



**LIETUVOS BANKAS**  
EUROSISTEMA

# Regulatory and supervisory initiatives leading to sustainable consumer credit market in Lithuania

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Vilnius, 18 December 2023

## BoL approach to consumer credits



In 2012, the Bank of Lithuania began to carry out the supervision of consumer credit providers. The greatest attention was paid to long-standing problems – **short-term high-cost consumer credits and irresponsible lending practices by non-credit institutions.**

Measures taken to tackle the problem:

- ❑ **Legislative measures** tightening the requirements for consumer credit providers;
- ❑ **Active supervision:** intensive inspections, sanctioning.

# Legislative measures: creditworthiness assessment

In 2013, the Bank of Lithuania approved creditworthiness assessment requirements based on the principles of responsible lending:



The creditor **must** not only collect information from the consumer but also **verify it by checking registers** or justify it with other evidence.

The maximum debt-service-to-income ratio (**DSTI**) – **40%**.

**Only sustainable income matters.** Sustainable income - an average income of **at least four last months**.

**Irresponsible lending was strictly prohibited. The creditor may not request interest, penalties and charges** in the case of default if the creditor did not conduct proper creditworthiness assessment.

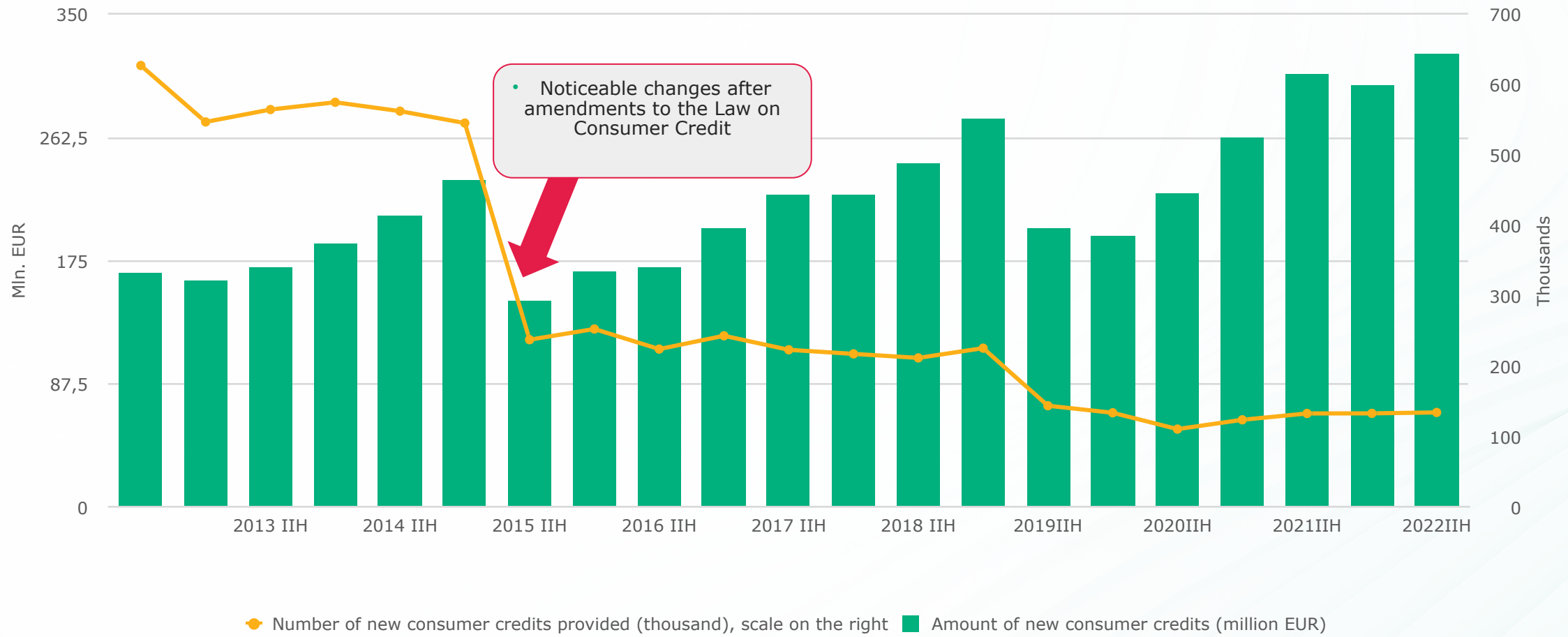


## Other legislative measures

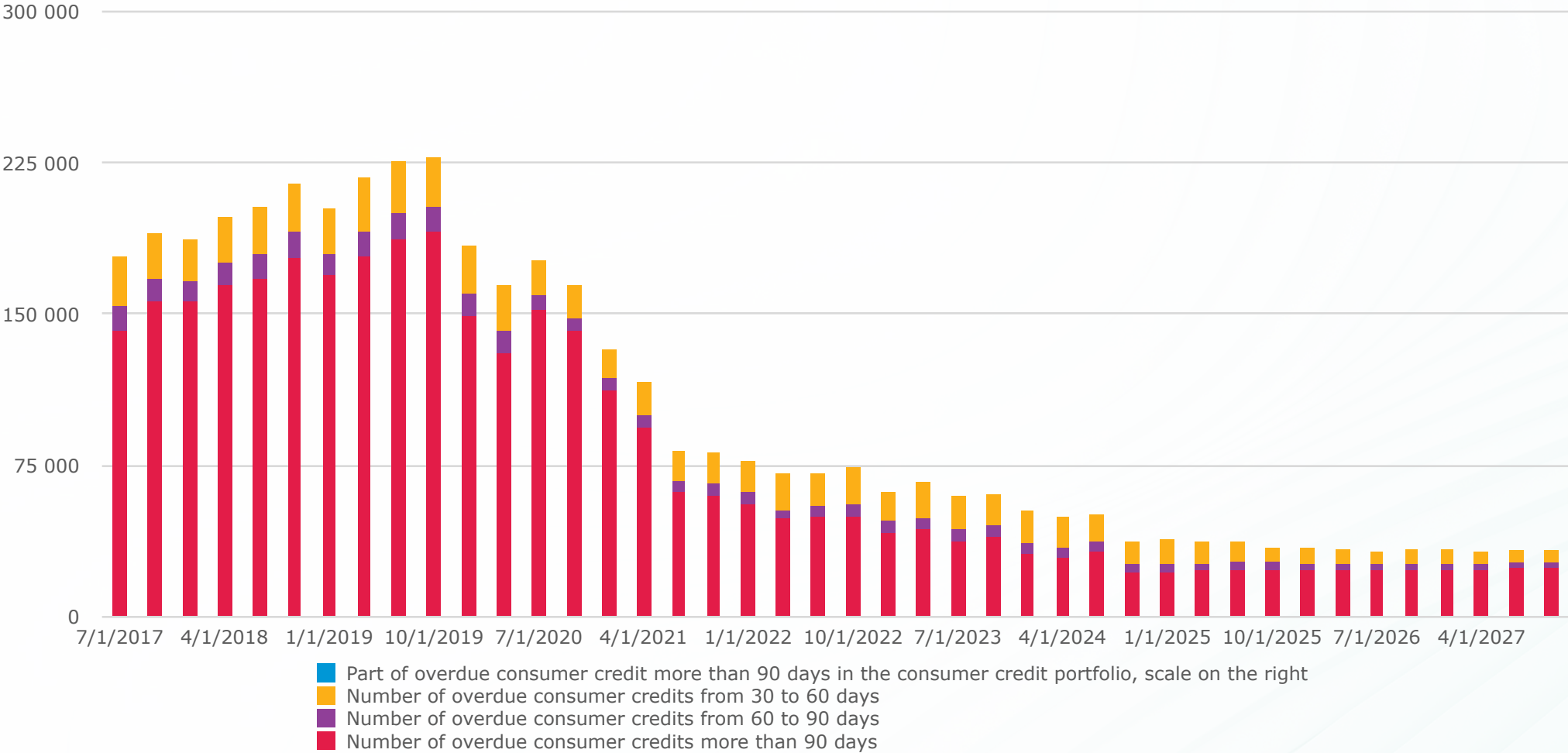
In 2015/2016, the Bank of Lithuania initiated amendments to the Law on Consumer Credit:

- **Setting more stringent requirements for the total cost of credit:**
  - the annual interest rate cannot exceed **75 per cent**;
  - any other charges cannot exceed **0,04 per cent** of the total amount of credit per day;
  - **the total cost of credit cannot exceed the total amount of the credit.**
- **Introducing new restrictions:**
  - credit agreements may not be concluded **with persons under 18 years old**, persons incapacitated in certain areas,
  - credit agreements may not be concluded **from 10 pm to 7 am**;
  - credit agreements may not be concluded **with persons who are listed on the register** of persons with whom consumer credit agreements cannot be concluded based on an application submitted by a consumer or by court judgment; the register is administered by the BoL and it is dedicated to persons who cannot resist borrowing (*e.g.* gamblers) or are willing to be on the register for safety reasons (*e.g.* for fraud prevention);
- **Including P2P lending platform operators** within the scope of the Law on Consumer Credit;
- **Increasing penalties** for the violation of the Law on Consumer Credit.

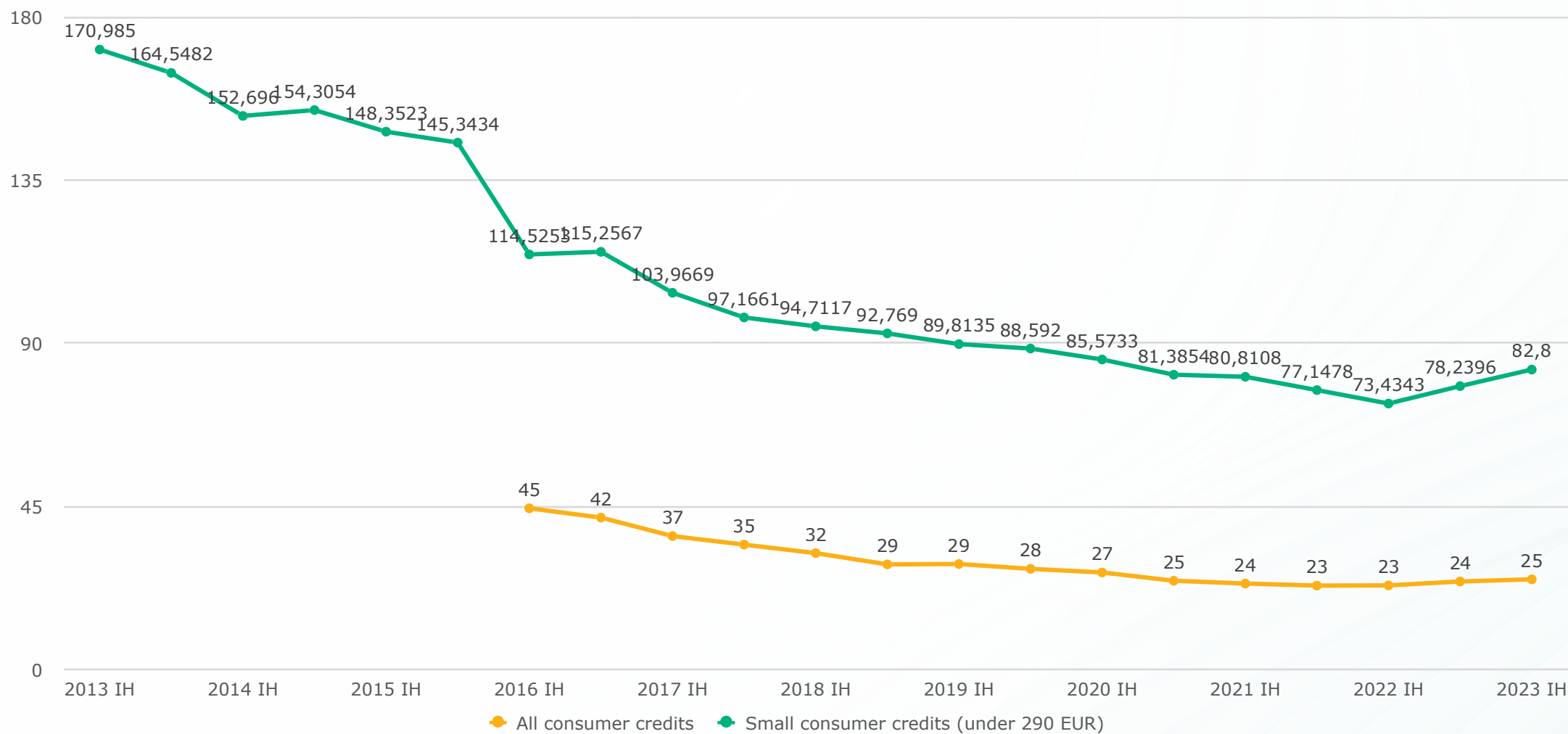
# New consumer credits provided by non-credit institutions



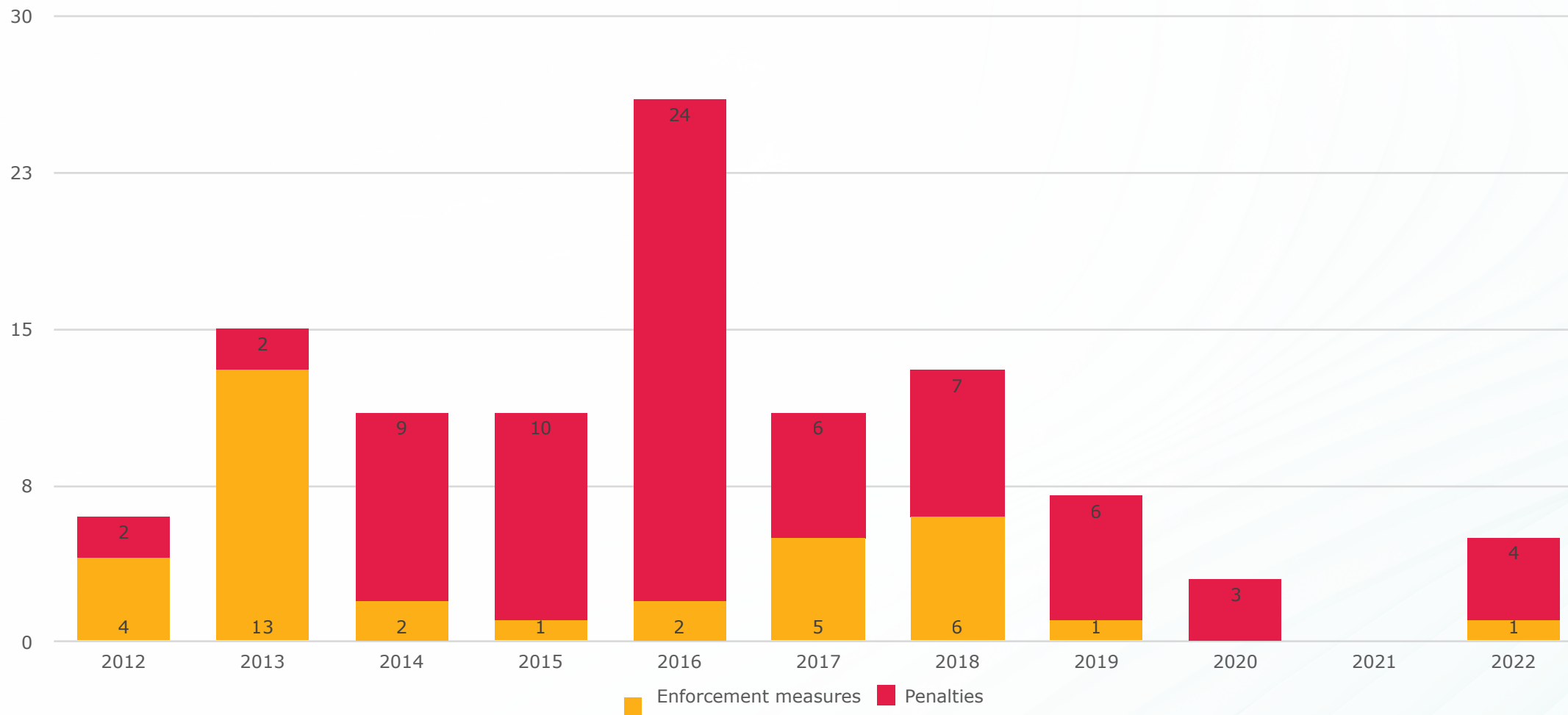
# Overdue consumer credits provided by non-credit institutions



## Annual percentage rate of charge, %



# Enforcement measures





# Recent supervisory initiatives

The BoL conducted a thematic review of **new non-credit consumer credit providers** aiming to look at their lending activities and to identify proactively if they have any compliance issues. The review was followed by the BoL's individual and market recommendations.

The BoL conducted a thematic review of **the termination of consumer credit agreements** aiming to look at the market procedures in terminating of credit agreements and to identify best practice models. The review was followed by the BoL's market recommendations.

The BoL focused on the **elimination of inoperative** consumer credit providers and P2P lending platforms **from the public lists** of consumer credit providers/P2P lending platforms.



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# Thank you

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