

Half pay bare minimum for card debts

Survey results raise discipline concern

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As many as half the credit card holders polled by Abac's Social Innovation in Management and Business Analysis Research Center are paying only the minimum amount due, sounding alarms over the financial indiscipline of Thai consumers and deteriorating debt repayment ability.

The survey this month had 1,205 respondents aged 25-60 residing in Greater Bangkok.

It found a quarter of the respondents hold credit cards, while 69.4% of them have at least two cards and 88.2% use both credit and cash cards.

Respondents aged 25-33 are the biggest card user group, but those aged 40-60 use both credit and cash cards more than do other age groups.

Electrical appliances account for the highest share of consumer hire purchase loans, followed by mobile phones, computers and luxury items such as jewellery and watches, the poll found.

Meanwhile, Krungthai Card (KTC), a subsidiary of Krungthai Bank, will cut debt collection fees for its credit cards this year to comply with a central bank request.

The leading credit card issuer, with 1.6 million cards in circulation, is expected to start cutting fees by 10% of the current debt collection rate at 250 baht per account per time, said senior vice-president Pornlert Benjakul, although the final decision has yet to be made.

Krungsri Consumer, a retail financial

unit of Bank of Ayudhya, emerged as the first mover by cutting its debt collection fees for credit cards and personal loans to 200 baht from 250 baht, starting from Aug 1, while other credit card issuers and personal loan lenders are expected to follow suit later.

Mr Pornlert said the potential 10% cut in KTC's debt collection charges is based on the fact that its operating expenses in collecting debt have fallen by 10% after its infrastructure development.

KTC has restructured its infrastructure base to improve collection efficiency and slim down operating costs.

Cancellation of outsourced debt collectors and using only in-house debt collectors are among the strategies under the restructuring plan.

Mr Pornlert said KTC has recorded a recovery rate growth of 40% compared with last year thanks to infrastructure development.

Speed and frequency of debt collection are other key success factors and these help lower non-performing loans (NPLs) for both credit cards and personal loans.

Restructuring the debt collection process after the massive floods in late 2011, however, was also cited as a reason for the rise in KTC's credit card NPLs to 3.3% of loans outstanding in the first half of the year from 2.7% last year. On the contrary, bad credit on KTC's personal loans was reduced to 2.3% in the first half of this year, down from 2.5% last year.

KTC is monitoring the state of debt payment of customers hit by the ongoing floods affecting 23 provinces.

Shares of KTC closed yesterday on the SET at 37.50 baht, up 50 satang, in trade worth 8.32 million baht.