

## Thailand's Financial Services and Consumer Protection: Legal and Economic Framework\*

*Nat Tapasanan  
Division Executive  
Credit and Market Risk Division  
Financial Institutions Policy Group  
Bank of Thailand*

### Overview

Thailand's household assets and liabilities during the past decade have shown an interesting development. In 1990, household debt stood at 30,000<sup>1</sup> baht per household. As economy boomed, debt rose more than double to around 70,000 baht. The figures, however, remained somewhat stable during and after the crisis before increasing to over 100,000<sup>2</sup> baht in 2004. Household deposit, a key indicator of household saving, on the other hand, is high. However, the concern has arisen since the growth of household debt is recently greater than that of the deposit.

**Table 1: Thailand's Household Debt and Household Deposit**

baht per household	1990	1992	1994	1996	1998	2000	2002	2004
Average Household Debt	31,387	52,001	69,674	71,713	68,405	68,279	82,485	103,940
Average Household Deposit	99,144	129,348	149,904	152,748	145,800	146,220	164,832	175,404

Sources: National Statistics Office and National Economic and Social Development Board

Of household debts, the amount of consumer loans as of September 2005 grew to nearly 1 trillion baht, comprising housing loans (602 million), credit card (102 million) and personal loans (252 million). Among these, personal loans witnessed the highest growth at 46.4 per cent year-on-year. It is expected that the growth will slow down as a result of the recent regulations effective from July 2005. The expectation is considered valid as the credit card expansion was on the decreasing trend due to the regulation implemented 2 years earlier.

**Table 2: Commercial Banks' Consumer Loans**

billion baht	2002	2003	2004	Sep-05
Housing Loans	400	474	545	602
Credit Card	57	76	93	102
Personal Loans	132	160	179	252
<b>Total Consumer Loans</b>	<b>590</b>	<b>711</b>	<b>816</b>	<b>956</b>

Source: Bank of Thailand

\* This paper is prepared for the Conference on Legal and Economic Frameworks for Consumer Protection in Asian Financial Services on March 3, 2006, Tokyo. Any views or opinions presented in this paper are those of the author and are not necessarily endorsed by the Bank of Thailand.

<sup>1</sup> Approximately 169,443.66 Yen (0.17705 baht/Yen in 1990)

<sup>2</sup> Approximately 273,428.74 Yen (0.365726 baht/ Yen in 2005)

## Household Financial Products

Household financial products can be roughly categorized into 3 groups, namely capital market, money and lending market, and insurance.

The common financial products for household in the **capital market** are stocks and debt instruments. The market is under Securities and Exchange Act, A.D. 1992 and Notifications and Circulars of the regulators, Office of Securities and Exchange Commission (SEC) and Stock Exchange of Thailand (SET). Consumers can invest in the products through mediums such as securities companies (stocks and bonds) and banks (bonds).

Deposit, loans, e-banking, e-money and foreign exchange are products available in the **money and lending market**. In general, banks, under supervision of the Bank of Thailand (BOT), offers these products and are governed by Commercial Banking Act, A.D. 1962. **Hire purchase and leasing** is operated by both banks and non-banks. For banks, the hire purchase and leasing businesses (financial lease) have to comply with the BOT's regulation under the Banking Act while non-banks activities will be under Civil and Commercial Code, A.D. 1929

Both **life and non-life insurance** in Thailand is regulated by the Department of Insurance (DOI) under Life Insurance Act, A.D. 1992 and Non-life Insurance Act, 1992. The insurance operators have to comply with Ministerial Regulation and Notification of the Ministry of Commerce, Notifications of DOI and Notifications of Registrar.

## Consumer Protection

In order to protect **equity and debt products'** buyers, the Securities Investor Protection Fund has been established. Furthermore, a complaint to SEC can be filed in many ways. Examples are using an online form, letter, or calling the Help Center. SEC also requires transparent disclosure of the information and possible risk to consumers. SEC, in addition, enforces that customer's fund and assets must be segregated from those of brokers.

For the **money and lending products**, regulators require financial institutions to establish and maintain clear procedures for handling consumer complaints. Financial institutions need to promote information disclosure regarding terms and conditions of financial services in the way that can be easily understood and compared by customers. They also have to ensure that their information disclosure relating to the financial position and operating results comply with the international standards. In addition, they must specify the details of consumer loan contract.

To protect **depositors**, the full amount of principal and interest at present shall be repaid by the Financial Institutions Development Fund in the case where a bank collapses. For individual case, customers can file a complaint to the BOT. In the near future, Deposit Insurance Agency will be established to replace the Financial Institutions Development Fund. The full guarantee scheme will be gradually shift to a partial one. A ceiling amount of guaranteed deposits will be set to protect small depositors.

However, regulators have recently issued tougher guidelines on certain **lending products**, credit cards and personal loans, in order to protect consumers. The control was stemmed from complaints from credit card users and personal loan borrowers through various medium channels mostly on unprecedented debt collection methods and overcharged interest and default rates. Key regulations for **personal loans and credit cards** businesses are shown in Table 3.

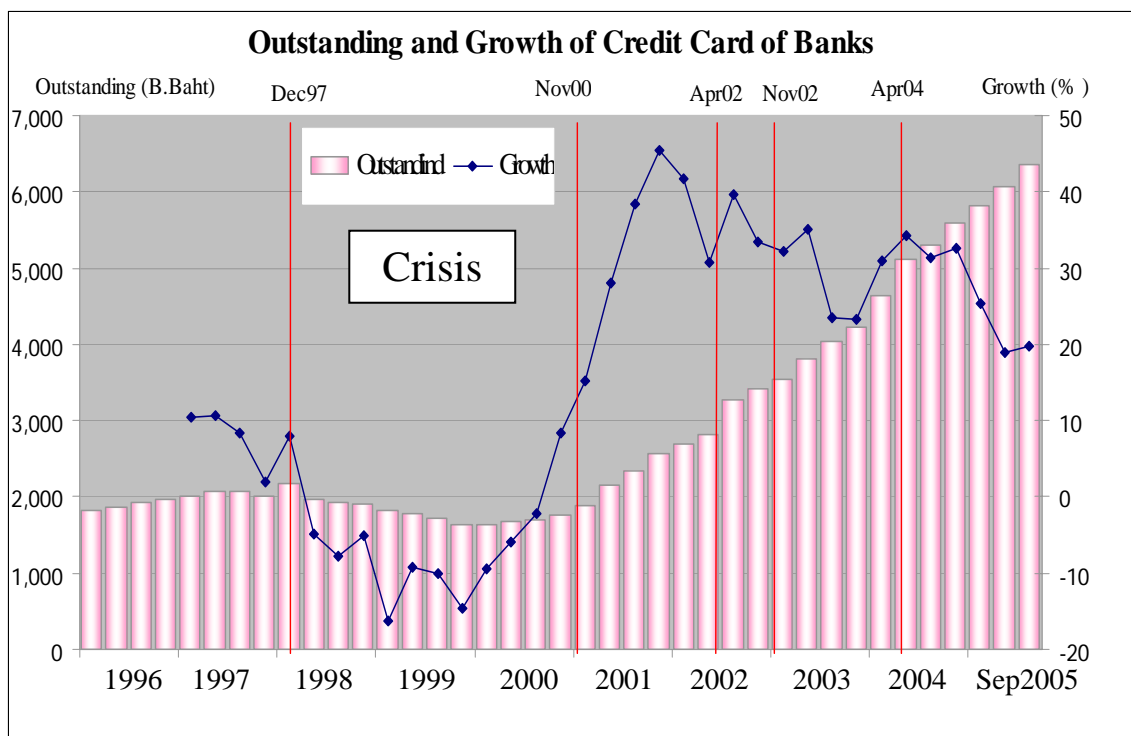
**Table 3: Comparison between Credit Card and Personal Loans Regulations**

	Credit Card	Personal Loans
<b>1. Income</b>	15,000 baht/mth or 180,000 baht/yr	-
<b>2. Credit line</b>	not exceed 5 times of a customer's average monthly salary	not exceed 5 times of a customer's average monthly salary
<b>3. Interest rates</b>	18%	28%
<b>4. Minimum payments</b>	At least 10 % of outstanding debt	-

Source: Bank of Thailand

The control shows a satisfactory result. The credit card regulation which was latest issued in 2004 has curbed the credit card expansion. The personal loan regulation which was issued in the mid-2005, nevertheless needs time to assess its effects.

**Figure 1**



Income	20,000	20,000	15,000	-
15,000	15,000			
Credit line	-	2 times	2 times	-
-	5 times			
Min. Pay	-	10%	10%	5%
5%	10%			

Source: Bank of Thailand

At present, the counterfeit electronic cards, mostly credit cards, have been increasing. To prevent card fraud, the Bank of Thailand, Thai Credit Card Association and Banks Associations join hand and plan to issue awareness guideline for card issuers and customers (cardholders) as summarized in Box 1.

### Box 1

#### Card Issuer Advice:

1. Arrange to have an audit trail process of customer transactions regularly.
2. Develop intelligent fraud-detection systems to check for unusual spending patterns to spot fraud before it is reported by the cardholder.
3. Promote the effectiveness and sophistication of customer-profiling systems that can identify at a very early stage of unusual spending patterns and potentially fraudulent transactions.
4. Contact cardholders to check if the suspect transaction is real. If not, an immediate block can be put on the card.
5. Provide the transaction log to record the customer's spending and keep it as reference.
6. Continuously monitor advancement in technology related to the credit card as well as the forms of fraud in order to appropriately improve the security measures and choose an effective technology to prevent fraudulent activities.
7. Provide the contact channels which customers can inform their problems and complaints.

#### Cardholders Advice:

1. Do not let your card out of your sight when making the transaction.
2. Keep the receipt and don't discard receipts from card transactions. But if you need to discard, tear up, any documents that contain information relating to your financial account.
3. Always check the statements from your bank or card issuer promptly. If any discrepancies are found, contact your bank or card issuer immediately.
4. Report lost or stolen cards or suspected fraudulent use of your card account to your card company immediately.
5. Do not give your card number or any important details over the phone or any suspicious transaction/channel.
6. Never write down your PIN and never disclose it to anyone, even if they claim to be from your bank or police.

Sources: UK Association for Payment Clearing Services (APACS); Thai Credit Card Association

Apart from **personal loans and credit cards** regulation, the Bank of Thailand also issued certain criteria on **housing loans** in 2004. The rationale is not direct at consumer protection but the regulation aimed at economic policy purposes. As Thai economy has clearly begun to recover, new property projects emerged despite an oversupply condition. Bank of Thailand then moved to slow down a speculation on the high-valued property sector. A request for bank loan for a house valued 10 million baht or higher will receive the loan not exceeding 70 per cent of purchased price.

In Thailand, not only regulators of financial products have a direct responsibility to oversee the customer protection issues, but there is also the Office of Consumer Protection Board (OCPB) to be on hand to receive and help solve any violation of consumer rights. OCPB, a government agency, will either handle the complaint case on its own or seek cooperation with the involved regulatory bodies.

---

**References:**

Association for Payment Clearing Services (APACS), UK

<http://www.apacs.org.uk>

Bank of Thailand

<http://www.bot.or.th>

Department of Insurance, Ministry of Commerce

<http://www.doi.go.th>

Ministry of Finance

<http://www.mof.go.th>

Ministry of Commerce

<http://www.moc.go.th>

National Economic and Social Development Board (NESDB)

<http://www.nesdb.go.th>

National Statistical Office, the

<http://web.nso.go.th>

Office of the Consumer Protection Board, the

<http://www.ocpb.go.th>

Office of the Securities and Exchange Commission, the

<http://www.sec.or.th>

Stock Exchange of Thailand, the

<http://www.set.or.th>