



BANK OF THAILAND



Joint Press Release

BOT collaborates with financial institutions to sustainably address household debt problems

On July 21, 2023, the Bank of Thailand (BOT) announced **new measures to sustainably address household debt problems by enhancing lending standards for debtors throughout their debt journey. Measures being expedited are those aimed at promoting responsible lending, which includes assistance for debtors with persistent debts.** The BOT is also exploring additional ways to address household debt overhang through the risk-based pricing (RBP) regulatory sandbox and debt service ratio (DSR) limits.

Mr. Ronadol Numnonda (Deputy Governor for Financial Institutions Stability, BOT) stated “Addressing household debt problems has remained a key priority for the BOT as a regulator. With the economy now undergoing a stronger recovery, it is the appropriate time for us to deploy measures to address household debt problems in a well-targeted and sustainable manner. The goals are (1) providing debt solutions for NPLs; (2) offering options for debtors with persistent debts to fully repay their loans; (3) ensuring new debts are of good credit quality and will not undergo debt distress in the future; and (4) increasing opportunities for borrowers with informal debt to obtain credit from formal channels. The first set of measures aimed at promoting responsible lending will become effective on January 1, 2024, while measures aimed at addressing persistent debt will become effective on April 1, 2024.

In developing these measures to sustainably address household debt problems, the BOT had engaged with various parties such as experts both domestic and abroad, debtors, creditors to design measures which could provide solutions that are effective, fair, and comprehensive. Successfully and sustainably resolving household debt problems require real commitment from all agencies to work together in making the various processes work. This is to create a meaningful shift in the behavior of both creditors and debtors, which would contribute positively to sustainable economic growth going forward.”

Mr. Payong Srivanich (Chairman, the Thai Bankers' Association: TBA) stated “The TBA and its member recognize the importance of addressing Thailand’s household debt problems, a goal that has already been incorporated into our 3-year strategic plan since 2022. The TBA has worked with the BOT in implementing the various financial assistance measures since the COVID-19 pandemic including providing liquidity assistance through soft loans, rehabilitation loans, blanket debt assistance during the early stages of the pandemic, targeted long-term debt relief measures, and the asset warehousing program. As of April 2023, there are 2 million accounts that remain under the assistance of commercial banks with debt values totaling 1.88 trillion baht, compared to the peak of 6.12 million accounts with debt values totaling 4.2 trillion baht at end-July 2020. Our members also partake in other activities to assist debtors including through various measures implemented by the banks to support their vulnerable debtors in a well-targeted manner.

The TBA and its member stand ready to cooperate and support the implementation of these new measures to sustainably address household debt problems through responsible lending. Addressing household debt problems is a part of the TBA’s strategic plan under the sustainability pillar and is guided by 5 key principles: (1) healthy borrowing – banks shall provide information to foster good financial discipline among borrowers and ensure that the credit they obtained are used for their intended purposes; (2) open competition – debtors seek out credit and disclose their information voluntarily; (3) level playing field – all creditors (e.g. banks, non-bank financial institutions, and savings cooperatives) operate under the same set of rules; (4) fairness – the interest rate charged must truly reflect the borrowers’ risk profile so as to lessen the burden placed upon good debtors to make up for bad debtors; and (5) inclusion – alternative data sources can be utilized to promote financial access through formal channels. All parties (debtors, creditors, regulators, and government) concur on the benefits of addressing household debt problems hence they are committed to ensuring that the implementation of measures would not push some borrowers out to informal lending channels and will share risk burdens fairly. Effectively resolving household debt problems requires cooperation from all creditors as well as responsible lending by banks to suits both the borrower’ needs and their debt servicing capabilities. Debtors must also do their part in maintaining good financial discipline, incurring new debt only as necessary with clear objectives, have good financial planning, understand the consequence of becoming indebted, and have intentions to repay their loans. If both

creditors and debtors work together, household debt problems in Thailand would certainly see improvements.”

Mr. Vithai Rattanakorn (Chairman, the Government Financial Institutions Association: GFA) stated “The customer base of government financial institutions are mostly retail borrowers with vulnerabilities such as vendors and farmers who have relatively low and highly uncertain income stream as well as limited financial buffers, and civil servants who have stable but low income that may not be enough to support their families. Recently, the GFA and its members are doing their best to assist their debtors with debt restructuring programs and various liquidity assistance measures such as the Government Saving Bank (GSB)’s low interest loan for those affected by COVID, and debt moratorium offered by other government financial institutions. Their assistance also includes enhancing financial literacy and labor skills so that these retail borrowers could weather through the crisis.

In this regard, the GFA stands ready to support the new measures to address household debt problems, especially those aiming to assist debtors with persistent debts. Reducing excessively high interest rate charges down to no more than 15% per year would allow debtors to make more principal payments and thus have greater chance of fully repaying their loans in a more timely manner. This is in line with the GSB’s current policy to offer funding sources that are low-interest rate and fair.

However, to sustainably address household debt problems, the measures must be complemented by efforts to create jobs and increase income, and campaigns to encourage savings and foster good financial discipline among the general public. These are already a part of the GFA’s mandates that we have implemented for some time and must continue doing going forward.”

Mr. Athip Sinpagekan (Vice President, Personal Loan Club) stated “Most customers of non-bank financial institutions are those with lower income and more vulnerabilities than the customers of commercial banks. These include corporate employees or factory workers with relatively low salary, or vendors with no financial statements and therefore need to rely on alternative data for their credit assessments. Over the recent period, non-bank financial institutions have provided their full support to assist debtors in accordance with the measures implemented by the BOT.

The unique characteristic of this group of debtors is their limited ability to make monthly repayments. This makes personal loans for working capital purposes most suited to their needs. However, their limited understanding on the long-term consequences of making only minimum repayments makes them prone to becoming debtors with persistent debts. The Personal Loan Club and its members therefore see the need and stand ready to offer solutions for these debtors who truly intend to fully repay their loans. We will be starting by assisting borrowers with income below 10,000 baht per month, providing them with the necessary knowledge and encouraging change in their financial behavior to foster good financial discipline.”

Mr. Chatchai Sirilai (Managing Director, Bank for Agriculture and Cooperatives: BAAC) stated “For agriculture debt which has been a long-standing problem, the BAAC recently implemented many assistance measures to aid Thai farmers. However, because income-related problems directly affect debt servicing capabilities of Thai farmers especially problems of persistent debts. Despite most loans having fixed installment amount (term loan), the long-term ongoing debt moratorium on principal payments for farmers whose crop output were affected by external factors resulted in debtors only making interest payments and thus unable to pay off the principal to fully repay their loans. The BAAC has worked with other agencies to assess the data and disaggregate debtors into groups and will be looking into debt resolution plans that are suited to the debt servicing capabilities of each group of farmers, prioritizing those with the ability to repay their loans. These include offering debt restructuring solutions that are suited to the ability of their household, incentivizing behavioral change so that the farmers can make larger and more frequent repayments. For elderly farmers with persistent debts, the BAAC has launched a new program that encourages the farmers’ heir to take up the debt burden from their parent which would allow assets to remain with the family (“Sinchuea-Tan-Kun”), as well as various other measures to reduce debt burden and interest burden so that this group of farmers can fully repay their loans.”

The BOT, TBA, GFA, and Personal Loan Club are jointly committed to see the new measures to sustainably address household debt problems come to fruition. It is our hope that the measures would enhance lending standards of financial providers, help resolve existing debt, ensuring quality of new debt, and reduce Thailand’s household debt

to a more sustainable level. We stand ready to collaborate with other stakeholders to bring about an integrated solution to Thailand's household debt problems going forward.

Bank of Thailand
Thai Bankers' Association
Government Financial Institutions Association
Personal Loan Club
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