
Bank 15	0.0%	100.2%
Bank 16	0.0%	106.6%
Bank 13	10.0%	110.5%
Bank 3	23.0%	111.5%
Bank 10	77.5%	112.3%
Bank 4	21.9%	116.9%
Bank 18	81.3%	120.5%
Bank 19	0.0%	124.8%
Bank 5	0.0%	127.2%
Bank 12	15.0%	130.0%
Bank 6	12.5%	141.0%
Bank 1	0.1%	168.3%
Bank 8	0.0%	338.4%
<b>All banks</b>	<b>20.3%</b>	<b>119.5%</b>

\*recalculated for 12 months



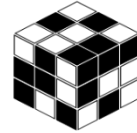
# POSITIVE CHANGES AND NOT CLIENT-ORIENTED PRACTICES



## POSITIVE CHANGES

MORE CONSUMERS RECEIVE  
PASSPORTS AND AGREEMENTS WITH  
ALL MANDATORY INFORMATION

PRIORITY OF SETTLEMENT OF  
CREDITOR'S CLAIMS



## NOT CLIENT- ORIENTED PRACTICES

INSURANCE

«GAP» BETWEEN NOMINAL AND REAL  
INTEREST RATES

There are changes but not with regard to all consumer lending practices

# SOME QUOTES

## On insurance

«There is only one insurance company, **there is no choice**»

«There is insurance, there is only one insurance company and **I cannot choose it**. If I become **insolvent**, then my debt is not my relatives' burden, as the insurance company is liable.

«Insurance is **without choice** and is mandatory. And even when I **die**, a loan will need to be repaid. Insurance company will not pay for me»

## On RAPR

«The consultant calculated:  $4.59\% + 0.12\% = 4.71\%$ , but it was 138.18% in the passport»

«79% was stated in the passport, but the consultant said that 2.9% per 10 months would be **29%**»

«He has said that real interest rate of 127.19% is a rate taking into account loan **default risk**, but the rate that I will have to pay is 84.99%»

«There was another RAPR stated in the passport, but the consultant said that **she did not know** why this was so»

«She has said that real rate **scares** everyone, as it is calculated for a maximum term, but if I repay more then the rate will go down»

And we have many-many more...