



## **Weekly Briefing**

**North Macedonia economy briefing:**  
**Cycles of Debt: Predatory Quick Loans in the Framework of the**  
**Neoliberal Economy**  
**Gjorgjioska Marija Adela**

### **China-CEE Institute**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Ju Weiwei

Kiadásért felelős személy: Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

# Cycles of Debt: Predatory Quick Loans in the Framework of the Neoliberal Economy

## Summary

*The renowned saying "Never waste a good crisis" was indeed exemplified during the Covid-19 pandemic, which served as an advantageous period for predatory quick loan companies. Starting from 202, more than 30 financial firms providing quick loan services emerged throughout Macedonia. They have enticed individuals with easily accessible loans at exorbitant interest rates, leading to the further impoverishment and indebtedness of the most vulnerable members of society. Unlike banks, which are regulated by the National Bank, these companies fall under the supervision of the Ministry of Finance. However, it would be more accurate to describe their operations as unregulated, as they appear to function under a complete neoliberal logic. This has been confirmed by the recent amendments to the Law on Financial Companies, which are purportedly aimed at safeguarding citizens, but actually raise the maximum amount of credit costs and create additional opportunities for the expansion of these predatory practices.*

In Macedonia, a total of 35 financial companies offer quick loan services. Based on data from the Central Register, these fast loan providers garnered a cumulative income of 69.9 million euros in 2022, compared to 49.3 million euros in 2021. Their collective profit for 2022 reached 15.9 million euros, marking an increase from the 10.9 million euros profit recorded the previous year.<sup>1</sup> The profits accumulated by these quick loan companies represent funds extracted from the pockets of the nation's most financially disadvantaged citizens, contributing to a rise in both poverty levels and indebtedness. Rather than regulating and curbing such practices, the state has directly facilitated them. In contrast to banks, which operate under the oversight of the National Bank, these companies are subject to regulation by the Ministry of Finance. As a result, they have a much more lenient approach to granting loans, resulting in swift loan approvals. Although the loan processing is expedited, the interest rates charged are notably high. While certain companies require clients to submit loan applications in person,

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<sup>1</sup> "Pari reveals: profits from quick loans reach up to 4.8 million euros annually", published on 05.08.2023, available at <https://pari.com.mk/pari-otkriva-profitite-od-brzi-kredit-se-dvizat-do-48-milioni-evra/> accessed on 08.08.2023

others adopt a more flexible approach. Indeed, such lenient procedures resulted in 76 cases of misuse of personal data for obtaining quick loans over three years, from 2019 to 2021. According to the Ministry of Interior, there were 43 such cases in one year, 2022.<sup>2</sup> This indicates that the sector, which experienced growth and expansion in the post-pandemic era, has remained entirely unregulated by governmental oversight.

In fact, a quick overview of the ownership structure of this business sector, suggests a close linkage with the political establishment. Specifically, each of the quick loan companies appears to have ties to former political figures, their immediate family members, or associates. For instance, one of the owners of such a financial company is Ubavka Zaeva, related to former Prime Minister Zoran Zaev. Another such company is run by the son of another former PR, Ljupco Georgievski, whose party is a Government coalition partner.

So far, the only political party which has called for the abolition of these fast credit companies, has been Levica, asserting that these entities capitalize on the financial hardships of the populace. “In addition to traditional banks, companies specializing in offering quick loans seized the opportunity to capitalize on the crisis. Being the sole parliamentary party not constrained by oligarchic influences, Levica advocates for the full abolition of these financial companies (known for offering fast credit services at exploitative interest rates, entrapping customers in debt bondage),” said the official statement by Levica. Additionally, their statement underlines the proposition for the establishment of a state-owned commercial bank aimed at interest-free lending to the public.<sup>3</sup>

In 2022, the Ministry of Finance submitted proposals to the Government to amend the Law on Financial Companies. “Greater protection of citizens, using the services of financial companies and boosting the confidence in financial companies are part of the goals under the

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<sup>2</sup> Quick Loan Fraud: Balkan Victims Left Helpless – and Indebted, published on 01.06.2023, available at <https://balkaninsight.com/2023/06/01/quick-loan-fraud-balkan-victims-left-helpless-and-indebted/> accessed on 29.08.2023

<sup>3</sup> “Levica demands that quick loan companies be abolished”, published on 18.05.2023, available at <https://plusinfo.mk/levica-bara-da-se-ukinat-drushtvata-za-brzi-krediti-parti-ata-presmetala-deka-tie-lani-arile-10-5-milioni-evra/> accessed on 08.08.2023

amendments to the Law on Financial Companies”, said their official statement.<sup>4</sup> Moreover, according to the Ministry, the amendments will eliminate the option of obtaining credit to settle previous outstanding debts within the same financial company. Additionally, the role of companies possessing a permit or license in accordance with the Law on Games of Chance and Entertainment Games is curtailed, preventing them from acting as credit intermediaries or offering credit products on behalf of financial companies.<sup>5</sup> Levica criticized these amendments, describing them as hypocritical due to their purported concern for citizens becoming evident through the Ministry of Finance's singular focus on raising the capital required for establishing such companies. According to them notably in the Ministry’s amendments are concrete measures aimed at safeguarding citizens or curbing interest and administrative costs, which constitute the primary revenue generators for these entities.<sup>6</sup>

In July 2023, the amendments to the Law on Financial Companies were brought. Whilst they are purportedly aimed at safeguarding citizens, they actually raise the maximum amount of credit costs and create additional opportunities for the expansion of these predatory practices. Namely, as per the existing legislation (outlined in the Law on Consumer Protection in Consumer Credit Agreements), the cumulative expenses must not surpass 55% of the loan's principal amount. However, following the recent enactment of amendments to the Law on Financial Companies, the permissible upper limit for total costs has been raised to 60%. This means that an increase of 5% has been added to the total costs that can be incurred by the debtors. Some of the Amendments however have been characterized as positive. “Under the new amendments, the statute of limitations on a court decision or settlement ends when a request for enforcement is submitted to a competent executor. Once the enforcement procedure begins, there's a ten-year window to address the debt. This is a significant development as such a statute of limitations did not exist before, and now, it offers a chance for individuals to break

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<sup>4</sup> MoF: Amendments to the Law on Financial Companies, in support of protecting the citizens, by defining the maximum amount of credit costs, published on 28.12.2023, available at

<https://finance.gov.mk/2022/12/28/mof-amendments-to-the-law-on-financial-companies-in-support-of-protecting-the-citizens-by-defining-the-maximum-amount-of-credit-costs/?lang=en> accessed on 29.08.2023

<sup>5</sup> Ibid

<sup>6</sup> “Levica demands that quick loan companies be abolished”, published on 18.05.2023, available at <https://plusinfo.mk/levica-bara-da-se-ukinat-drushtvata-za-brzi-krediti-parti-ata-presmetala-deka-tie-lani-arile-10-5-milioni-evra/> accessed on 08.08.2023

free from their debts after a specific period,” says Martin Boskoski from the Lalicic & Boskoski Law Office.

At the end of July the Parliament also adopted the provisions of the Law on Obligation Relations, as well as the Law on Execution, which will no longer allow the interest to be higher than the debt. In addition, the statute of limitations is shortened from 10 to 5 years from the decision's validity. This signifies that if an individual or company carried a debt of 1,000 denars from a decade ago, the interest accrued over the years, which they will eventually settle, will not surpass 1,000 denars. This legal resolution will be universally applicable, spanning both citizens and enterprises, and encompassing debts of various origins – ranging from overdue utility bills to telecommunications services, banking obligations, and more. Whilst welcome such developments may add little to the overall burden of debt for the average Macedonian household incurred as a result of various socially erosive practices which the state either failed to regulate or directly enabled.

Ultimately, the unregulated nature of these companies and their ability to capitalize on crises paint a bleak picture of an economic landscape characterized by predatory practices, leaving citizens trapped in cycles of debt. In such a context, the main focus should not be on the question of regulating these companies, but on banning them altogether. As a result, the proposed changes, though partially addressing some issues, may still fall short in truly mitigating the systemic exploitation inherent in this sector. As Macedonia navigates this complex issue, striking a balance between free-market operations and safeguarding citizens' financial security will remain a formidable challenge. In the meantime, the overall household debt is likely to continue, contributing to an increase in the already high levels of poverty.