

## OVER-INDEBTEDNESS TRENDS IN EUROPE

According to the European Quality of Life Survey conducted in 2016<sup>1</sup>, of all types of arrears on due payments, arrears on utility bills affect the largest proportion of the population in the EU (11%). Countries with the highest incidence of arrears on utility bills include Greece (48% of adults), Croatia (31%) and Bulgaria (24%). The second least timely paid category of expenses are phone and internet bills (8% of adults).

Compared to 2011 the share of adults with outstanding bills decreased in 2016 in all categories of expenses, most notably in the arrears on mortgage and rent payment (decrease by 55%).

Low income people are most severely affected. Twice as many low-income people are overdue on each type of payment, not only utility bills, compared to the general population. Additionally, the decrease of the incidence of arrears of 20-30% between 2011 and 2016 was seen in each demographic group, except for the poorest segment, where only 8% fewer people were in arrears in 2016.

There are some differences in the age groups, with the oldest segment of 65+ exhibiting the best performance in terms of timely payments of all types of dues.

Figure 1 Arrears on payments in the last 12 months (% adults)

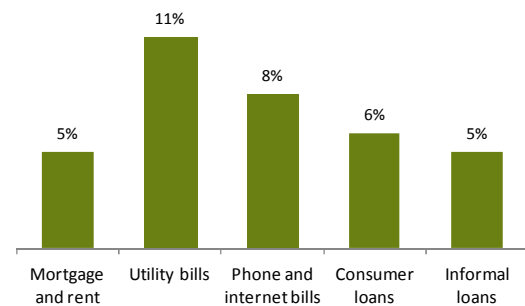


Figure 2: Arrears on payments in 2011 and 2016 (% adults)

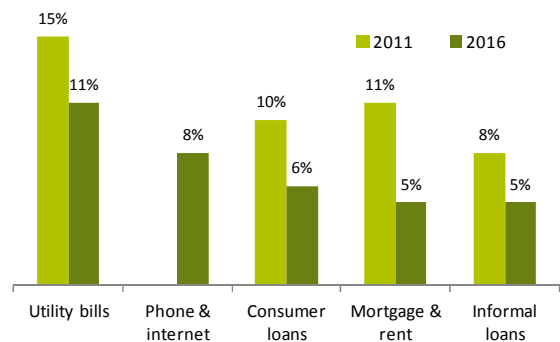
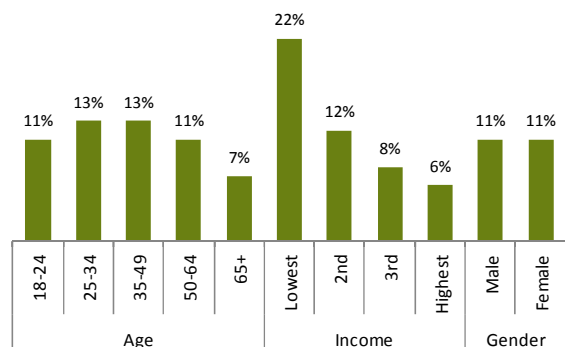


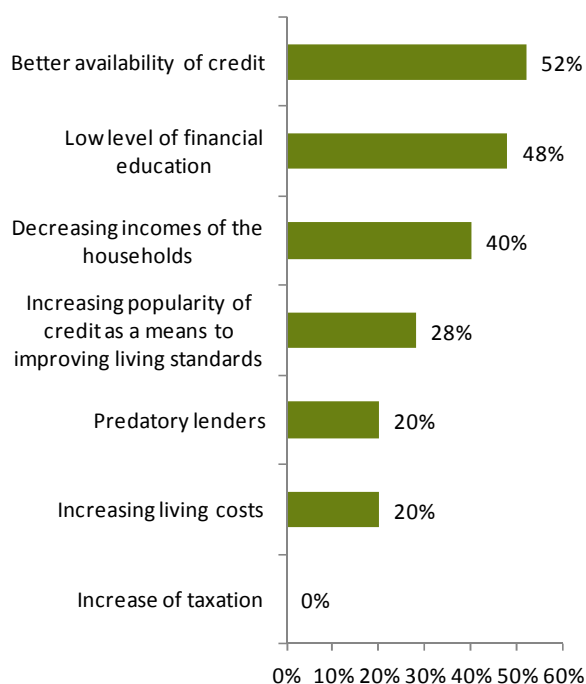
Figure 3: Arrears on utility bills in 2016



Source: European Quality of Life Survey

<sup>1</sup> European Quality of Life Survey is a pan-European survey carried out by Eurofound every four years ([www.eurofound.europa.eu](http://www.eurofound.europa.eu))

Figure 4: Perceived reasons for client over-indebtedness (% MFIs)



Source: MFC survey 2017

Over-indebtedness shows up in different ways and there are differences between general population and microfinance clients. It seems that over-indebtedness is on the decline as the incidence of arrears in general population has decreased.

Despite that, microfinance institutions observe increasing over-indebtedness of their clients. The results of the survey conducted by the Microfinance Centre (MFC) among microfinance institutions in 12 European countries show that over-indebtedness of borrowers increased in the last two years. In the opinion of 63% of MFIs the level of debt load of their clients increased, mostly among low-income households. Only 8% of MFIs observed decreasing indebtedness, while it remained unchanged in the opinion of 29% of MFIs.

According to the MFIs, the main reason for excessive debt is wide availability of credit coupled with low financial education of clients which leads to reckless borrowing. Additionally, the decrease of income is in some cases the cause of over-indebtedness.

Despite often difficult situation, the vast majority of borrowers manage to pay their debts on time, as MFIs in general do not observe higher default rates. Rather, they observe that more loan applicants do not have sufficient repayment capacity to be granted a loan, which results in higher rejection rates.



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