FI Analysis No. 38

Loans and payment problems among women and men

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Summary

Men take out large consumer credit amounts than women. This holds regardless of the borrower's age. Contributing factors are that men tend to have higher income than women and that men are often more willing to take risk. However, in general, women take out loans more often than men. This is related to women more frequently using invoices and instalment plans (with a high number of payments but small amounts) from sales-financing companies. Men borrow more frequently from niche banks, which offer larger loans. We see similar differences between age groups: younger age groups borrow from sales-financing companies and older age groups from niche banks and major banks.

Younger borrowers experience payment problems more often than older borrowers. This applies primarily to early payment problems (collection notices), but also more serious payment problems (debt registered with the Enforcement Authority).

This FI Analysis shows that, despite their higher income, men consistently receive a larger share of collection notices. Among borrowers under the age of 45, men also have a larger percentage of payment orders and debt registered with the Enforcement Authority. This can be a result of men taking larger loans, which are therefore more difficult to repay. Among borrowers over the age of 45, females have a larger percentage of payment orders and debt registered with the Enforcement Authority. One likely contributor to this is that life events, such as divorces, often have a more negative impact on women since they often have lower income.

If older borrowers receive a collection notice, it is a clear signal of future serious payment problems. Around one out of every seven borrowers over the age of 45 who receives a collection notice later has a debt registered with the Enforcement Authority. However, collection notices are only a weak indicator that younger borrowers will experience severe payment problems in the future: approximately

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one out of every twenty-five borrowers who receive a collection notice will have a debt registered with the Enforcement Authority. This small percentage can be the result of young adults having poorer payment habits, and not necessarily poorer payment capacity, and that they often are granted small loans. Large loans are more difficult to pay and thus more prone to become a debt registered with the Enforcement Authority.

Payment problems among women and men in different age groups

Being able to borrow money is good for both individuals and society as a whole. Loans, for example, enable households to smooth their consumption over time. In the short term, loans make it possible to consume without having to save first. This can be beneficial, for example, if a refrigerator or boiler breaks or for first-time home buyers. However, loans must be repaid and therefore tie up some of the borrower's future income. Most borrowers can handle these payments, but loans can lead to payment problems for some borrowers.

The purpose of this analysis is to study different degrees of payment problems – collection notices, payment orders and debts registered with the Enforcement Authority – among female and male borrowers of different ages.[1] We use the term payment problem for those who have not paid a bill by the due date or at all. To understand payment problems, we start by examining which loans and lenders borrowers use.

This is the fourth FI analysis that looks at payment problems among borrowers. Previous analyses show that low income is a common cause of payment problems (see Andersson and Förster, 2021; Andersson et al., 2021; and Kronofogden, 2021). The analyses also show that negative life events, which lead to lower income, are often the cause of payment problems (see Kronofogden, 2021). Common events of this nature are unemployment or illness. The probability of experiencing payment problems also increases if the lender has performed a credit check using limited information or has a higher risk tolerance. The percentage of borrowers with payment problems therefore differs between lender groups (see Andersson and Üye, 2021).

The data we use come from both FI and the Enforcement Authority. FI's data describes lending and collection notices, while the Enforcement Authority's data describes payment orders and debts that have been identified for collection.[2] We present our main findings in the primary text of this analysis and provide detailed information on lending and payment problems in four appendices. Our appendices are:

1. Loans, lenders and borrowers
2. Payment problems

[1] Previous analyses have also studied payment reminders, which FI has information about for new borrowers. In this analysis, we study existing borrowers, for which we do not have the same division into borrower groups as we have for collection notices, payment orders and debts registered with the Enforcement Authority.
[2] We have not combined data from FI and the Enforcement Authority.

3. Payment problems by lender groups
4. Payment problems as a proportion of borrowers and loan volume

Different types of loans and lenders

There are several types of both loans and lenders (see Finansinspektionen, 2022 and Finansinspektionen, 2021a). In addition, how borrowers borrow money also differs: some borrow a lot, and others borrow less. There are borrowers with good margins in their finances and borrowers with tighter margins. With the data we have, we can study the number of borrowers, loan volumes and average loan size for women and men in different age groups. We can also link different groups of borrowers to their incomes. This allows us to understand to some extent why certain groups of borrowers experience payment problems. However, our data cannot capture some of the reasons for payment problems, for example whether various groups normally pay their bills, whether there are borrowers who choose to postpone payments (and accept the extra cost this entails), and how willing different borrowers are to take on risk.

Mortgages (loans with a home as collateral) amount to SEK 4,000 billion in Sweden. This corresponds to 82 per cent of total lending to households. Other loans – which we call consumer credit – consist of loans without collateral (unsecured loans, instalment payments, credit cards, credit lines and invoices) and loans backed by collateral other than a home (non-property-backed loan). Loans without collateral and non-property-backed loans account for approximately SEK 285 billion and SEK 575 billion, respectively, which correspond to 6 and 12 per cent of lending, respectively.

From a legal perspective, invoice payments, i.e., purchases where the payment occurs after the purchase, are interest-free loans, but we do not define here an invoice purchase as a loan. If the invoice is paid within the agreed time, it does not entail any additional costs for the consumer, and it is then included in neither the data on lending nor the data on payment problems. However, if the consumer does not pay on time, or if the consumer chooses to convert the invoice into a partial payment or a credit line, the invoice will give rise to additional costs, for example contractual interest, a reminder fee or interest on arrears. In both of these cases, the invoice is included in our data on lending. The proportion of invoices that involve extra costs for the consumer varies between 5 and 20 per cent among the lenders in FI's data. If we had instead used all invoices, the percentage of borrowers from sales-financing companies with payment problems would have been much smaller (in our report).

Different lenders provide different types of loans. Over 60 per cent of consumer loans (in SEK) from major banks consist of unsecured loans (see diagram B1.1 in Appendix 1). The rest of their loans are non-property-backed loans, credit cards and credit lines. Almost three out of four SEK lent from niche banks are unsecured loans. Non-property-backed financing companies provide non-property-backed loans (95 per cent) and credit cards (5 per cent). Loans from sales-financing companies are essentially cost-bearing invoices and partial payments. Most loans from consumer credit institutions are unsecured loans (67 per cent), credit cards and credit lines (30 per cent). Almost half of the loans from credit card companies are from credit cards. Credit card companies also provide unsecured loans and non-property-backed loans.[3]

Payment problems lead to extra costs

Early payment problems – reminders and collection notices – involve costs for the borrower in the form of extra fees.[4] Reminders cost SEK 60, and collection notices cost SEK 180 (see Appendix 2). If you do not pay after receiving a collection notice, the case progresses to a payment order. It costs SEK 300 to apply for a payment order, and a further SEK 380 is also added for legal fees. These costs are charged to the borrower. A borrower who does not pay a payment order (or has them written off) receives a so-called enforcement decision. An enforcement decision is a decision that the Enforcement Authority can start collecting the debt through attachment. A basic enforcement fee of SEK 600 is then added to the charges. At this point, the various steps in the payment problem process have resulted in more than SEK 1,500 in extra costs for the borrower (see Figure B2.1 in Appendix 2). In addition, a debt registered with the Enforcement Authority continues to increase due to interest and fees even when the debt has been determined.

Women borrow more frequently – men borrow larger amounts

The borrowers' income generally increases with age (see Diagram B1.2 in Appendix 1). Higher income allows for more consumption and larger expenses, which can be smoothed out with the help of loans, which then also need to be larger. This is one of the reasons why older age groups borrow larger amounts than younger age groups (see Diagram B1.3). Another reason is that older age groups take our other types of loans (see Diagram 1). Women generally have a lower income than men of the same age, and this is reflected in that they borrow smaller

[3] For more information on consumer credit and lenders, see Appendix 1 (in this article), Finansinspektionen (2021a) and Andersson and Üye (2021).
[4] The strength of the signal collection notices give about payment problems can vary. This is because lenders send collection notices at different times; in FI's sample, collection notices were sent between 10 and 120 days. Unlike previous analyses, we do not use payment reminders as an indicator of payment problems in this analysis since we do not have data on reminders among existing borrowers broken down by age.

amounts on average than men. This applies to all age groups and all loan types (see Table T1.1). It is also possible that men are more will to take risk than women are, which is another explanation for why they take out larger loans.[5] How women and men borrow differs the most between young borrowers' unsecured and non-property-backed loan, older borrowers' invoice purchases and partial payments regardless of the borrower's age.

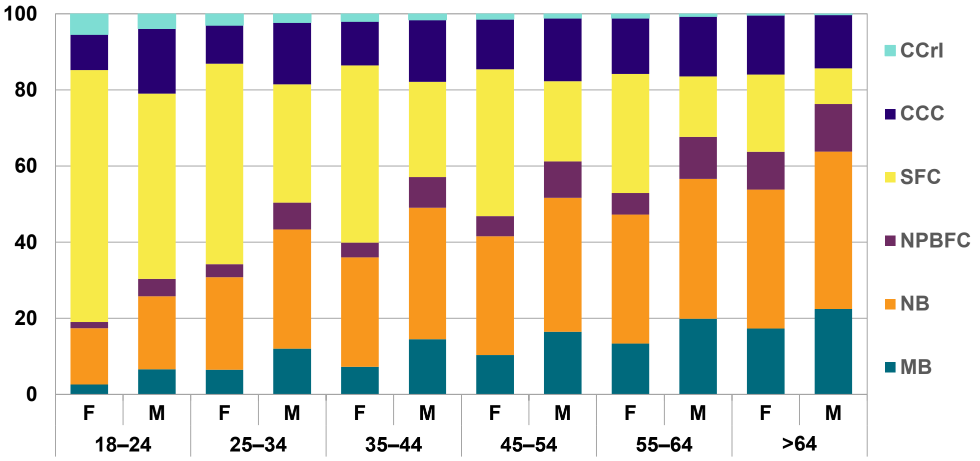
Women account for a larger percentage of the loans than men. That men take larger loans than women and women borrow more frequently are key explanations for differences in payment problems. One reason why women borrow more frequently is that they are more likely to borrow from sales-financing companies that offer invoices and instalment payments when buying online. These loans often are for small amounts. Men borrow more often from major banks and niche banks than women do.

Young age groups borrow more often from sales-financing companies, while older age groups borrow to a greater extent from niche banks and major banks (see Diagram 1). The youngest age groups also borrow to a greater extent from consumer credit institutions than other age groups, but loans from these institutions make up a small part of the number of borrowers in all age groups. Niche banks are the most common lender for older borrowers – they account for around every third loan for borrowers over the age of 34. Lending from major banks increases with the borrower's age.

[5] Croson and Gneezy, 2009, have compiled results from 15 studies and conclude that men are more willing to take risk. However, there are also studies that conclude that gender-based differences should not be overinterpreted; see Nelson, 2016.

Diagram 1. Distribution of lenders broken down by age (years) and gender, existing consumer-credit borrowers

Percentage of number of borrowers



Source: FI.

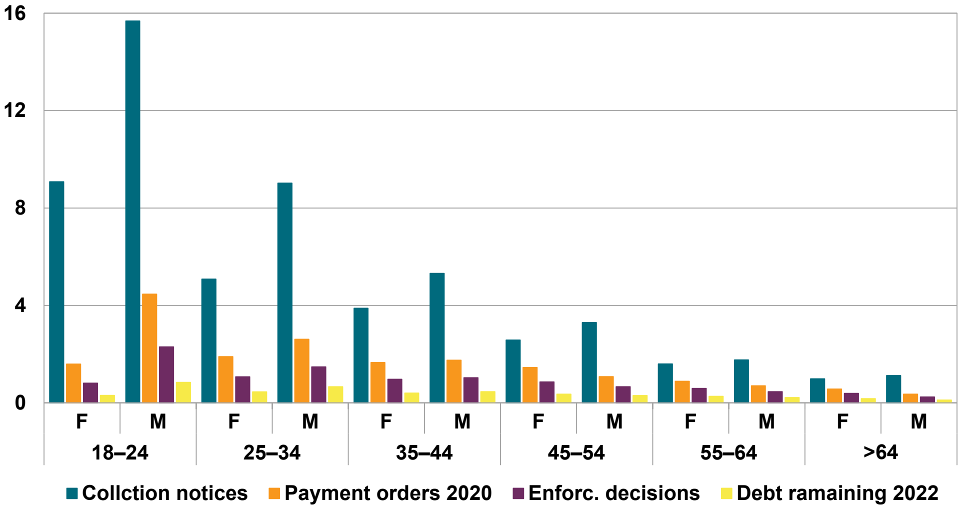
Note: The lender groups are major banks (MB), niche banks (NB), non-property-backed financing companies (NPBFC), sales-financing companies (SFC), credit card companies (CCC) and consumer credit institutions (CCrI).

Largest percentage of payment problems among young age groups

Among the borrowers who experience payment problems, the largest share are young age groups (see Diagram 2). This applies regardless of the degree of problem. The percentage experiencing payment problems then decreases with the borrower's age.

Diagram 2. Percentage of existing consumer credit borrowers experiencing payment problems at different stages, broken down by age group and gender

Percentage of number of borrowers



Source: FI and the Enforcement Authority.

Note: We have divided the collection notices among existing borrowers by gender using the distribution among new borrowers. Enforcement decision means that the debt has been identified for collection, Debt remaining in 2022 means debt registered with the Enforcement Authority due to a payment order in 2020.

Almost 4 per cent of existing borrowers receive collection notices every year. The lent volume that leads to collection notices is also 4 per cent. There are large differences between the borrower groups. Just over 12 per cent of borrowers under the age of 25 receive collection notices every year. The percentage of borrowers that receive collection notices decreases with age, which may be because older age groups often have a higher income and are more careful about paying their bills, but it is also possible that people in older age groups with weak finances are not included in the data. They have difficulty getting a loan because they often have a low income, had a longer period of time to have a poor payment ability documented, and therefore are not approved for a loan. Another reason may be that they choose not to borrow, especially if they have had payment problems in the past.

For the youngest borrowers, even smaller loans often lead to collection notices. The share of collection notices is therefore lower when measured as lending in SEK than as the share of borrowers. The opposite is true for the oldest borrowers, which suggests that larger loans on average lead to collection notices for them.

Generally, a larger share of men than women receive collection notices.[6] This shows that women, regardless of age, are more likely to pay off their loans. On average, men have higher incomes than women, but they borrow larger amounts. Overall, men pay a greater portion of their income in interest and amortisation payments on consumer credit. However, the portion of income that goes to amortisation payments is relatively small on average; men use an average of 3–4 per cent of their salary for consumer credit, and women use just under 2 per cent.[7] Therefore, differences in payment problems may also be due to differences in the perception of risk, and typical loan size and income may also present a poor overview of who is experiencing payment problems. Men might borrow be more likely to borrow money even if their financial margins are small.

It is largely the same borrower groups that are overrepresented among those who receive payment orders as those who receive collection notices (see Diagram 2). However, the difference between the groups of borrowers who receive payment orders is smaller – around 3 per cent of the youngest and less than 1 per cent of the oldest receive payment orders. Above all, a lower share of young borrowers with collection notices also receives payment orders. This indicates that a large percentage of young borrowers' early payment problems are not due to their inability to repay the loan but more to inexperience and bad habits. The fact that a larger share of young borrowers pays their collection notices may also be because their loans and loan payments are often small and therefore easier to pay or get help to pay. Another explanation for the difference between a collection notice and a payment order is that debt collection companies do not send always register a debt with the Enforcement Authority. Instead, they might choose to offer payment plans. Younger borrowers are more likely to accept such plans.[8]

Although the percentage of borrowers with payment orders is more evenly distributed (across the borrower groups) than collection notices, the share of young borrowers who receive payment orders is still larger. This suggests that young borrowers generally have a poorer repayment capacity than older borrowers. On the one hand, they have lower incomes, and on the other hand there are more in this group who (with perfect information) should not have received loans, but whose ability and inclination to repay has not yet been demonstrated. In addition, young borrowers more often turn to lenders who do less extensive credit checks (see Diagram 1 and Andersson and Üye, 2021).

[6] This applies to new consumer credit borrowers. Among everyone who received a collection notice in 2021, 56 per cent were men (see Svensk Inkasso, 2022).
[7] The calculations are based on an example loan of a typical size for men and women, respectively, with 10 per cent interest and 2 years of instalments.
[8] When the debt collection companies make the assessment that there is repayment capacity, they request a payment order for the debt. If the debt collection companies make the assessment that there is no repayment capacity, and that a payment order only entails an extra cost for the company, they instead offer a payment plan to the debtor.

Larger share of women with serious payment problems among borrowers over 45

The share of borrowers with payment problems decreases with the severity of the problems. This is natural because at each stage of the payment problems the borrower has the opportunity to pay (see Appendix 2). For young borrowers, one explanation is that they often have small loans, which can easier be paid off before the debt is registered with the Enforcement Authority. Older borrowers often have a high enough income to avoid having debts registered with the Enforcement Authority. However, every year almost one out of one hundred borrowers has a loan debt registered with the Enforcement Authority (enforcement decision), and 0.3 per cent of them still have the debt the following year. In terms of the principal amount (in SEK), just over 1 per cent of the loans led to borrowers who received a payment order in 2020 still having debts registered with the Enforcement Authority in March 2022. The difference between the share of borrowers and the principal indicates that it is often larger loans and loan payments that lead to debts being registered with the Enforcement Authority (see also Appendix 4).[9]

The statistics show some differences when there are collection notices and payment orders. Men, regardless of age, receive collection notices more often than women. However, in terms of payment orders, men are only overrepresented in the age groups up to the age of 45. The share of men that receives a payment order is relatively small for borrowers over the age of 45 years. In this group, however, it is 30 per cent more common for women to receive payment orders than for men.

Just like in the case of collection notices and payment orders, the largest share of borrowers that have debts registered with the Enforcement Authority are young borrowers. The largest share is among men under the age of 35 (see Diagram 2). The share of young women with debts registered with the Enforcement Authority is less than half this size. A likely reason for the difference is that young men are probably even more willing to take risk and often take out larger loans than young women. And despite men generally have a higher income than women, the difference in loan size is significantly larger than the difference in income – men have on average income that is 30 per cent higher and borrow an average of 150 per cent more. Measured as a share of income, men pay on average almost twice as much on their loans as women.

[9] The share of payment problems is higher measured as lending (in SEK) than the number of borrowers in all groups of borrowers (see Diagram 3 and Diagram B4.2 in Appendix 4). It also shows that payment problems increase in severity with the size of the loan/debt.

In the age groups above the age of 45, the differences are smaller between the share of women and men who have debts registered with the Enforcement Authority due to loans. Like payment orders, though, the share of women that have debts registered with the Enforcement Authority is larger. The probability that a woman over the age of 45 will have a debt registered with the Enforcement Authority is roughly 25 per cent higher than it is for a man. Even in these age groups, men borrow more. The fact that there is (overall) a greater share of women over the age of 45 with consumer credit that have debts registered with the Enforcement Authority may be due to life events – for example divorces – generally hitting women harder because they often have a lower income than men.

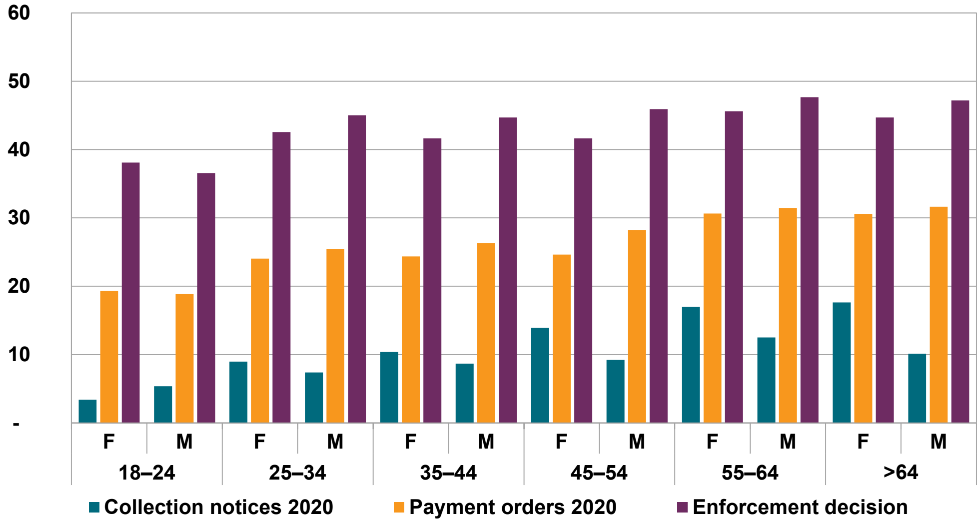
One in seven borrowers over the age of 45 with a collection notice also has a debt registered with the Enforcement Authority

We have so far set different degrees of payment problems in relation to lending. Now we also calculate the share of borrowers who go from one state of payment problems to the next – that is, from collection notices to payment orders and from payment orders to debt registered with the Enforcement Authority. The starting point is that young borrowers receive collection notices more often than older borrowers, and men receive collection notices more often than women.

Collection notices indicate that borrowers over the age of 45 have problems paying their loans. Among these borrowers, one in seven collection notices eventually leads to debt registered with the Enforcement Authority (see Diagram 3). Almost always, there is a larger share of women with collection notices who later have a debt registered with the Enforcement Authority.

Payment orders give a better indication of future debt registered with the Enforcement Authority. This is natural because most borrowers pay their collection notices. Almost every third borrower over the age of 45 with a payment order also has a residual debt registered with the Enforcement Authority. The difference between women and men who do not pay their payment orders is small. Of the borrowers over the age of 45 who receive an enforcement decision (the debt identified for collection), between 40 and 50 per cent still have a residual debt one year after the payment order.

Diagram 3. Share of consumer credit borrowers with payment problems who have a residual debt registered with the Enforcement Authority
Per cent



Source: FI and the Enforcement Authority.
Note: Enforcement decision means that the debt has been identified for collection. Residual debt means a debt registered with the Enforcement Authority in 2022 due to a payment order in 2020.

The fact that the share of severe payment problems among those who previously had payment problems is greater among older borrowers than younger borrowers may be because the debts of older borrowers are larger and thus more difficult to pay. It can also show, however, that the older borrowers have a greater willingness to pay and therefore receive fewer collection notices. One reason why there are fewer so-called weak borrowers among the older age groups may be that their incomes or pensions are often so low that they are not granted loans due to the requirements of the Consumer Credit Act for credit checks. But when older borrowers receive collection notices, it is a clearer sign of difficulties in paying.

Collection notices do not give clear indications of whether young borrowers will later have debts registered with the Enforcement Authority. Among borrowers under the age of 24, a few per cent of those with collection notices also have residual debts registered with the Enforcement Authority. When younger borrowers receive collection notices, this may also be more due to inexperience in paying bills and that they are less concerned about the increased costs that the notices entail. Younger borrowers can also often get help from parents (or friends) if they receive collection notices. As a result, the difference between the share receiving collection notices and the share experiencing more serious payment problems decreases with age. Among those younger than the age of 25, just over one in five collection notices progresses to a payment order. For borrowers over the age of 45, the corresponding share is almost half.

One reason for differences in early and more serious payment problems may be that early problems are more due to a lack of payment experience or short-term priorities than actual payment problems. It costs more to pay after reminders and collection notices, but that cost may be small compared to postponing other more important payments, such as rent. Large loans are more difficult to pay before they become debts registered with the Enforcement Authority and that is probably why they more frequently lead to established and permanent debts. This assumption is supported by the fact that it is larger loans from niche banks that often lead to debts registered with the Enforcement Authority among younger borrowers.

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Appendix 1. Loans, lenders and borrowers

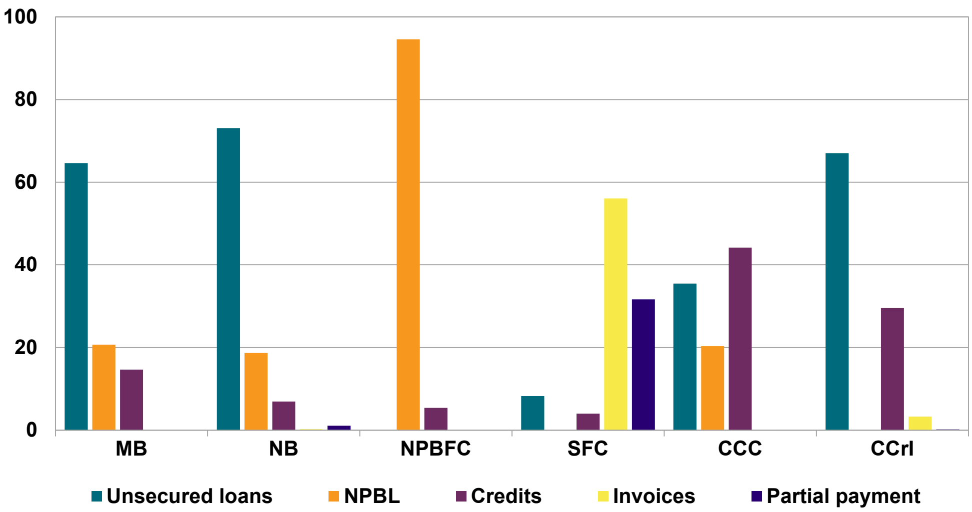
Different types of loans and lenders

Different lenders provide different types of loans. Over 60 per cent of consumer credit (in SEK) from a major bank consists of unsecured loans (see Diagram B1.1). The rest of their loans are non-property-backed loans, credit cards and credit lines. Almost three out of four SEK lent from a niche bank are unsecured loans. Niche banks also offer non-property-backed loans, loan facilities (in the form of credit cards and credit lines) and a limited number of invoices and partial payments.

Non-property-backed financing companies provide non-property-backed loans (95 per cent) and credit cards (5 per cent). Loans from sales-financing companies are essentially cost-bearing invoices and partial payments. Together, these loan types make up 87 per cent of the companies' lending.

Consumer credit institutions offer unsecured loans (67 per cent), credit cards and credit lines (30 per cent) as well as a few invoices and partial payments. Almost half of the loans from credit card companies are from credit cards. Credit card companies also provide unsecured and non-property-backed loans. For more information on consumer credit and lenders, see Finansinspektionen (2021a) and Andersson and Üye (2021).

Diagram B1.1. Distribution of loan types broken down by lender groups
Per cent



Source: FI.
Note: The distribution is based on loaned volume. MB = major bank, NB = niche bank, NPBFC = non-property-backed financing company, SFC = sales-financing company,

CCC = credit card company and CCrI = consumer credit institute. Credit here refers to credit cards and credit lines.

Women have a lower income and borrow more often but for smaller amounts than men

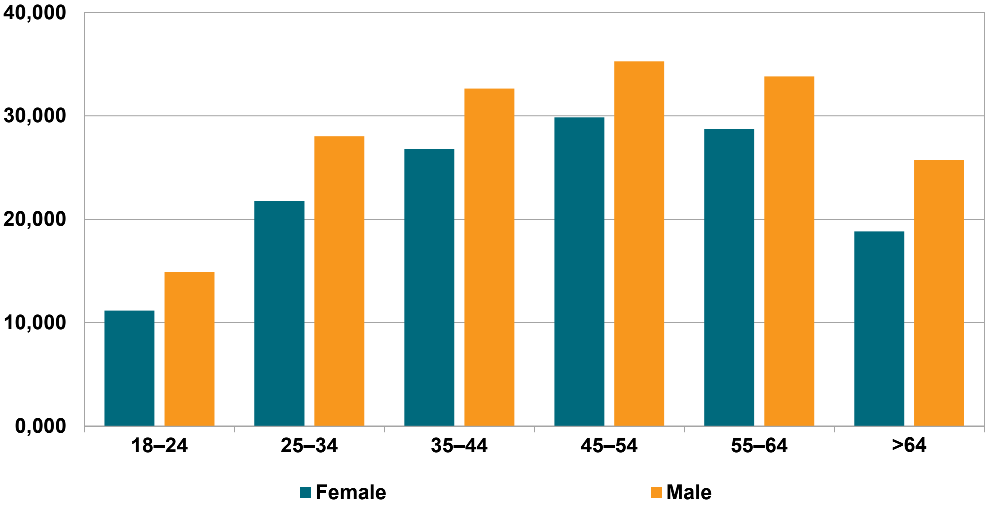
Income typically increases with age (see Statistics Sweden, 2022). This also applies to borrowers. In the working population – ages 20 to 64 – the median income for women is SEK 26,200 a month before tax. For men, the income is SEK 31,300 a month. The corresponding income for new consumer credit borrowers is slightly lower – SEK 25,000 and SEK 30,000, respectively.

The median income before tax for people under the age of 25 with new consumer credit is just over SEK 12,500 a month.[10] It is lower than the definition of low income in Sweden, but that doesn't mean that half of all young borrowers will experience problems with their loan payments. Many young borrowers still live with their parents and often have small expenses. In addition, they can often get help from parents and friends if they experience payment problems. The median income for new borrowers aged 25–34 is SEK 24,300 a month. Income increases further with age and then drops slightly for borrowers over the age of 55.

In addition to differences between different age groups, income differs between women and men who borrow money. The median income for young men who borrow money is almost SEK 14,900 a month (see Diagram B1.2). The corresponding income for young women is SEK 11,100, or 25 per cent lower than the men's income. The oldest female borrowers also have 25 per cent lower income than the oldest men. The differences are somewhat smaller for the other age groups, but in all age groups women have a lower median income.

[10] The median is the value for the person in the middle of (in this case) the income distribution. There are as many people below this person in this distribution with a lower income as there is above them with a higher income.

Diagram B1.2. Median income before tax for new consumer credit borrowers broken down by age group and gender
SEK



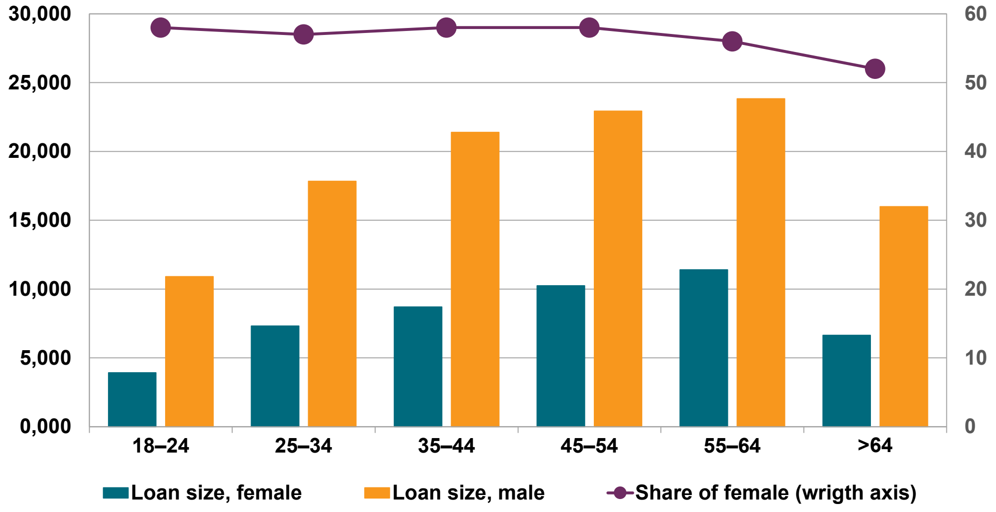
Source: FI.
Note: Only borrowers with a reported income greater than 0 are included in the diagram. FI's analysis also lacks information on income for one in five borrowers. The median shows the borrower who is in the middle of the distribution for each category. MB = major bank, NB = niche bank, NPBFC = non-property-backed financing company, SFC = sales-financing company, CC = credit card company and CCrI = consumer credit institute.

The fact that women generally have a lower income than men of the same age could explain why on average they borrow smaller amounts than men (see Diagram B1.3). This applies to all age groups. This also applies to all loan types (see Table B1.1). But the differences are greatest among young borrowers' unsecured and non-property-backed loans, older borrowers' invoice purchases and instalment payments, regardless of the borrower's age.

There are greater differences in the size of loans between genders than the differences between incomes, which can partly also be explained by differences in the types of loans that women and men take out (see Diagram 1). In certain age groups, men's loans are on average more than twice as large as women's. In terms of the number of borrowers, women account for a larger share than men, and the difference is greatest among young borrowers.

Diagram B1.3. Consumer credit broken down by gender and age

SEK and per cent



Source: FI.

Note: Loan size refers to the average in each age group. The diagram shows information from 2019 and 2020.

Table B1.1. Average loan divided by age, gender and loan type

SEK

		18–24	25–34	35–44	45–54	55–64	>64
Unsecured loans	F	63,600	105,400	114,300	112,600	106,500	73,500
	M	92,300	116,500	127,300	130,200	119,900	89,400
Non-property-backed loans	F	89,900	85,800	107,400	116,500	110,000	99,000
	M	112,700	120,700	125,800	130,700	133,400	114,400
Credit lines	F	6,200	5,100	5,000	4,600	4,000	1,400
	M	6,700	5,300	5,800	5,100	4,100	2,500
Invoices	F	3,700	4,000	4,000	3,900	3,700	3,700
	M	4,000	4,300	4,900	5,000	4,900	4,800
Partial payments	F	5,400	5,800	6,300	5,800	4,900	3,400
	M	8,600	9,200	9,600	9,400	9,100	6,700

Source: FI.

Appendix 2. Payment problems

Payment problems lead to extra costs

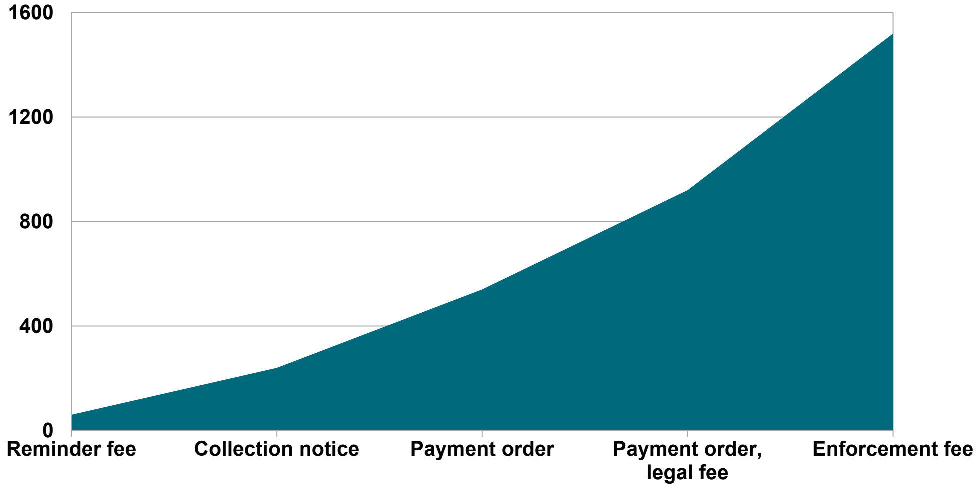
Early payment problems – reminders and collection notices – involve costs for the borrower in the form of extra fees.[11] Reminders cost SEK 60 and collection notices SEK 180 (see Figure B2.1). As a rule, the borrower must not have paid a bill despite reminders before the lender (or the person who owns the claim) sends the bill for a collection notice. Therefore, collection notices are a clearer sign of payment problems than reminders.

The next step in the problem chain is a payment order. Those who receive such an order need to pay additional fees. It costs SEK 300 to apply for a payment order, and there is an additional charge of SEK 380 for legal fees. In the end, it is the borrower who pays those fees as well. Borrowers who do not pay their orders (or have them written off) receive an enforcement decision. An enforcement decision is a decision that the Enforcement Authority can start collecting the debt through attachment. A basic enforcement fee of SEK 600 is then added to the charges. At this point, the various stages of payment problems have led to over SEK 1,500 in extra costs for the borrower. Those who have a debt registered with the Enforcement Authority usually have serious payment problems and their future financial flexibility is limited. One such limitation is receiving having a record of non-payment registered with credit rating agencies, which makes it difficult for the individual to get a loan or a rental contract, among other things.

Anyone who has received a payment order (which is not written off) has the possibility of paying the order (see Figure B2.2). If the borrower does not pay, the Enforcement Authority claims the debt through an enforcement decision. The debt then remains registered with the Enforcement Authority until it is paid. In addition, debts registered with the Enforcement Authority continue to generate costs in the form of interest and fees even after they have been identified.

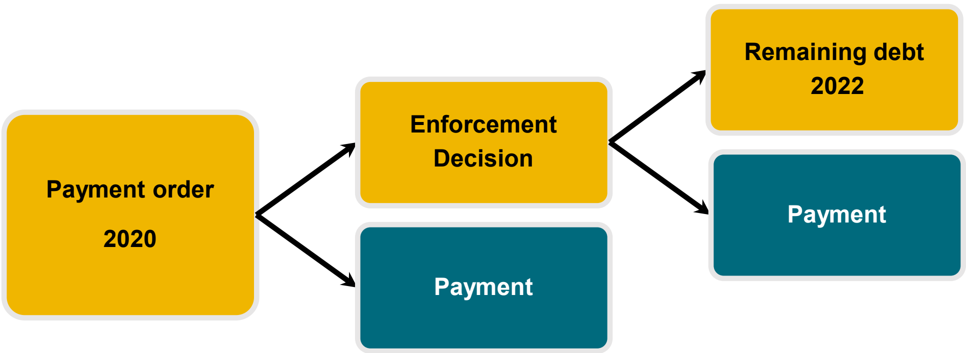
[11] The strength of the signal collection notices give about payment problems can vary. This is because lenders send collection notices at different times; in FI's sample, collection notices were sent between 10 and 120 days. Unlike previous analyses, we do not use payment reminders as an indicator of payment problems in this analysis since we do not have data on reminders among existing borrowers broken down by age.

Figure B2.1. Aggregate costs incurred at different stages of payment problems
SEK



Source: Own illustration.
Note: In addition, late fees and charges are usually added after the debt has been subject to a decision by the Enforcement Authority.

Figure B2.2. The Enforcement Authority's handling of a debt

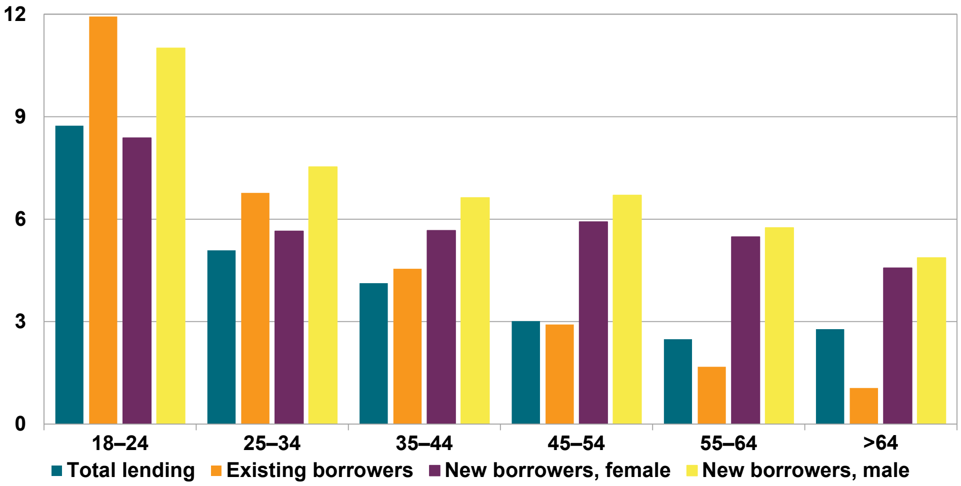


Source: Own illustration.

Lower share of women with collection notices

We cannot break down collection notices among *existing* borrowers according to the borrower's gender. However, we can calculate the share of women and men with *new* consumer credit who received collection notices within eight months of taking out the new loan. Similar to total collection notices in 2020, the share that received collection notices on new consumer credits fell with age. In general, there is a higher share of men than women who receive collection notices (see Diagram B2.1).[12] This shows that women, regardless of age, are more likely to pay off their loans. This is probably connected to the fact that women often borrow smaller amounts than men, but it can also be due to differences in payment ethics and their view on risks.

Diagram B2.1. Share of consumer credit borrowers with collection notices broken down by age group and gender
Per cent



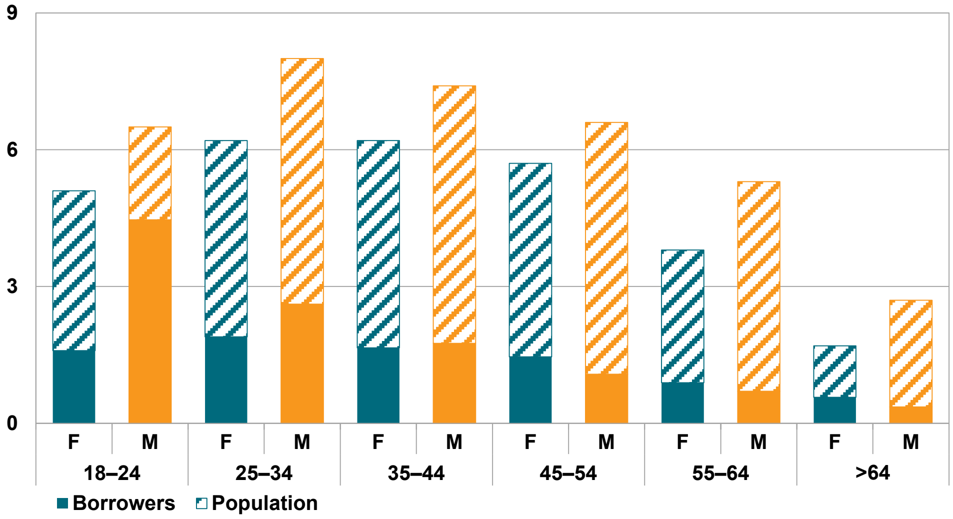
Source: FI.
Note: Total lending and Existing borrowers show shares of existing loans and borrowers who received collection notices in 2020. New borrowers show the share that took out new consumer credit in 2020 and received a collection notice within eight months. The share of new consumer credit that receive a collection notice within eight months is higher than the share of existing loans that receive a collection notice for many groups. This is because the calculations are based on different borrowers.

A lower share of borrowers receives payment orders due to loans than the share of the population that receives payment orders in general (regardless of the reason) every year (see Diagram B2.2). This applies to all age groups and both women and men. A likely explanation for the lower share among borrowers is that lenders conduct a credit check before granting a loan. Although the scope of the credit check varies, it screens out those with the lowest repayment capacity.

[12] This applies to new consumer credit borrowers. Among everyone who received a collection notice in 2021, 56 per cent were men (see Svensk Inkasso, 2022).

Diagram B2.2. Share of borrowers with payment orders in 2020 compared to payment orders in the entire population

Per cent



Source: FI and the Enforcement Authority.

Note: The diagram shows the share of borrowers who received payment orders due to loans in 2020. For comparison, the chart also shows the share of the population that received payment orders (regardless of the reason) in 2020. The population share should be read as the total height of the bar.

One factor that contributes to determining how common it is for the borrower to have their debts registered with the Enforcement Authority is the risk tolerance of the lender (see Andersson and Üye, 2021). Consumer credit institutions have a higher risk tolerance than other lenders, and a larger share of their borrowers have debts registered with the Enforcement Authority. The size of the loan is another factor. For almost all groups of borrowers, the median size of the payment order (principal) is larger than the median size of the loan (see Table B2.1). The difference between principal and loan is largest for niche banks and sales-financing companies. There, the median for the principal is up to ten times as large as the median loan.[13] This indicates that it is often larger loans (within each category) that lead to the debt being registered with the Enforcement Authority. Among niche bank customers, the difference between debts and loans is greater for women. Among those who borrow from sales-financing companies, the difference is greater for men.

At major banks, the median for payment orders is between 30 and 60 per cent less than the median loan for borrowers under 65. For borrowers with non-property-

[13] We have calculated the median for the payment orders that lead to residual debts being registered with the Enforcement Authority.

backed financing companies, the median debt is larger for borrowers between the ages of 35 and 64.

Debts accrue interest and fees even after they have been identified for collection. Compared to the principal from the recovery, debts increased the most between 2020 and March 2022 for those who had borrowed from consumer credit institutions and sales-financing companies (see the difference between principal and total debt in Table B2.1). For these borrowers, the debt had increased by around 50 per cent since the payment order. This is probably because they have loans with the highest interest rates. Those who borrowed from a major bank have the smallest difference between the size of the payment order and the debt remaining in 2022 – for them, the total debt is 5–20 per cent higher than the principal. The difference is smallest for the youngest borrowers. The debt has grown by between 10 and 30 per cent for those who borrow from non-property-backed financing companies and credit card companies.

Table B2.1. Loans, principal debt and total debt broken down by age, gender and lender

SEK

		18–24		25–34		35–44		45–54		55–64		>64	
		F	M	F	M	F	M	F	M	F	M	F	M
MB	Loan size	62,000	85,000	70,000	80,000	70,000	80,000	50,000	70,000	50,000	50,000	10,000	20,000
	Principal	40,400	51,400	33,400	47,700	32,600	45,100	24,500	37,400	20,900	35,800	20,700	27,200
	Total debt	42,600	55,700	40,200	52,600	39,300	52,600	29,300	41,900	25,000	39,300	24,000	31,000
NB	Loan size	1,400	6,200	3,600	10,900	4,000	11,900	4,900	11,200	3,800	8,500	400	700
	Principal	4,700	10,600	17,400	31,700	30,200	38,800	31,800	39,800	33,400	39,500	27,700	32,700
	Total debt	8,200	14,600	23,200	42,200	39,500	51,800	40,300	51,200	43,800	50,900	34,800	40,900
NPBFC	Loan size	7,400	7,300	14,900	15,400	40,400	35,600	29,700	24,000	50,200	16,700	3,400	7,400
	Principal	11,800	15,000	18,200	15,800	15,400	16,100	16,000	16,000	18,500	17,900	15,200	16,500
	Total debt	17,500	17,400	23,500	19,800	18,600	21,800	19,400	20,900	24,000	23,600	18,600	22,100
CCC	Loan size	9,100	10,000	12,300	13,500	16,000	18,500	19,600	20,400	19,700	19,800	10,700	13,800
	Principal	17,600	19,900	31,300	53,100	33,500	53,300	35,700	48,000	40,600	40,500	33,400	35,500
	Total debt	21,600	25,400	38,600	64,200	40,200	64,800	43,400	55,300	47,100	46,400	36,900	41,300
SFC	Loan size	750	750	820	800	850	840	760	770	600	620	460	470
	Principal	7,800	7,400	8,700	9,600	8,600	10,100	4,900	7,500	4,500	5,500	5,200	4,900
	Total debt	11,300	10,700	13,100	14,200	12,500	14,600	7,500	11,300	7,400	9,000	7,900	7,500
CCrl	Loan size	5,800	8,500	6,500	7,000	10,000	11,000	14,500	18,500	10,000	18,600	10,000	20,000
	Principal	11,300	12,100	17,100	21,100	22,000	22,200	20,000	23,900	22,200	22,200	16,500	20,000
	Total debt	17,500	17,100	25,700	30,600	32,800	34,500	28,800	33,800	29,600	32,100	27,600	28,100

Source: FI and the Enforcement Authority.
Note: The diagram shows the median in each age and gender group. MB = major bank, NB = niche bank, NPBFC = non-property-backed financing company, SFC = sales-financing company, CCC = credit card company and CCrl = consumer credit institute. Principal is the size of the debt in the event of a payment order. Total debt also includes interest and fees.

Appendix 3. Payment problems broken down by lender groups

An earlier FI analysis studies the importance of the lender for the borrower to have payment problems (see Andersson and Üye, 2021). Here, we perform a corresponding analysis but focus on gender and age groups.

Early payment problems

Those who borrow from consumer credit institutions have the largest share of collection notices. The shares of borrowers from other lender groups that receive collection notices is significantly smaller (see Table B3.1).

Table B3.1. Share of consumer credit borrowers with collection notices in 2020

Per cent

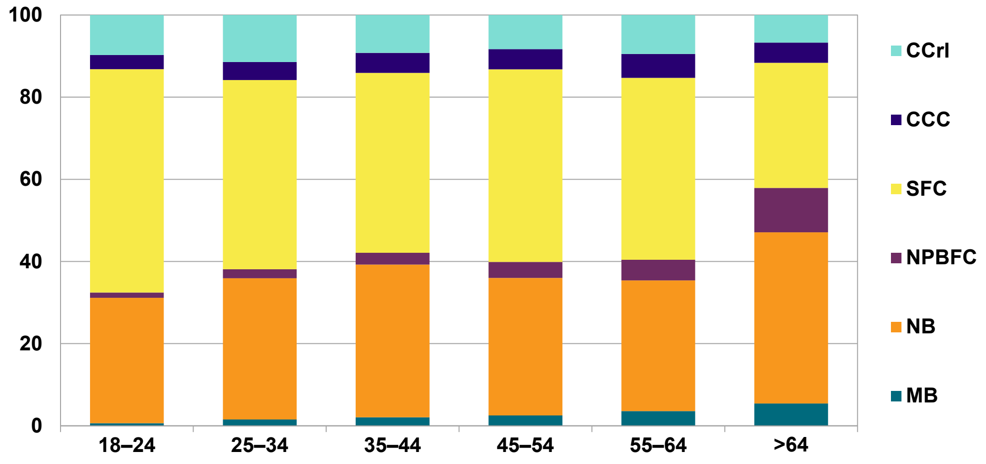
	18–24	**25–34**	**35–44**	**45–54**	**55–64**	**>64**
MB	1.7	1.1	0.8	0.5	0.4	0.3
NB	21.1	8.2	5.3	2.9	1.5	1.1
NPBFC	5.0	2.8	2.1	1.5	1.0	1.0
SFC	11.0	7.4	5.6	4.6	3.3	2.4
CC	3.1	2.2	1.6	1.0	0.6	0.4
CCrI	43.7	52.4	41.9	33.7	31.6	43.2

Source: FI.

Note: We only analyse invoices that have resulted in an extra cost for the consumer. This means that many loans from sales-financing companies are included in the analysis since they have received a payment reminder, which means that they have already reached the first stage in the chain of payment problems. If we had looked at all invoices, the share with collection notices from sales-financing companies would have been significantly lower.

A large share of the collection notices comes from niche banks and sales-financing companies (see Diagram B3.1). These lenders also account for a high share of lending (see Diagram 1). Loans from consumer credit institutions also comparatively often lead to collection notices, even if these institutions account for a lower share of total lending. This shows that collection notices are associated with both those taking large loans (from niche banks) and small loans (from sales-financing companies and consumer credit institutions). What these groups of lenders have in common is that they often conduct a limited credit check and their borrowers often have lower income than those who borrow from other lenders (see Andersson and Üye, 2021).

Diagram B3.1. Distribution of existing borrowers' collection notices broken down by age and lender
Per cent



Source: FI.
Note: We cannot break down existing borrowers' collection notices by gender.

High probability of debt being registered with the Enforcement Authority among those who borrow from consumer credit institutions

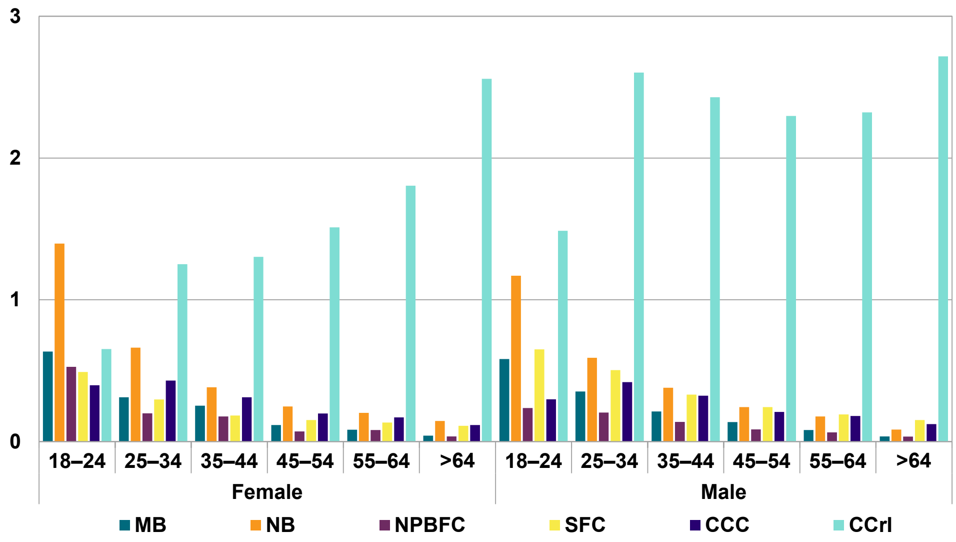
Borrowers who borrow from consumer credit institutions represent the largest share of borrowers who have debts registered with the Enforcement Authority (see Andersson and Üye, 2021). When we break these borrowers down by age and gender, we see that a relatively small share of the youngest have a debt registered with the Enforcement Authority. Among women between the ages of 18 and 24, 0.7 per cent of borrowers have a debt registered with the Enforcement Authority (see Diagram B3.2). Among women over 64, this figure is 2.6 per cent. The corresponding shares among men are 1.5 and 2.7 per cent, respectively.

Overall, it is instead loans from niche banks that most often lead to young borrowers having a debt registered with the Enforcement Authority – 1.4 per cent among women and 1.2 per cent among men. However, women borrow less from niche banks, and among women there is therefore a smaller share of borrowers (regardless of the lender) who have a debt registered with the Enforcement Authority. These shares then decrease with age. Among the oldest borrowers who borrow from niche banks, around 0.1 per cent have a debt registered with the Enforcement Authority.

Those who borrow from non-property-backed financing companies represent the smallest share with a debt registered with the Enforcement Authority. This is probably because there is collateral backing the loan that can be sold if the borrower experiences payment problems, and the loan therefore never reaches the Enforcement Authority. Major banks, sales-financing companies and credit card companies generally also have small shares of borrowers who have a debt registered with the Enforcement Authority.[14] But there are differences between age groups and gender.

Diagram B3.2. Share of borrowers that have a debt registered with the Enforcement Authority broken down by age and lender

Per cent



Source: FI and the Enforcement Authority.
Note: The diagram shows the share of borrowers who still had debts registered with the Enforcement Authority in March 2022 from a payment order in 2020 compared to the number of borrowers in 2020.

Large relative shares of payment problems from niche banks and consumer credit institutions

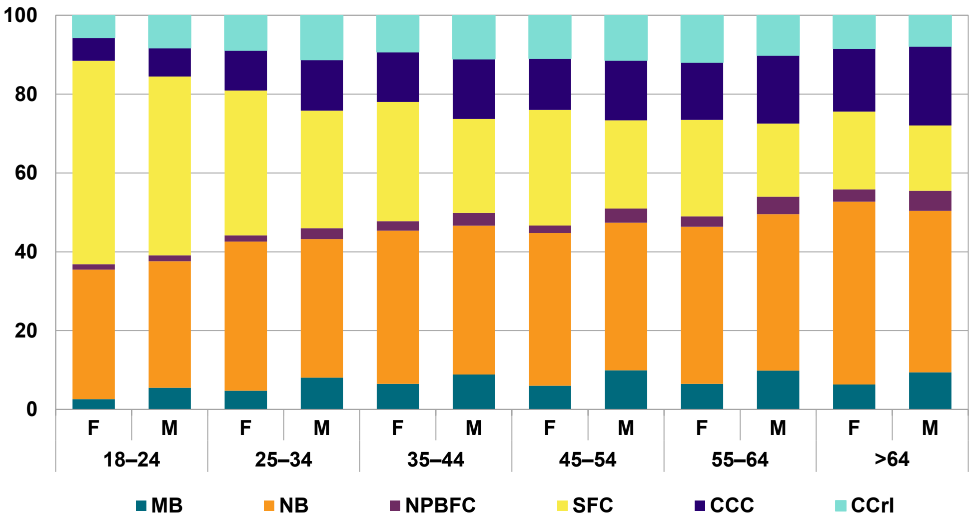
It may be that payment problems are common for a certain group of borrowers – depending on a combination of gender, age and lender – but that the group does not borrow as much. Conversely, there may be groups that borrow heavily where payment problems are uncommon. In order to show the overall picture, we have used the distribution of loans from different lenders within each gender and age group and compared it with the corresponding distribution among those who have

[14] Note that when we count borrowers from sales-financing companies with payment problems, we use the share of cost-bearing invoices for invoice recipients. If we had looked at all invoices, the share would have been considerably lower.

had debts registered with the Enforcement Authority.[15] We thus compare the distribution in Diagram 1 with the distribution in diagram B3.3.

Diagram B3.3. Distribution of borrowers with debts registered with the Enforcement Authority broken down by age, gender and lender

Per cent



Source: The Enforcement Authority.

Note: The diagram shows the distribution of the number of borrowers who still have debts registered with the Enforcement Authority in 2022.

Borrowers in niche banks and consumer credit institutions account for a larger share of those who have debts registered with the Enforcement Authority than their share of lending (see Diagram B3.4). The relative contribution of consumer credit institutions to payment problems increases with age. However, there are only small differences between women and men. Among niche bank borrowers, the reverse is true: the relative contribution to payment problems of young borrowers is large and decreases with age. And there is consistently a larger relative share of women who experience payment problems due to loans from niche banks.

Major banks and non-property-backed financing companies have a smaller share of borrowers with debts registered with the Enforcement Authority than their shares in lending. And their relative contribution to debts registered with the Enforcement Authority is larger for men and decreases with age. Borrowers of sales-financing

[15] The calculation can be described as: $R(gender, age, lender) = \frac{Loan(gender,age,lender)}{Loan(gender,age)} - \frac{Debt(gender,age,lender)}{Debt(gender,age)}$. We then multiply the relative proportion R by 100 to get the result as a percentage.

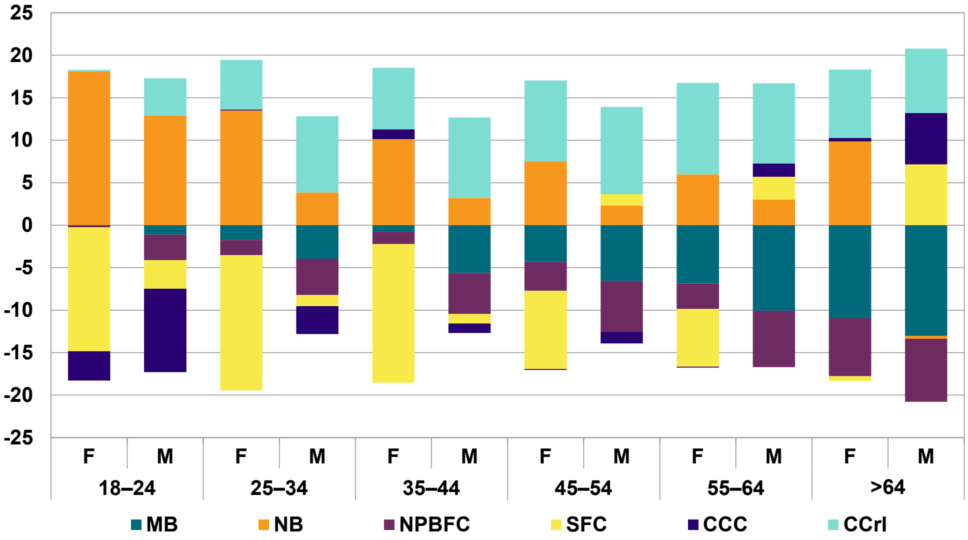
companies also have a small relative share that leads to debts registered with the Enforcement Authority. This applies to women in particular.

Overall, the analysis shows that both small and large loans can lead to debts registered with the Enforcement Authority. Both major banks and niche banks offer large loans, but their relative share of borrowers with payment problems differs significantly. This can be because the different groups of companies conduct more or more extensive credit checks and are more or less tolerant of risks, and that they therefore issue loans to different customers with different characteristics (see Andersson and Üye, 2021).

Major banks often lend to individuals with good margins at a relatively low interest rate compared to niche banks. The share of low-income borrowers is greater at niche banks. Consumer credit institutions and sales-financing companies often issue small loans. One difference is that those who take out small unsecured loans from consumer credit institutions often have small margins in their finances and loans from sales-financing companies are used by all types of borrowers.

Diagram B3.4. Relative net contributions to borrowers with debts registered with the Enforcement Authority broken down by lender group

Percentage points, based on number of borrowers



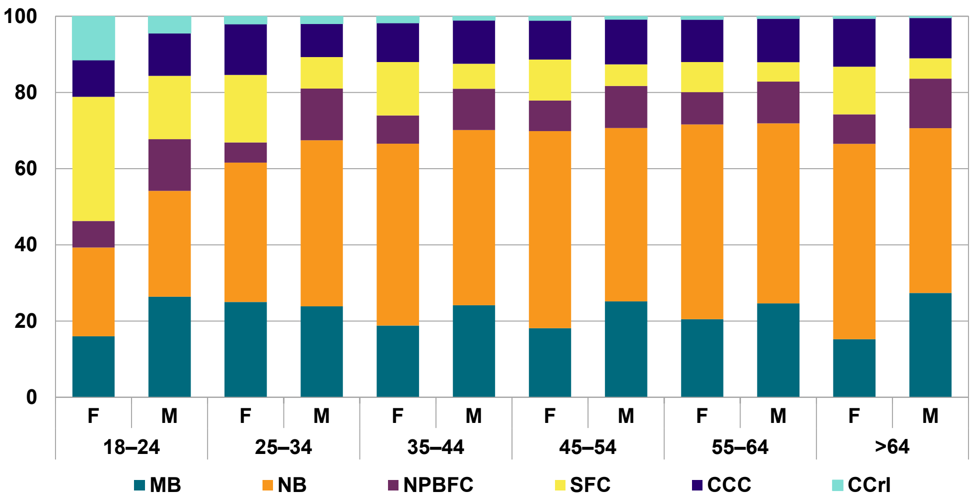
Source: FI and the Enforcement Authority.
Note: The diagram shows the difference between the share of borrowers from different lenders in each age group (per cent) and the share from different lenders with debts registered with the Enforcement Authority in March 2022 in each age group (per cent). The difference is expressed as a percentage. A positive bar means that the share is larger among the debts, and a negative bar means that the share is larger among the borrowers.

Appendix 4. Payment problems as a proportion of borrowers and loan volume

There are some differences between the number of people and the loaned volume when we compare the share of debts registered with the Enforcement Authority, and the share of borrowers or lending (compare Diagram B4.1 with Diagram B3.4). For example, borrowers of consumer credit institutions account for a relatively large share measured as the number of borrowers and a significantly smaller share measured in SEK. This indicates that small loans from consumer credit institutions often lead to debts registered with the Enforcement Authority, which may be due to the fact that those who need to take out small unsecured loans often have small margins in their finances. The reverse applies to credit card companies, where it is a relatively large share who have debts registered with the Enforcement Authority and a large share measured in SEK. It shows that it is often the larger credit card debts that lead to debts registered with the Enforcement Authority.

Diagram B4.1. Distribution of lenders broken down by age (years) and gender

Share of loaned volume in per cent

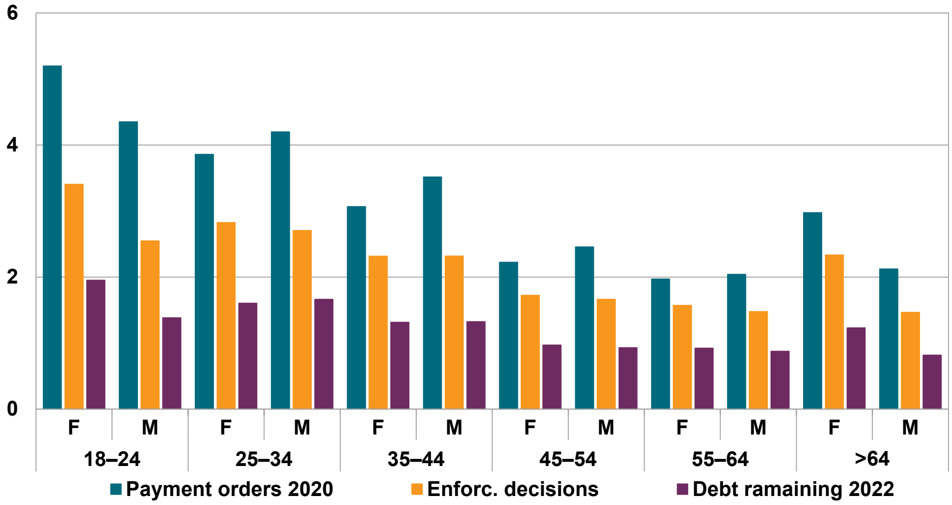


Source: FI.

There is consistently a larger share of lending in SEK than the share of borrowers who have debts registered with the Enforcement Authority (compare Diagram B4.2 with Diagram 3). This again shows that it is often larger loans and loan payments that lead to such debts.

Diagram B4.2. Share of lending with payment problems broken down by age (years) and gender

Percentage of loaned volume

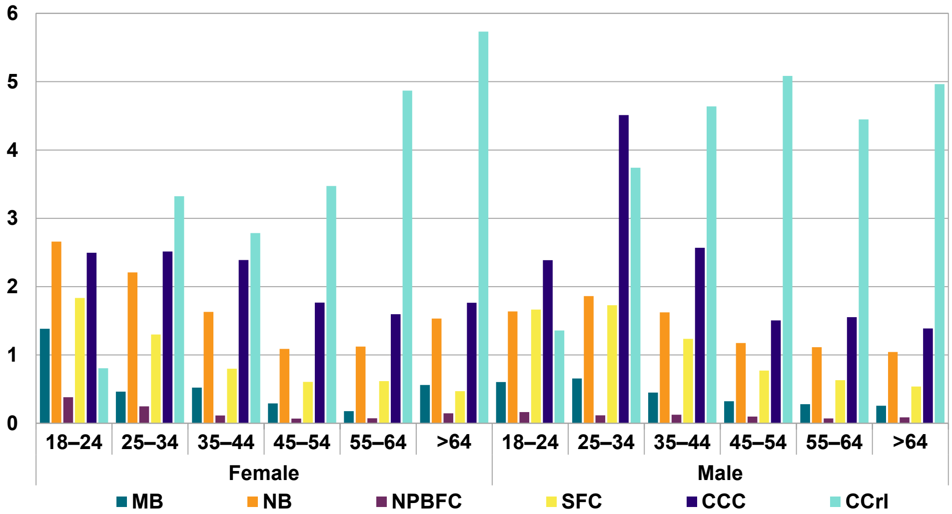


Source: FI and the Enforcement Authority.

That the share of payment problems based on loaned volume is larger than the share based on the number of borrowers applies to all company groups (compare Diagram B4.3 with Diagram B3.2).

Diagram B4.3. Share of lending in SEK that leads to debts registered with the Enforcement Authority, broken down by age and lender

Per cent



Source: FI and the Enforcement Authority.

Note: Note: The diagram shows the share of borrowers who still had debts registered with the Enforcement Authority in March 2022 from a payment order in 2020, compared to the number of borrowers in 2020.

Many serious payment problems from lending from niche banks and credit card companies (in SEK)

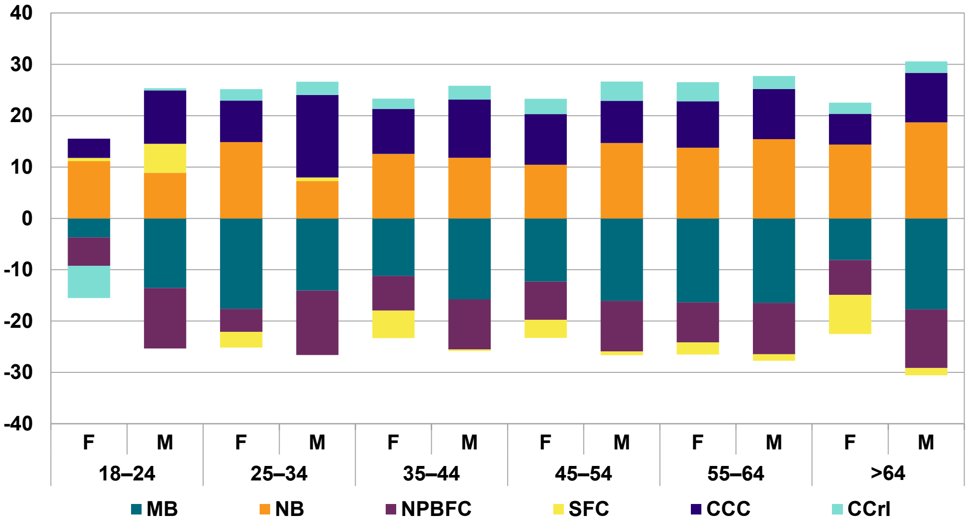
We have also calculated the difference between the various lenders' share of borrowers who have debts registered with the Enforcement Authority and the lender groups' share of lending based on the volume in SEK. The calculations are the same as at the end of Appendix 3.

Borrowers in niche banks and credit card companies account for a larger share of debts registered with the Enforcement Authority than their share of lending. The difference between age groups is small. The niche banks' relative contribution to debt is large for women, and the credit card companies' contribution is larger for men. Major banks and non-property-backed financing companies have a smaller share of debts registered with the Enforcement Authority than their shares in lending. Loans from major banks make a smaller contribution to the debts of men, and non-property-backed finance companies make a smaller contribution to the debts of women.

There is a larger share of young borrowers in sales-financing companies who have debts than the companies' share of lending (see Diagram B4.3). Among older borrowers, the reverse applies. The profile of consumer credit institutions is the opposite of that in sales-financing companies; consumer credit institutions make a small contribution to young female borrowers. Among those over the age of 24, consumer credit institutions account for a larger share of those with debts than the share of lending, but the difference between debt and lending is relatively small.

Diagram B4.4. Relative net contribution to debts registered with the Enforcement Authority broken down by lender group

Percentage, based on loaned volume



Source: FI and the Enforcement Authority.

Note: The diagram shows shares of lending in each age group (per cent) less shares of debts still registered with the Enforcement Authority in March 2022 in each age group (per cent). The difference is expressed as a percentage. A positive bar means that the share is larger in debts, and a negative bar means that the share is larger in lending.