

Creditworthiness assessment in Latvia





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Implementation in Latvian law

General provisions are set out in **Consumer rights protection law**¹ Section 8 Paragraph 4.¹ – 4.⁸

Additionally Consumer Rights Protection center in Latvia since April 2013 has issued **Guidelines**² for **assessing the creditworthiness** of consumers, including **DSTI levels**, and these guidelines are recommended for all consumer credit service providers and they applied to all types of consumer credit, with the exception of those products which do not have to be assessed for solvency under the exemptions provided for in Consumer rights protection law Section 8 Paragraph (4.³).

1) <https://likumi.lv/ta/en/en/id/23309>

2) <https://www.ptac.gov.lv/lv/media/4140/download?attachment>



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Consumer Rights Protection Law:

Creditor has an obligation to request, acquire and evaluate information regarding a consumer's **income and expenses** for the fulfilment of the obligation in adequate amount.

The consumer has an obligation, upon a request of the creditor, to provide information regarding his or her income and expenses.

The creditor may base on information which has been received only from the consumer **if it is sufficient and documentarily justified**.

! The creditor is entitled to grant a credit only after it has evaluated the consumer's creditworthiness and the evaluation attests that the credit liabilities will, **most likely, be fulfilled according to the provisions of the contract**. If the credit application is rejected, the creditor shall, without delay, inform the consumer of such rejection and, in the relevant case, also of the automation of the decision-making process.

Consumer Rights Protection Law:

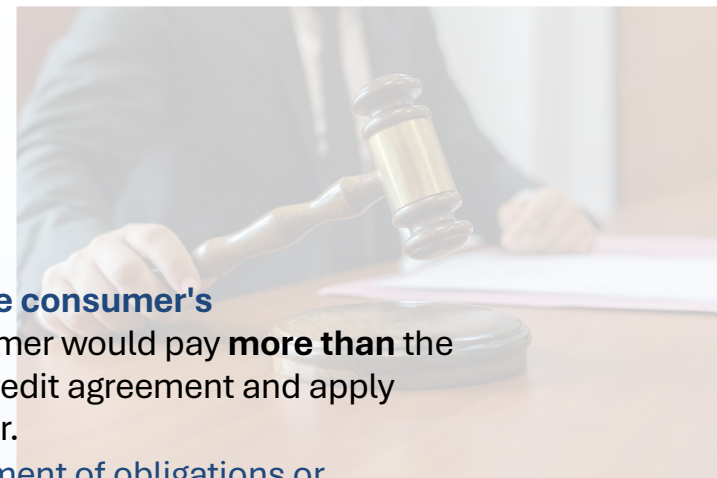
Before a consumer and the creditor agree **on any significant increase** in the total amount of credit during the term of operation of the credit agreement, the creditor **shall update the financial information** at the disposal thereof concerning the consumer and repeatedly assess the consumer's creditworthiness.

The creditors have an obligation to mutually **exchange information, with** the intermediation of **credit bureaus**, regarding the consumer or guarantor, their liabilities, and the course of fulfilment of the liabilities to the extent which is sufficient for the performance of the evaluation.

CRPL establishes the obligation for credit providers **to take into account data available in all credit information bureaus**. If the creditor has concluded an agreement with only one of the credit information bureaus, it is obliged, through its credit information bureau, to obtain from the other credit information bureaus the information in their databases about the consumer or guarantor, their obligations, and the fulfillment of those obligations.



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(4⁵) If the creditor grants a credit to a consumer **without evaluating the consumer's creditworthiness**, the creditor **is not entitled** to request that the consumer would pay **more than** the lawful interest **(6% per year)** for the money use allocation granted in a credit agreement and apply means of reinforcement of obligations or compensation to the consumer.

That referred to in this Paragraph shall apply to such means of reinforcement of obligations or compensation related to delay in payments, **if a reason for delay is the consumer's creditworthiness that has not been assessed in compliance with the requirements** of this Section at the time of granting of the credit. That referred to in this Paragraph shall not release the consumer from the obligation **to pay the remaining total amount** of a credit in accordance with the credit agreement.

(4⁶) A claim for the reduction in interest payment of the credit agreement in accordance with Paragraph 4.⁵ of this Section shall be brought to the court **within three years from the day of concluding the credit agreement** or substantial increase in the total amount of the credit in accordance with the procedures laid down in the Civil Procedure Law. In the claims for money recovery in which the application is submitted by a creditor, a consumer has the right to request the court to reduce a credit agreement interest payment in conformity with Paragraph 4.⁵ of this Section.



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- In Latvia, there are **2 credit information bureaus** (private companies) through which lenders and consumers can obtain detailed data on consumers' **existing and overdue obligations** (including balances and deadlines), as well information about **income** (from the State Revenue Service database). Lenders are required to regularly submit data on signed contracts and the current status of existing agreements.
- **The rules on the information to be included** in the credit information bureau's database³ regarding payment obligations **define the content and scope of information**, which credit providers must include in the credit information bureau's database in accordance with the requirements of the Consumer Rights Protection Law.
- **! The data** shall be included in the credit information bureau database **no later than three business days** after the effective date of the client's (including guarantor's) contract. Changes to the aforementioned information **shall be updated within three business days** after the effective date of the relevant changes.

3) <https://likumi.lv/ta/id/315053-noteikumi-par-kreditinformacijas-biroja-datubaze-iekļaujamam-zinam-par-maksajuma-saistibam>



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Creditworthiness assessment guidelines

Guidelines establish **specific restrictions and limits for the credit payment to income ratio** and include a **debt service to income (DSTI) table**.

It is possible to verify the consumer's solvency **outside the limits specified** in the Guidelines **DSTI table** (including by using another assessment methodology) **by evaluating the consumer's individual regular expense habits and amounts (for example, by reviewing bank account statements)**. This includes determining the number of dependents, current rent and utility payments etc.

Planned changes : When applying the “income minus expenses” method, the DSTI cannot exceed 50-55% (we are still deciding).

Having access to accurate credit information on all issued and overdue loans, along with consumers' income data as available in Latvia, is crucial for an accurate assessment of creditworthiness.



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DSTI table

Amount of net income against the national minimum wage (gross)	Income (Netto) (according to the 2025 min's salary 740 EUR)	Max DSTI (debt service to income)		Additional conditions
<= 0,7	up to 518 EUR (incl.)	10%		
> 0,7 <= 1	from 519 - 740 EUR (incl)	20%		
> 1 < 1,8	741 EUR – 1331 EUR	30% *	40% **	* After making credit payments the consumer must have at least 80% of the gross national minimum wage monthly.
>=1,8 <=2,5	1332 EUR – 1850 EUR	35% *		
> 2,5	>1851 EUR	40 % **		** In addition to the reserve * at the borrower's disposal, a reserve must also be provided for each child: 30% of the minimum gross wage.

For example: If the amount of net income against the national minimum wage (gross) *is greater than 1 but less to 1,8*, then the **maximum allowable amount of monthly credit payment to net income (DSTI)** *should not exceed 30%*. After making credit payments the consumer must have at least 80% of the gross national minimum wage monthly



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A gradual method of **increasing DSTI in the income range from 1 to 2.5 min** salaries can also be used, gradually increasing the permissible **DSTI from 30% to 40%** in proportion to the increase in income, not exceeding the cut-off points indicated in the DSTI table, as well as observing the additional condition included in the DSTI table for the provision of the borrower's minimum reserve in the amount of 80% of the minimum wage .



We have developed a **calculator that calculates the debt service-to-income ratio (DSTI)** depending on the year the credit agreement was concluded (based on the national minimum wage at that time).

The consumer **must enter their net income, total monthly credit payments, and the calculator will indicate whether the DSTI falls within the limits set by the guidelines.**

Calculator: <https://app.ptac.gov.lv/dsti/>



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Inspection and supervision

One of CRPC priorities all the time is to maintain **high level of credit worthiness assessment** and CRPC **constantly inspects credit institutions and non-bank credit providers** on quality of mortgage and consumer credit creditworthiness assessments.

CRPC inspection practice is quite simple- we ask credit provider to inform of all concluded credits in specific month, then **we chose 5 - 10 various cases** (by sum, term, consumer age, income, repayment quality etc.) and asking credit provider to submit all relevant information which was used to assess creditworthiness assessment.

In the process of assessing solvency checks, **the procedures of lenders are also thoroughly evaluated** and refined in accordance with CRPC recommendations.

If creditor fails to provide information and/or CRPC finds out that creditworthiness assessments are not appropriate, CRPC **may fine creditor under unfair commercial practices** prohibition law.



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The most significant violations:

- Obtain information about the consumer's existing credit commitments **from only one credit information bureau** rather than both -

*For this violation, the Consumer Rights Protection Center has penalized two creditors, **imposing fines of EUR 285,000 and EUR 295,000**. Two more decisions are currently in the process.*

- Did not consider other creditor's obligations and monthly payments indicated by credit information bureaus, which were active, but the credit was not used (for example, credit card loans);
- Inappropriate calculation of average monthly obligation payments (if it is not given in the database of the credit bureau), in some cases not adding interest;
- The assessment does not consider the largest obligations (between those found in the credit information bureau and those indicated by the consumer himself), but the obligations from the credit information bureau are taken into account;
- Exceeding DSTI levels.

Most violations were eliminated voluntarily





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Thank you!

Margarita Brovacka

Head of Financial services supervision division

Consumer Rights Protection center