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Banks turning to recovery agencies to collect €26 bn in NPLs from businesses and families

by *Chiara Bussi*

More than €26 billion. This is the total value of the Non-Performing Loans (NPLs) that the banks are asking other specialized companies to track down and collect. According to the latest snapshot by UNIREC, the National Union of Credit Protection Companies, in 2016 this figure represented a massive 38% of the overall amount to be recovered.



An overwhelming majority of the debtors that end up in the recovery companies' radar are families (91%), whereas 9% are businesses. The main debts that need to be tracked down are bank loans that haven't been repaid, consumer loans or mortgages with an average value of more than €2,400. The banking/financial sector, the NPLs, and leasing have been the most relevant areas for the recovery companies. These areas alone have surpassed €58 billion by themselves, comprising 84% of the overall total. Of this,

more than €31 billion is in mortgage/loan payments, and in 2016 alone only 16% of this total has gone back to the banks or holding companies. Leasings have done better: their totals amount to €574 million, and almost half (47%) has gone back to the companies that issued them. For the NPLs, on the other hand, the average price has risen to more than €5,400, and the recovery rate has dropped to just 2.3%.

But there are also unpaid utility and telecommunications bills, which make up more than 10% of these amounts and have a 17% success rate. The defaulting debtors are mainly the so-called “inactive clients” who have changed their electricity, gas, or telecommunications operators; the average unpaid bill for these clients is €830. 26% of the amounts to be tracked down, however, pertain to “active clients” who are still using these utilities. On average, these clients owe €277 and it's generally easier to collect from them, with a 28% success rate.

As for the geographic distribution, in 2016 more than half of the debts to be recovered were concentrated in the regions of [Lombardy](#), [Lazio](#), [Campania](#), and [Sicily](#). However, this performance shrank in all four regions. The worst region of all was Sicily: in 2015, 22% of all debts were recovered; one year later, it was only 10%. This ranges from 16% in [Trentino-Alto Adige](#) and the [Friuli](#), to just 9% in [Abruzzo](#), the [Marche](#), and [Basilicata](#).

The rising trend in deteriorated loans and the difficulties in recovering them has created new challenges for the sector's workers. “Mediation is in the DNA of our work,” states Marco Pasini, President of UNIREC (which represents 80% of the market), “The procedures are managed on a case-by-case basis, accounting for the debtor's capabilities, and we look for the most appropriate solution (including the potential for issuing reductions) in accordance with the customers.”

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