

Forty million Russians in debt

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Western sanctions and the collapse of the price of oil have thrown Russia into a social and economic crisis, which finds stark expression in the indebtedness of 40 million private individuals.

The Russian economy has been in recession for two years. In its latest report on April 6, the World Bank projected an economic decline of 1.9 percent in 2016. The economy is only predicted to grow again in 2017, by a miserly 1.1 percent. The Moscow-based Higher School of Economics predicts a total decline in GDP between 2015 and 2019 of 8.1 percent.

The World Bank projection is based on an increase in oil prices in 2017 to \$50 per barrel. The Russian economy and the state budget are heavily dependent on oil exports. Experts estimate that only with an oil price of \$119 per barrel can the budget be balanced.

The sustained recession has led to a social crisis, which is made very clear in the figures of indebtedness for private households. Forty million Russians, almost a third of the population of 140 million, are currently indebted. Large sections of the working-age population are affected.

According to the national bureau of credit history, private debt has more than doubled since 2008. It currently stands at 10.2 billion roubles (roughly \$159 billion). According to the *New York Times*, the percentage of unpaid debts increased by 50 percent in 2015, to reach \$15 billion. In the same year, real wages decreased by 10 percent. The number of debtors in default, who have paid nothing in three months, rose from 6 million in March 2015 to 7.5 million in March 2016.

According to the *New York Times*, a large proportion of the debt is made up of short-term small loans amounting on average to just \$125. The average interest rate on these loans is 2 percent per day. Those who have taken out loans are mostly workers whose families are forced to live on a few hundred dollars per

month. Under such conditions, a layoff or illness quickly results in their entire economic existence being called into question.

Another important reason for growing impoverishment is the withholding of wages by employers. According to official statistics from Rosstat, the total amount of withheld wages rose in March by 1,186 million roubles to 4,471 million roubles.

On April 1, 78,000 people received no wages, according to official statistics. Of these, nearly half were in production industries, 23 percent in construction and 25 percent employed in transport.

In March, for the first time since 2008, more than half of all income was spent on foodstuffs and cigarettes. Under these conditions, a growing number of workers are compelled to take on short-term loans in spite of the horrendous interest rates.

Michail Karpenko, a lawyer in the Urals, where several impoverished industrial towns are located, told the *Guardian*, “In our region, the Tshelyabinsk oblast, the population is deeply indebted. The people simply fall into a black hole of debt and never come out again.”

Increasing numbers of indebted families are falling victim to the terror of debt collectors hired by small financial institutions. The victims rarely have anyone to turn to. Hardly anyone in Russia trusts the police, because their connections to criminal networks are widely known. Conditions are increasingly similar to those in the 1990s, which remain a traumatic experience for Russian workers. At that time, gangsters and mafia bands rampaged through the streets and did as they pleased, either being directly backed by the state or allowed to operate with impunity.

In December, a kindergarten in southern Russia had to be evacuated because debt collectors threatened to blow it sky high. The husband of one of the workers had not paid his debts.

A couple from Novosibirsk reported that debt collectors sent a false message to friends about the death of their daughter in January and uploaded the personal details of the woman on a site for prostitutes.

On January 27, a small child was severely injured in Ulyanovsk after debt collectors set light to a house with a Molotov cocktail. The reason for the arson attack was a loan of just \$51 taken on by the child's grandfather.

The terror employed by debt collectors against workers and their families is not new. In 2012, a 47-year-old woman in Podmoskovye committed suicide after collectors threatened to throw her out of her apartment due to an unpaid loan.

In October, the Russian government passed a law enabling individuals to declare bankruptcy. But this law will hardly help anyone. Declaring bankruptcy is only possible when total debt has reached 500,000 roubles, an amount that hardly anyone takes on.

The anger over the brutality of debt collectors compelled state television to report some incidents in detail. The first Russian television channel invited Natalia Gorbunova to a talk show on April 11. She was the victim of a campaign of severe telephone threats, before the collectors broke into her home, assaulted her son and raped her. The loan in question amounted to 5,000 roubles, around €60, which she had borrowed in September 2014. The daily interest rate was 2 percent, and her wage, which an entire family of five lived on, was 25,000 roubles, around €335.

Most of the other guests on the talk show—actors, lawyers and duma deputies—attacked the woman and humiliated her. They accused her of taking out the loan and not paying back her debts in time because she did not work enough. Several studio guests, including the well-known actress Ljudmilla Zvitkova, attacked the woman for lying about being raped. A Duma deputy criticised her 17-year-old son for not working to help his mother.

A YouTube video of the broadcast was commented on by hundreds of people. One user wrote, “The gangsters are protected by the law,” to which another responded, “I would not say by the law, but by the wealthy people in the country. Just look at the clothes worn by these walking moneybags in the studio.”

Another user was angered by the humiliating treatment of Gorbunova, writing, “The studio guests went too far. Not everyone can earn as much as Duma

deputies or actors. With 25,000 roubles, a family cannot pay to feed the children, for education and for the husband's medical care. Anyone can end up in such a situation if they have no money.”

Another comment read, “Our ‘elite’ live in a parallel universe, they don't understand a thing about the problems of normal people.”

Several Duma deputies are now demanding, not for the first time, the banning of debt collecting firms. Duma elections are due in Russia in September and the Putin regime is increasingly nervous given the deepening social crisis. The terror practiced by debt collectors is currently one of the most widely discussed issues in Russia.

One victim of the debt collectors commented to the *Guardian* on the legal reforms proposed, “Laws that help the oligarchs are adopted within a week, but laws for [normal] people take years to pass. These draft laws are probably just PR.”



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