

Survey by EEKE: Management of Heavy Debts of Individuals - Key Elements

The Union of Working Consumers of Greece of GSEE (General Confederation of Greek Workers), within the framework of its 10-year operation report, carried out a survey on the Management of Heavy Debts of Individuals.

The survey was based on information from consumers-debtors who contacted EEKE in order to settle their debts during the period 2009-2019. In order to generate statistical data we used information submitted only by debtors who had applied subject to Law 3869/2010 on judicial settlement.

The total debt related to non-performing loans (NPL) of the persons who applied subject to this Law with the support of EEKE is € 62 million.

The survey's key elements are described as follows:

The profile of NPL Borrowers

- The largest percentage of debtors with loan payment issues pertain to the working age group of 40-59 (61, 72%).
- The majority of the heavily indebted persons faced with payment problems are employees (38,36 %), 35,84% are unemployed and 17,38% pensioners; this is an indication of the financial difficulties caused by the multiple salary and pension cuts.
- 71,20 % of the debtors are owners of a single residence without any other additional properties. Only 15,92 % of the debtors possess more than one assets, save their main residence; usually plots of land.
- 73,85 % of the borrowers are owners of a primary residency, the objective value of which does not exceed € 100.000. Only 2,49 % of the debtors own a primary residence exceeding €250.000.
- In 2008, in the beginning of the crisis, when its repercussions were not yet particularly extended, the average annual income of the debtors was €28.418. In 2017, the lowest average annual income recorded was as low as €7.956, which demonstrates a reduction of €20.462 in 10 years. Hence, it is justified to talk about "impoverishment" of the country's population.

Description of the Non Performing Loans (NPLs)

- With regard to the amount of debt liabilities, 35,6% of the borrowers had received loans amounting to €50.000 while 24,33% up to €100.000; these percentages make clear that the borrowers did not receive exorbitant loans aiming at enjoying luxurious living conditions.
- With regard to their kind, mortgage loans rank first, granted to 62% of the borrowers; consumer loans come second, at a significantly lower percentage of 24,98%. Therefore, it appears that the borrowers wanted to facilitate their everyday life needs and ensure the basic living standards for their family.
- Concerning the banks' modus operandi, we reach the conclusion that half of the loans were granted by only two credit institutions.

- Indicatively, a specific credit institution granted 9 mortgage loans to a single consumer and 11 corporate loans to another; this raises doubts in terms of the credit risk management approach followed by the banks.

Correlation between Loans and Borrowers

- 35,07% of the debtors were unemployed at the time they applied to the Court, unable to find a job, with total debts of €21.637.406,95; 27,38% were employed in the private sector and their debts amounted to €16.890.776,16.
- Commercial and Corporate Loans of total value of €86.297.29 have been mainly granted to individuals who were unemployed at the time they applied.
- The average value of the credit cards owned by debtors amounts to €3.608; total consumer loans granted amounted to €14.704 and mortgage loans amounted to €62.404.
- The largest rate of loans (65,12%) with estimated total value of €40.178.402,60 was granted to married couples.

The Judicial Process of the Applications

- The waiting time for debtors with pending cases, from the application submission date until the hearing date at the Court, ranges from 212 to 2.127 days; namely, the applicant has to wait for 49 months, on average, until the court hearing.
- The waiting time for debtors for whom a final decision has been issued, from the application submission date until issuance of the final ruling, ranges from 336 to 1.942 days; namely, the applicant has to wait for 38 months, on average, for the decision to be issued, thus experiencing uncertainty for that period.

The Results of the Final Court Decisions

- From the total amount of debts handled, EEKE managed to cancel 67,75% and settle 32,25%. The amount settled shall be paid in 169 monthly installments (on average), meaning 14 years; this settlement is a relief for our fellow citizens, who have suffered due to the memorandum policies.

The risk of foreclosure and auction of primary residence and property of many fellow citizens, who suffer from the lack of any effective protection framework, is another devastating effect of the deep economic recession and at the same time one of the most serious problems of the Greek society, seeking for immediate, fair and effective solutions, to reflect the constitutional principle of a social welfare state.