

## Key takeaways from BOT's media briefing on addressing Thailand's household debt problems

17 January 2024 at 13.00 – 14.00 hrs.

Bank of Thailand

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- **BOT continues to give priority to addressing Thailand's household debt problems.** This is reflected in the BOT's implementation of debt assistance measures, which has evolved to fit the prevailing context at each given time. Measures implemented during the COVID-19 pandemic were broad-based as BOT intended to assist a wide range of debtors affected by the crisis. The focus had since shifted towards more targeted measures after economic conditions improved. Key principle underpinning the BOT's policy actions - is to provide comprehensive and fair solutions to the debtors. In the third quarter of 2023, BOT announced a set of measures to sustainably alleviate household debt problems, some of which have already been in effect since the beginning of 2024, **building on existing measures aimed at assisting vulnerable debtors. BOT also issues new guidelines on Responsible Lending**, which is a step up from the prior request for creditors' cooperations to assist debtors. The guidelines on Responsible Lending require creditors to lend in a responsible and fair manner, offer debt restructuring solutions to debtors in distress, help to find solutions for persistent debt to be fully repaid and protect debtors' rights, all of which are crucial to addressing Thailand's household debt problems in a more sustainable manner. The key takeaways are as follow:

### 1. Continuing to assist debtors through debt restructuring

- **Since 1 January 2024, retail and SMEs debtors that start to face repayment difficulties** (but have never undergone debt restructuring) **will be offered debt restructuring solutions which are appropriate to their debt serviceability whilst still leaving them with enough residual income.** Creditors shall offer, at least once each, a product program for **(1) debtors starting to face repayment difficulties but not yet classified as NPL; and (2) debtors already classified as NPL.** The NPL debtors cannot be sold-off until after 60 days, counting from the day the debt restructuring terms are offered.
- **Debtors with credit cards and personal loans that are more than 120 days overdue can apply to participate in the Debt Clinic program. Under this program,** the debtors will repay principal amount in installments over a maximum period of 10 years at an interest rate of only 3-5% per annum. All incurred interest charges will be forgiven once the debtors fully repay their debts under the new terms. (The Debt Clinic program is only applicable to the participating creditors.)

- **BOT also has additional channels to provide debt assistance;** namely, the **Debt Exit Fast-lane** which is an online platform for debtors to seek assistance with paying off their debts, and **Doctor Debt Program** which provides comprehensive debt consultations for retail and SME debtors.

## 2. Resolving persistent debt among the vulnerable groups

- **From 1 April 2024 onwards, debtors with revolving personal loans under supervision** (excluding auto loans, digital personal loans, and credit card loans) **that are not yet classified as NPL and have proportionately higher interest payment than principal payment over the past 3-5 years will receive creditors' assistance that would speed up the debt repayment and reduce interest burden.** These debtors will be nudged and encouraged to work out a repayment solution with their creditors as soon as possible.
- The above-mentioned debtors who pay proportionately higher interest payment than principal payment over the last 5 years and have monthly income of less than 20,000 baht (for those whose creditors are financial institutions and companies under financial institution group), or less than 10,000 baht (for those whose creditors are non-banks), **will be able to opt-in to a program for resolving persistent debt.** The debts under this program will be converted into installment loans with terms and conditions that enable the debtors to pay off their debts within 5 years at an interest rate not exceeding 15% per annum.

## 3. Fairer debtor protection

- **Actions will be taken to ensure that debtors are charged with fairer interest rates and fees; and receive important information that are accurate, comprehensive, comparable, and promote sound financial discipline.**
  - **No prepayment fees shall be applied** for all types of personal loans, except for mortgage refinancing during the first 3 years in order for mortgage debtors to benefit from lower interest rates.
  - **No debt restructuring fees shall be applied,** except for fees collected on collateral appraisal from which information on collateral value is necessary for a determination of appropriate debt restructuring terms.
  - **No interest rates shall be charged on interest charges** that are incurred for all types of retail loans including overdraft loans (effective from 1 July 2024 onwards)
  - **Creditors shall provide debtors with important information that are accurate, comprehensive and comparable. Creditors shall also foster sound financial discipline** by providing information to nudge debtors' behaviour throughout a debt journey. For instance,

posting a warning to “borrow when necessary and within your means”, announcing both the lowest and highest applicable interest rates per annum in advertisement, notifying debtors when installments or interest charges would increase (effective 1 July 2024), and outlining pros and cons of each debt assistance solution. Creditors should also **disseminate information through social media platforms on a regular basis**, such as publishing video clips to promote financial knowledge, so the general public is well informed and knows what to do when they face financial difficulties.

- **Nonetheless, effectively and sustainably addressing Thailand’s household debt problems also requires debtors to do their part in adjusting their behaviour and developing financial discipline (responsible borrowing).** For instance, debtors should find out what their rights and terms and conditions are before taking out loans. They should also borrow when necessary and within their means, repay debts on time, and promptly seek debt restructuring solutions when facing repayment difficulties.
- **BOT will closely and promptly supervise creditors to ensure that debtors receive well-targeted and appropriate assistance as well as fair service.**
  - **BOT will continually supervise creditors (ongoing supervision),** which includes encouraging and monitoring creditors in assisting debtors during the COVID-19 pandemic, and examining creditors’ fee collection from retail borrowers that are not in line with the given guidelines. **This year, BOT will closely examine creditors’ compliance with the Responsible Lending guidelines.** For instance, making sure that creditors’ advertisement include warnings and correct applicable interest rates, and that creditors offer loans on terms and conditions that are consistent with borrowers’ affordability. **The goal is to ensure that creditors take responsibility for their debtors throughout a debt journey and foster financial discipline among debtors. This would enable debtors to effectively manage their debts to their own benefits.**
  - **BOT will utilize new tools and a variety of data in analyzing, monitoring and evaluating creditors’ compliance with regulations as well as their handling of complaints/problems faced by consumers. In addition, BOT will enhance a proactive supervision procedure to be more effective.** This includes using text analytics on social media, identifying and tracing financial consumer problems that are trending on social media, and assessing creditors’ quality of services as well as consumers’ complaints received by BOT via both online and offline channels.