



REPORT

Swedish Consumer Credit

12 December 2022



Summary

A large portion of Swedish households' loans is for their homes. But the households also use loans to finance some of their consumption. Consumption credit has grown rapidly in recent years. In terms of SEK, unsecured loans represent the largest share of consumer credit. In terms of volume, invoices are the most common form of consumer credit. These are some of the conclusions from Finansinspektionen's (FI) survey of new consumer credit with data from 2021. FI conducts a consumer credit survey every year as part of its assignment to promote a high level of consumer protection on the financial markets.

Just like in previous years, high-income households represent a large share of the bigger loans, and this share has increased over time. However, around 5 per cent of the borrowers with a new loan of more than SEK 100,000 had an income of less than SEK 15,000/month before tax. The percentage of income that used for loan payments was lower in 2021 than in previous surveys, which is a positive development, but borrowers with lower income paid more for interest and amortisation in relation to their disposable income.

The percentage of borrowers who received a collection notice from unsecured loans is relatively constant over time, but there are considerable differences between different types of borrowers. One out of six borrowers who was granted an unsecured loan from a consumer credit institution received a collection notice within eight months. This can be compared to 0.3 per cent of the major banks' borrowers.

Invoices, credit cards and credit lines are primarily different methods for paying for goods and services. However, if they are not paid on time, they are associated with extra costs, and we then view them as loans. In total, around 6 per cent of borrowers with loans that originated as payments receive a collection notice shortly after they have taken the new loan. The largest percentage is among young borrowers and borrowers with low income. The percentage of invoice recipients was six times higher among those who had received a collection notice just before they received the new invoice. This indicates that it is important for lenders to consider information about previous repayment problems.

Almost one out of five borrowers who were granted a new unsecured loan had a deficit in a subsistence cost calculation. This indicates that lenders' credit assessments are too often insufficient. Consumer credit institutions and niche banks often use limited information in their credit assessments, and it is these lenders that have the largest percentage of customers who experience repayment problems.

Economic development can place greater demands on borrowers' repayment capacity. Our calculations, which are based on the Riksbank's forecasts for

inflation and the repo rate, shows that the percentage of borrowers with a deficit will increase from 19 per cent now to 28 per cent in 2023. If inflation persists at its current level and the Riksbank raises the interest rate faster than in its main scenario, almost 35 per cent will experience a deficit.

FI's survey shows that lenders collect information about existing loans more than they did before, but in general it is still relatively common for lenders to not request information about existing loans. It is also crucial how lenders use the information they gather. The scope of credit assessments appears to have contracted in general in the past few years.