

SCB maintains tight personal-loan criteria

Upper market in focus in spite of optimism

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Siam Commercial Bank will maintain its current credit criteria for personal loans, despite signs of improvement in the overall economy.

The bank currently requires retail loan applicants to have a minimum monthly income of 15,000 baht per month, covering both unsecured personal loans and credit card applicants.

Executive vice-president Rungruang Sukkirdkijpiboon said the bank would maintain its focus on the upper end of the population even as a number of other banks have recently relaxed their lending terms.

Some banks have recently cut back their minimum salary requirements for personal loans to just 10,000 baht per month. Non-bank consumer finance companies offer even easier terms, with some requiring salaries of just 4,000 to 5,000 baht per month to qualify for a loan.

"A monthly minimum income of 15,000 baht for personal loans is a reasonable level for any economic environment. The rate is appropriate based on our expertise and should help to control bad debts as well," Mr Rungruang said.

The bank's non-performing personal loan rate is 3-4% of the segment's portfolio of 10 billion baht, lower than the market rate of 5-6%. SCB wants to expand consumer loans by 30-40 billion baht this year, with an interest rate of 20-24% depending on credit lines, lending period and loan package.

The Bank of Thailand does not limit minimum salary for unsecured loans, but sets a maximum interest rate for personal loans of 28% per year. Credit card holders must have a minimum monthly salary of 15,000 baht with a maximum interest rate of 18% per year.

Separately, Kasikornbank's head of product and marketing management, Phonpimol Pathomsak, said the bank had lowered its minimum required salary for personal loans to 10,000 baht per month since October. Their minimum used to be 20,000 baht, but the improving economy led the bank to make the reduction.

Despite a lower income base, the bank believes it can control non-performing personal loans at 2% of a total of 10 billion baht. KBank has set an ambitious target for personal-loan growth of 60% this year, with interest rates of 20%, 24% and 27% per year depending on loan amounts.