

CONSUMER EXPENSIVE CREDIT

Easy Buy defends interest rates

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Easy Buy Plc's high interest rates apply to high-risk customers only and are still within the law, the company says. It has suggested debtors continue paying monthly instalments to avoid incurring bad records with the Central Credit Bureau.

The company is under inquiry for allegedly charging excessively high interest rates.

Peerapong Keeprasopsuk, vice-president for personal loans, denied the company charges interest and fees as high as 60% as some customers have alleged. Its highest rate is 54%, representing 15% interest and 39% fees that reflected the company's expenses such as debt collection and bad debt costs.

The high fees applied to about 40,000-50,000 high-risk customers borrowing around 500 million baht in total or 10,000 baht each on average.

The company has 1.2 million customers, 200,000 of which are customers for motorcycle loans that are not yet subject to 28% interest and fee caps as prescribed in a new Bank of Thailand regulation. Among the other one million accounts, 200,000 had signed a contract after July 1 so they already come under the new regulation.

Mr Peerapong said the company had made new contracts for 500,000 accounts and tried to change contracts for the other 300,000 accounts ahead of the deadline on June 30, 2006. However, customers have to meet criteria set by the central bank.

He said problems arose mostly with customers paying the minimum monthly payment, about 40% lower than that at other companies. For example, the minimum monthly payment at other companies may be 1,000 baht but at Easy Buy it is 600 baht. About 60% of its customers pay only the minimum each month.

The company charges daily interest rate resulting in a higher interest burden in the early stages due to the large amount of principal left.

Mr Peerapong gave an example of a customer with a 10,000 baht loan who needed to make monthly payments of 400 baht for 38 months, resulting in total interest of 5,200 baht.

Aoonsak Saengarsapaviriya, Easy Buy's vice-president for legal issues, said if people leave money at the Legal Execution Department's Deposit of Property Office as some have suggested, the company, which is also regulated under other laws, had to report the late payment status to the credit bureau.