



Payment default entries among young adults in Finland – a desktop study

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<p>Sammandrag:</p> <p>Syftet med denna forskning är att få en djupare förståelse för och evaluera den nuvarande situationen med betalningsstörningar och överskuldsättning då det gäller unga vuxna i Finland. Enligt Asiakastiето (2018) har 8 % av befolkningen betalningsstörningar varav den skuldsatta personen i genomsnitt har 15 olika betalningsstörningar, vilket tyder på en hög skuldsättningsgrad. Unga vuxna i åldern 20-29 år representerar 21,6 % av alla personer med betalningsstörningar. Unga vuxna representerar den största delen av låginkomstare och har sällan en exakt budget. Således kan en oförväntad utgift märkbart rubba den ekonomiska situationen och tvinga den unga vuxna att förlita sig på krediter. Enligt Arnetts teori är unga vuxna i en fas mellan ungdom och vuxen, som ofta förknippas med riskfyllt beteende och en optimistisk syn på framtiden. Detta kan leda till impuls- och tvångsköp, och modern teknologi gör det möjligt att låna och slösa pengar dygnet runt. Eftersom betalningsstörningar påverkar livet på flera sätt under en lång tid, är det viktigt att förstå fenomenet samt vilka åtgärder som bör vidtas för att skuldsättningsgraden skall minska. Forskningen är utförd som en kvalitativ skrivbordsundersökning, där fyra olika typer av källor har använts. Resultaten presenterar tidigare forskning gällande unga vuxnas köp- och kreditbeteende och statistik gällande skuldsättning, arbetslöshet, inkomst och betalningsstörningar i Finland. Eftersom banker ses som en pålitlig institution bland finländare, har deras ansatser gentemot unga vuxna analyserats och slutligen presenteras en överblick av regulationer och initiativ som tagits i Finland för att minska överskuldsättning. Enligt statistiska resultat har de unga vuxnas andel av personer med betalningsstörningar minskat, men problemet är ändå viktigt att åtgärda, då vi lever i en marknadsfas där räntorna drastisk kan stiga inom några år och situationen kan förvärras igen. Även om regulationer, såsom den senaste ändringen i Konsumentskyddslagen som trädde i kraft 1.9.2019, skyddar konsumenten mot överskuldsättning, är regulationerna inte en tillräcklig åtgärd för att hindra betalningsstörningar. För att överskuldsättningsgraden skall minska, rekommenderas det att undersöka ifall det går att förverkliga ett positivt kreditregister i Finland, där alla skulder från olika finansinstitut och banker finns registrerade. Ytterligare rekommenderas att personlig ekonomi borde implementeras som ett obligatoriskt läroämne i grundskolan.</p>	
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<p>Abstract:</p> <p>The aim of this thesis is to gain understanding and evaluate the current situation of payment default entries and indebtedness concentrating on young adults in Finland. According to Asiakastieto (2018) 8% of Finns have payment default entries and on an average persons with credit entries have 15 separate payment defaults, which indicates a high leverage ratio. Young adults aged 20-29-years represent 21.6% of all persons with payment default entries. The same group represents the largest group of low-incomers and rarely has an exact monthly budget. Thus a surprising expenditure can disturb the financial situation and resort to credit use. According to Arnett's Emerging Adulthood Theory young adults are in a period of transition between adolescence and completely developed adult, which often is connected with risky behavior while they at the same time are highly optimistic about the future. This may lead to impulsive and compulsive buying, which is eased by the modern technology where borrowing and spending is possible 24/7. As payment default entries affect life in several ways during long periods of time, it is of high importance to understand the phenomena and which actions needs to be taken to avoid over-indebtedness. The research is conducted as a qualitative desktop study, using four different sources. The results present earlier conducted research on young adults buying and credit behavior and statistics on young adults' financial situation and payment default entries in Finland. As banks are seen as a trustworthy financial institution in Finland, their approaches towards young adults are discussed and lastly, an overview of regulatory actions and initiatives taken in Finland to avoid over indebtedness are presented. According to statistical findings, the amount of payment default entries among young adults have been decreasing, but the topic needs attention and further actions as we are in a market situation where interest fees might jump up drastically within a few years. Thus the situation may be worse in the future. Even though regulations on consumer credits, such as the latest change in the Consumer Protection Act which came into force on 1.9.2019, protect the consumer, limitations alone will not solve the problem. To avoid over-indebtedness, the possibility to establish a positive credit register in Finland, where information of all credits should be registered in a centralized database should be researched. Furthermore, a mandatory subject of personal economics should be implemented in the Finnish education system.</p>	
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1 INTRODUCTION

Money and personal economy are a taboo in Finland. It is not seen as polite to ask or talk about one's salary, but the same applies when it comes to debt. It is a very important topic to talk about though, because throughout the last years the phenomena of over-indebtedness and payment default entries has been rising in Finland. Asiakastieto Group reported in January 2019, that even if the amount of credit reports has sunk compared to last year, the amount of people with poor credit record has never been higher (Myllyoja, 2019.) and around 8% of the population have a poor credit register.

Purchasing on credit has become more common during the last years and short loans have become a part of the consumer culture, where rather than saving up, consumers can instantly buy what they want or need – with borrowed money. (Credigo) Borrowing and spending is easy and possible 24/7 in today's world – which has led to alarming statistics regarding payment default entries. Especially young adults, aged between 20-35 years, have been getting more and more payment default entries throughout the years and represent a large share of the group with payment problems (Asiakastieto, 2019).

The easy access to spending and borrowing is a dangerous recipe to get into financial problems, which affect the young adult's everyday life. When adding obmutescence to financial problems, also mental health and future are affected negatively. (Lassfolk-Feodoroff, 2015).

There is a lot of work to do in order to get the private economy under control in Finland and young adults contact experts saying they do not get enough guidance and information to take care of their finances (Lassfolk-Feodoroff, 2015). According to Peura-Kapanen (Helsingin Sanomat, 2012), the limitation on consumer credits and other fast loans does not alone solve the problem with young adults' economic problems. In her opinion, the key is to gain knowledge. It is especially important to find these people, who are in danger to lose their credit report, as not everyone has the possibility to trust in their parent's ability to help (Peura-Kapanen, Helsingin Sanomat, 2012).

The macroeconomics in Finland has been ascending the last years, although the Ministry of Finance predicts the growth will be more moderate for the next few years. The Ministry of Finance sets a prediction on a 1.6% growth in Finland's GDP during 2019. Because large parts of the workforce in Finland is aged and will move to retirement, the employment rate will rise to 75% without any specific actions. Logically, this means a higher household disposable income, but still the amount of over-indebted Finns are growing at a rapid rate. (Ministry of Finance, 2019) The alarming statistics of the Finnish payment defaults and over-indebtedness has been a worry for the whole nation. The concern has led to several restrictions in the law in order to protect the consumer - the newest law change in the Consumer Protection Act to avoid over-indebtedness came into force on September 1st, 2019, which shows the theme of the thesis is accurate (Konsument-skyddslag 17 a §).

This thesis is a desktop research, where the theoretical framework presents young adults' buying behavior, which factors affect it and presents different credit-based payment methods. The theoretical framework proceeds to present how debt is accumulated and its lifecycle. If one fails to pay off the debt, a payment default entry is registered. Said entries affect a young adult's life in several ways, and hence it is vital to understand the importance of a good personal economy in order to avoid them. The results are based on previous research, statistics, banks and regulatory actions and initiatives regarding borrowing and payment default entries, i.e. grounded on secondary data.

This thesis expects to bring answers on why young adults overspend, what drives their buying behavior and gives suggestions and recommendations for further research.

1.1 Problem statement

On an average, persons with credit entries have 15 separate payment defaults (Yle Uutiset, Maksuhäiriöiden määrässä taas uusi ennätys – merkintä jo lähes 400 000:lla 2018), which clearly shows that persons who have lost their credit record are in high indebtedness (Kauppalehti: Nuorten maksuhäiriöt ovat vakava aikapommi, 2018).

Young adults, not necessarily entered the workforce yet with stable incomes, are in the risk zone of complicating their life with getting a poor credit report because of payment

default entries. The credit reports are used in several different situations, that requires decision-making, and are stored in Asiakastietos' credit data file.

The credit reports are used and checked in several situations, such as when granting monetary credits, cards and loans, renting apartments, buying on a bill and opening insurance and telephone contracts. Losing your credit reference can even affect negatively in job searching and might decline the specific work assignment. Therefore, a poor credit status can often be, if not a barrier, but at least hinder to establish a contract and makes life more complicated than for those with clean credit records.

1.2 Aim

The aim of this thesis is to gain understanding and evaluate the current situation of payment default entries and indebtedness in Finland concentrating on young adults and their buying behavior.

1.3 Research question

- What is the current situation in Finland regarding payment default entries and indebtedness among young adults?

1.4 Limitations

The thesis does not segment young adults precisely and the age margin defined for young adults is 18-30-year-olds. This group consists of people in many different life situations, i.e. students, unemployed and employed. It is hence important to notice, that there are large differences in financial situations within this group and hence differences in buying behavior.

1.5 Structure

This thesis is structured as a traditional thesis, where the first chapter is the introduction, where the theme is presented along with aim, problem statement, research questions and limitations. The second chapter is the theoretical framework. The third chapter presents

the chosen methodology, which is a qualitative desktop research. The fourth chapter presents the results of the empirical part, which are based on research, statistics, banks and law regulations and initiatives. The fifth chapter is a discussion connecting the findings from the theoretical framework and the results. The sixth chapter includes conclusions, ethical consideration and trustworthiness of the study and suggestion for further research.

2 THEORETICAL FRAMEWORK

The theoretical framework presents young adults, aged between 18-30, buying behavior and phenomena that affects it. Young adults usually survive on tight monthly budgets and needs to rely on credits. If a debt is not paid off, the debtor gets a payment default entry and poor credit record. Payment default entries affects the everyday life in several ways and hence it is important to understand how it is accumulated and its lifecycle.

2.1 Young adults buying behavior

Young adults play an important part of the market segment today. *“They act as a social category and form a distinctive consumer group, having their own unique consumption patterns and culture”* (Akturan, Tezcan & Vignolles, 2011, p. 348). It is notable, that there are several types of young adults aged between 18-30: students, full-time employees, part-time employees, unemployed, single-mothers etc. This thesis is focusing on the group as a whole and based on their consumer decision-making style rather than their socio-economic status. The aim is therefore not to categorize the young adults based on demographics, but their consumption styles.

The age group between 18-25-year-old adults are described by Jeffrey Arnett as *the Emerging Adulthood*, a period of transition where the young adult is between adolescence and completely developed adult. According to Arnett’s Emerging Adulthood Theory, the prevalence of several types of risk behavior peaks during emerging adulthood, while they at the same time are highly optimistic about achieving their goal (Arnett, 2000). The article mentions a national poll of 18-24-year-olds in the US, where 96% of all participants agreed with the statement of “I am very sure I will get to where I want to be in life”

(Arnett, 2000). As young adults and adolescents are not yet completely developed mentally, they may have poor self-control and feel strong impulsive emotions (Brici, Hodgkinson & Sullivan-Mort, 2013). Adding risky behavior (Arnett, 2000) and an identity yet to be created, they tend to do impulse and compulsive buying (Brici et al., 2013). This risky behavior together with a low knowledge of economics can lead to poor situations regarding one's private economy.

Lehtinen & Leskinen conducted a study "Young Consumer's Credit Based Lifestyles and Payment Problems" in 2005 for the National Consumer Research Centre in Finland, where they interviewed young adults aged 18-30 years from Denmark, Finland, Iceland and Norway who had, or had previously had, payment problems. The research focused "*on the credit-based lifestyle of young consumers and its relation to their payment problems*" (Lehtinen & Leskinen, 2005, p.9). Lehtinen & Leskinen divide the consumers into three different types, which will be presented below:

1. Easy-living & pleasure-seeking
2. Risk investing
3. Rambling

The *Easy-living & Pleasure-seeking* type of people, were the youngest of the focus group. For this type, consuming is seen as a pleasure, highly affected by peers and they see themselves as innocent to the fact that they are possibly living on credit (Lehtinen & Leskinen, 2005, p.18). Many of these young adults have student loans, that they are yet to pay back as well as several credit cards and over-exceeded bank accounts. The study found, that the young adults were actually earning more than ever before, yet gaining a lot of debt. This group spends on designer clothes, partying, travelling and similar luxury products (Lehtinen & Leskinen, 2005 p. 18). This is also proposed in Abrar's study "Effect on Young Adults Purchase Behaviour on Market Environment". A research cited in Abrar's paper, conducted in 2013 by Gracia and de Magistris, shows, that social status is one of the most important reasons to change the buying behavior: "*Most youths purchase and use expansive items with the intention of showing their social status*" (Abrar, p. 17). The people belonging to the *Risk investing-* lifestyle, is according to the study older than the previously explained *Easy-living & Pleasure-seeking* type, aged 22-29 years. According to Lehtinen & Leskinens study (2005), the purchasing behavior is more considerate, and less money is spent on leisure. More young adults belonging to this group own their

apartment and have more plans regarding their future, a career and a high income are highly valued. This group sees themselves as knowledgeable about their own economy as well as macroeconomics (Lehtinen & Leskinen, 2005, pp.19-20) and is less likely to be affected by peers.

The last group described in the study, is the *Rambling*-lifestyle. This group had had payment problems for the longest time-period of the focus group (Lehtinen & Leskinen, 2000, p. 20). This group has the lowest educational level of the previously presented. Typical consumer behavior for this group is impulsive and not thought through. *Rambling* consumers do think they use credit necessities (Lehtinen & Leskinen, 2005, p 20), which differentiates them from the *Easy-Living & Pleasure seeking*-group, who wanted to spoil themselves.

Lehtinen & Leskinen (2005) realized, that the knowledge about finances was fairly low in the other groups than Risk-investors. Risk-investors “*were better aware of the effects of the overall economy – such as changes in interest or exchange rates – on their own personal finances, because they had previous experience of these issues*” (Lehtinen & Leskinen, 2005, p.12). According to the study, the Easy-living & Please-seeking group reported they had been informed about interest rates and other necessary information when applying for a credit card, but had paid no or little attention to it (Lehtinen & Leskinen, 2005 p.10). The research showed, that the young adults had incurred their debt around the same age, at around 20 years (Lehtinen & Leskinen, 2005 p. 9).

2.2 Factors affecting the buying behavior and spending

Credits may be used to necessities, but the changed technological and social environment affects buying and spending behavior. Examples on such factors are:

1. Easy access
2. Peer pressure and social media
3. Changes in life situations
4. Addictions and gambling
5. Education

Easy access to purchase via online and post order shops where the payment of ordered goods is done afterwards or in payment plans, makes it easy to live above your incomes. According to Juha Pantzar in Nykänen (2012), young adults spend double the amount they earn and it is arguable, that the rapidly increasing modern technology making consumer credits available at all hours during the day affects the spending (Välimaa, 2003). The easy access to online stores and buying products with an invoice therefore creates a high risk of getting into over-indebtedness and an inability to pay for the consumption.

Social media platforms, such as Instagram and Pinterest, can be argued to have an influence on how young adults spend money (Pahlevan Sharif & Yeok, 2018). Being able to follow celebrities and influencers who upload photos and videos of extravagant holidays and luxury products can have a negative impact on, especially young adults, self-esteem and self-worth, as they compare themselves to the most popular profiles. The negative feelings can lead to a try to achieve the same consumerist level and compulsive buying behavior (Pahlevan Sharif & et al., 2018), which can have weighty costs: not only psychological effect, such as guilt and remorse, but also financial concerns and dependence on credit cards (Brici et al., 2013). Social media platforms can also lead to *peer pressure*, where young adults are encouraged by their peers to use money they do not have. If they are over-indebted by a young age, they will not have any way to save for their future. (Smithers, 2016)

Changes in life situations such as separations, can lead to unexpected and reckless behavior, such as self-harm, higher consumption of alcohol but “*distress can also discourage unplanned purchases*” (Rick, Pereira & Burson, 2012). Shopping driven by psychological distress is often referred to “retail therapy”. As the name suggests, it means easing distress with shopping. According to Rick et al. (2012), prior research has shown that retail therapy can actually have positive effects on ones’ mood while shopping. This temporary high can lead to an addiction of shopping which has to be funded by nonexistent funds.

According to Majamaa and Rantala (2017) debt problems were more common among people who had during the last 12 months lost their job, quit their studies, ended a relationship or got severely ill. Their study found, that persons who had during the last 12 months experienced at least 4 changes in their life situation, suffered more often of debt

problems than persons, who did not have changes in their life situations (Majamaa et al., 2017. p.26).

Addictions such as gambling, drugs and alcohol can also lead to over indebtedness. Out of the addictions, people with gambling problems are the largest group with debt problems (Hölttä, 2019). The gamblers motives and ways vary depending on age and gender. Most gamblers are males aged between 20 – 30 years (Tilastokeskus, 2006) and it is estimated that 124 000 Finns have gambling problems (Kauppalehti: Nuorten maksuhäiriöt ovat vakava aikapommi, 2018). The consequences of gambling are severe and may appear as physical, social, psychological and financial problems. Gamblers with addictions equates to 22.5% of the revenue for gambling companies. (Jaakkola, 2017) To pay for gambling, addicted persons commonly suffer from financial problems and to make it possible to gamble, it is very common to take consumer credits (Hölttä, 2019).

A *low education level* can often be a factor leading to debt problems. Low education can often be a hinder to establish a work contract, meaning a lower income level. When the income is higher, statistically the amount of debt is often higher than amongst low-incomers, but high-incomers commonly have less debt problems. Highly educated also have less debt problems, than people with a low educational level. (Majamaa et al., 2017, p. 25)

2.3 Credit based financing methods

One of the largest issues for young adults in a consumer society is to find a balance between the limited monetary funds and the unlimited resources and selection of both goods and services (Wilska & Wirtanen, 2002 cited in Lehtinen & Peura-Kapanen 2005, p.107), which is why young adults often finance their living with credits (Fan & Chan, 2019). Comparing to other life situations, young adults, especially students, are usually surviving on tight monthly budgets, financed by student loans, student benefits, part- or fulltime work or with financial aid from parents.

Earlier research shows, that young adults are indifferent when it comes to applying credits (Saarinen 2001, Koljonen 2002, Halonen 2004, cited in Lehtinen & Peura-Kapanen 2005,

p.107). Although this depends on the loans, as housing loans are seen as positive credit as well as getting a loan for a car (Lehtinen et al., 2005, p.107). Consumer credits had earlier been seen as negative (Koljonen 2002, cited in Lehtinen et al., 2005), which refers to unwillingness to have one. When looking at the statistics of poor credit record today, something has changed. It is also more difficult to map how much credit consumers have today, as it is common for the creditor to be another entity than the traditional banks (Mustonen, 2017). The personal loans are seen as a fix to financial problems derived from living on credit (Fan & Chan, 2019).

Examples on such credit methods are:

- Credit cards
- Instalment purchases and consumer credits
- Short loans

A *credit card* is a payment method where the issuer has opened a revolving account with a credit limit, that allows the cardholder to borrow money for purchases or for cash withdrawals either from ATM: s or straight to the cardholders' bank account, where the debtor pays back the borrowed amount and has agreed to the fees and interest. Commonly the issuer is a traditional bank.

Stores, both traditional and online, can offer *instalment purchases and consumer credits* for example mobile phones, laptops and even clothing. It is easy to buy large purchases you can pay in parts. The problem lies within high interest rates and fees, where the purchases final price is much more expensive when bought via instalment plans. It is common to have different instalment plans and consumer credits in addition to credit cards when in worst case the monthly instalments can become so big, that it is impossible to pay of them all. (Kröger, 2019) This leads to unpaid bills and a spiral of paying of debt with debt which can eventually lead to a payment default entry.

Short loans are in called “Pikavippi” in Finland, which straightly translates to “Quick loan” and are easy to apply for – either via SMS or online - and are warrantless loans that are paid to the applicants' bank account in a matter of minutes (Credigo). It is an option for people who are unable to apply for a credit card for some reason (Credigo). In 2017

the average amount of warrantless loans was EUR 29 000, growing with over EUR 6 000 from 2012. Short loans have been regulated in Finland with different law regulations – i.e. they cannot be applied for during night-time. The problem is still big, and many people try to pay off their smaller payday loans with a combined loan, where the amount is bigger and pay off time longer leading to a lot of interest and fees. (Grünn, 2018)

2.4 Accumulation of debt & its lifecycle

Debt is accumulated when one is living on credit. The following table will explain the phases of accumulation of debt and showing its lifecycle:



Figure 1. Accumulation and lifecycle of debt (Lindström, 2000, p.22).

A credit decision is the result of a credit contract negotiation and sales event. It is the decision whether the creditor is prepared to tie a contract with the customer. The decision has to be done according to company's credit policy and assess the risk of credit loss. A positive credit decision relies on the customers' repayment willingness and ability. (Lindström, 2000, p.23) It is also a significant contract for the creditor's financial safety and therefore requires more informed decisions than during an event of cash sale (Kilpailu- ja kuluttajavirasto, 2015). Debt is accumulated when one part is receiving good or services on credit, i.e. a credit trade. A credit trade can in this case be juxtaposed to the customer using his or her credit card or buying on instalment from a shop.

A loan is commonly a trade, where the debtor is given a certain amount of repayment time. The repayment time and terms are defined in the credit contract: amount due, due date and fees and interests are in the creditors interest. Hence, it is important to note that

in a contract of sale on credit, an invoice is not the justification for repayment. It is more of a reminder of the accumulated debt. (Lindström, 2000, p. 69) An invoice is the first step in the repayment procedure (Lindström, 2000, p. 113). The most central information the invoice needs to include is the debtors name and address, grounds and amount of debt, date of invoice and due date and payment terms, penalty interest, creditors contact and bank information and VAT, meaning value added tax (Lindström, 2000, pp. 115-118).

The creditor has to give the debtor at least 2 weeks to pay from the date of the invoice. This time can in certain circumstances be shorter, i.e. if the debtor has bought a last-minute travel deal. If the debtor does not pay the invoice on the due date, the creditor sends a reminder letter. If the reminder letter is sent 14 days after the original invoice, the debtor can add a fee for the late instalment. (Kilpailu- ja kuluttajavirasto, 2015)

In case of no repayment after invoicing, a voluntary debt collection can be started, which is debt collection without court or enforcement entities. A voluntary debt collection commonly stays between the creditor and the debtor and if the debt is paid off, the debtor avoids a payment default entry. (Lindström, 2000, p. 154)

In a case of no payment, the creditor starts a juridical debt collection with the aim to get paid for the loan or if impossible, enforcement order, for which the creditor can resort enforcement authorities (Lindström, 2000, p. 195). This is usually when a payment default entry is registered in the customer's credit data. If the debt is small, it can be too expensive to start a juridical debt collection. If the debtor is indigent, the expenses from the collection has to be paid by the creditor. (Lindström, 2000, pp. 198-199)

Enforcement strives to secure that the debt is paid off with help of liquidation of assets, i.e. converting the debtors fortune to cash, in case there is not enough funds. The debtor is sent a payment request letter, and unless the debtor reacts, enforcement entities commence enforcement, which is done by reclaiming the debtors' salary or pension. The reclaim can at its most be one third of the income amount. In some cases, the debtor may have previous debt in enforcement and the creditor might still not receive the repayment. (Lindström, 2000, pp. 301-302). The creditor may also ask for limited enforcement, which means that distraint of assets is not done and is only limited to garnishment of income or other source of monetary funds that can cover the debt (Oikeus, 2019). If the debt is in limited enforcement, the payment default entry is erased from the debtor's credit data as soon as the loan is paid (Kreditupplysningslag 18 § 4) and does not follow the normal expiration of debt, which is discussed closer in Section 2.6.

Post collection of debt means, that the debt is not actively collected anymore, but the debt is considered as valid and not expired.

2.4.1 Different types of payment defaults

Payment default entries have different types depending on the offence and how serious the said offence is. The default entry gives the creditor and possible future creditors, employers and landlords the information about the borrowers earlier uncared loans and/or credits. With this knowledge the borrower can assess the credit risk, which is commonly seen as significantly higher compared to a person with no default entries (Suomen Perintätoimisto Oy, 2016).

The different types of payment defaults in Finland can be divided as following:

- Payment defaults regarding credit ratios
- Claims
- Protests
- Debt declaration
- Bankruptcy
- Company reorganizations / Debt restructuring

And, above these records, that are not straight payment default:

- Composition
- Other default entries

2.5 Consequences of payment default entries

Losing your credit record cannot come as a surprise to the customer: leaving a bill unpaid does not mean one will automatically get a poor credit record or a payment default entry (Nykänen, 2015). The creditor is forced by law (Kreditupplysningslag 14 §) to send a warning letter to the customer of the possibility to get a payment default entry before any further actions are taken. As an example, an amortization to a consumer credit has to be late for a minimum of 60 days and the debtor has to receive the warning letter at least 21 days before the creditor registers the default (Nykänen, 2015).

This gives the debtor several chances and time to try to organize their unpaid amortizations and payments before anything else happens. If further actions are taken from the creditors side and the customer receives a payment default entry, the private financial situation is disturbed with high interest rates and fees, but it also complicates life in other areas, as mentioned before in Chapter 1.

According to Kuluttajaliitto (Maksuhäiriömerkinnän vaikutukset, 2019) and Takuusäätiö (Takuusäätiö: Maksuhäiriömerkinnän seuraukset, 2019), the following can be more challenging to receive once one has negative credit record:

- Loans, such as bank and student loans
- Bank- and credit cards
- Consumer credits and instalment purchases
- Cell phone plans and broadband connections
- Insurances
- Renting an apartment
- Employment

A payment default entry does not necessarily mean one cannot get a bank loan, as it is depending on how severe the payment default entry is. Banks are also taking into consideration the applicants economy as a whole. A loan without collaterals (i.e. consumer credits, such as credit cards) can be harder to get. Also interest rates may be higher to applicants with payment default as they are customers with higher credit risk. Even loans with collaterals, such as a student loan which is granted by the state, can be denied because of payment default entries. Non-collateral credits, such as credit cards, are practically impossible to get with payment defaults. Banks may also close your existing credit cards, even if the payment default entry was received from misuse of another credit or payment, as the information about default entries are public and banks have access to them. Other consumer credits, instalment plans, broadband connections and cell phone plans can be hard to get without a clean credit record. The same applies to insurances, and it is often required to pay for the insurance beforehand. (Kuluttajaliitto: Maksuhäiriömerkinnän vaikutukset, 2019)

When renting an apartment, the owner is allowed to control the applicants' credit records. It is remarkably more unlikely to get a rental when the credit record is poor, especially in case the earlier default entries are because of unpaid rent. As the default entry indicates of poor economic situation, the owner of the apartment can have significant loss of income in case he or she rents their apartment to one, who is unable to pay. (Kuluttajaliitto: Maksuhäiriömerkinnän vaikutukset 2019)

In some cases, employment can be denied because of poor credit record. The employer has the right to control the applicant's credit record, if the job description requires a clean credit record, i.e. when handling with money or credits. (Kuluttajaliitto: Maksuhäiriömerkinnän vaikutukset, 2019) A good example on such is a bank official.

With this said, a poor credit record does not mean one does not have right to or it is impossible to receive said services. Some basic services have to be offered, nevertheless the credit record. Everyone has the right to open basic bank services, such as bank account and online banking, electricity contracts etc. (Kuluttajaliitto: Maksuhäiriömerkinnän vaikutukset, 2019) Because the payment default entry does not come "by mistake", one should start with contacting the creditor as early as possible and try to come up with a plan to pay back the loan (Nykänen, 2015).

2.6 Expiration of debt and payment default entries

As some crimes, also debt expires. Expiration of debt is a complicated ensemble regulated by several laws. In some cases, the expiration can be the only solution to over indebtedness, but usually it happens when the debt has been enforced for several years (Takuusäätiö, 2019). The time depends on whether or not the debt is under public or civil law. Nearly all of debts are under civil law, but debts under public law can be for example taxes (Oikeus, 2019).

Normally, the general expiration of a *debt which is under civil law*, is three years and both a general and final expiration is calculated. The creditor can although apply for extension up to five years from district court for a debt collection judgment (Oikeus, 2019). This

requires the creditor to inform the debtor, as otherwise the normal expiry time will be applied. Although according to Oikeus (2019), this is not common.

Both the general expiration limit and the final expiration limit for the debt is determined synchronically. The final expiration limit for the debt is 15 years from the judgment date. In case the debt that judgment has been given on is either having a private person as creditor or if the debt has its origins in a crime and the debtor is imprisoned because of it, the expiration is 20 years. If no judgment has been set to the debt, the debt will expire 20 years from the due date (Lag om preskription av skulder 2003/728, 13 a §).

If several expiry dates can be applied to a debt, will the debt expire based on the earliest expiration date that has been set (Oikeus, 2019).

Debts that are under public law, such as taxes or other fees and fines that can be connected to municipal services like health care fees, can straightly be enforced and does not need court decision. (Lag om verkställighet av skatter och avgifter 3 §).

The expiry starts from the start of the calendar year following the year it was debited and is expired for good after five years (Oikeus, 2019).

Not only does debt expire, but so does *payment default entries*. Commonly a payment default entry will be visible on the credit report between 2-4 years. In case you only have one default entry and you pay off the debt within 2 years, the default entry will be removed. As earlier mentioned, the average person has 15 default entries, and if you receive new default entries, the extent may be prolonged for the earlier entries (Oikeus, 2019). Thus, when a debt is paid off, the default entry will not automatically be removed from the credit record.

Once the debt is paid one, the debtor may inquire the credit information company for a note that the payment has been made to the debt where the default entry came from. The credit company needs proof of it, i.e. a receipt from the creditor (Oikeus, 2019).

If the debt is constructed with an instalment plan with the help of debt and financial counsellors, it is commonly agreed separately on the filing and extent of the default entry. When the payment default entry is erased, the debt is still not written off and can be collected until expiration or until it is paid to its full amount (Oikeus, 2019).

It is notable, that a payment entry default can be filed even if it was not your personal debt, but if you are as a warrant or guarantee to someone else's debt.

3 RESEARCH DESIGN AND METHOD

3.1 Desktop research based on secondary data

This thesis is conducted as a so-called qualitative desktop research, which means no primary data was collected. A desktop research uses secondary data in order to find results to the research questions. Secondary data is originally collected for a different aim than it is used for (Kothari, 2004: p.111).

As the aim of this thesis is to gain understanding and evaluate the current situation of payment default entries and indebtedness in Finland concentrating on young adults and their buying behavior, a secondary research is suitable as it uses data and researches that are already conducted by other researchers. According to Kothari (2004), secondary data may be either published or unpublished.

Kothari (2004) mentions the following characteristics of the data must be possessed before used:

1. **Reliability of data:** Reliability can be tested in several ways. Important factors to consider are who collected the data, what were the sources, which methods were used and how accurate were they, when the data was collected and so on.
2. **Suitability of data:** It is of high importance to find data, that is suitable for the conducted research. In case the secondary data does not suit the research, it cannot be used. Examples of such are differences in the original enquiry's object, scope and nature.
3. **Adequacy of data:** Data used in research needs to be adequate in order to be able to be used. For example, the data can be aged or outdated and is therefore not acceptable to be used in the research.

In this research the following aspects are taken into consideration as are included in the processes described below.

3.2 Data collection

The possibility in online research is the time-efficiency and the vast amount of information. Before collecting the data, it is mentionable that the author has previously worked with consumer credits and therefore had knowledge about the topic from before from the creditors point of view. Therefore, knowledge from existing literature and companies storing relevant data was known from before.

Below is a step-by-step explanation on the collection based on Dingemanse (2014) example:

1. Selection of keywords and search terms.

As this thesis is focusing on payment default entries in Finland, the sources consist of material in three (3) different languages: English, Finnish and Swedish. The used keywords were for example “payment default”, “maksuhäiriö” (translation: Payment default entry), “maksuhäiriöt Suomessa” (translation: Payment default entries in Finland), “young adults buying behavior”, “nuoret aikuiset ja velkaantuminen” (young adults and indebtedness). Companies known to store data relevant for the thesis were added to the keywords, examples on such is “Asiakastieto”, “Asiakastieto maksuhäiriöt 2019”. To be sure to get the newest statistics it was important to add a timeframe to the search terms and that was an inclusion criterion to get adequate data. The theoretical framework on the other hand consist of older researches, as they are conducted on behavioral analysis or other data that is not getting old.

2. Finding of sources and data

With the help of the chosen keywords and search terms, a lot of articles, journals and public records and statistics came up. After browsing and reading through several publications on the topic, a good overall picture of the situation was gained and therefore moving on to selecting the right data that answered the research questions.

3. Selection of sources and data

As the information is vast, it was important to select data that was suitable for the aim of the thesis and answering the research questions. To find suitable data, several articles and databases, such as EMERALD and EBSCO were searched through and evaluated. In a desktop research criticism of the source is important. Hence, the chosen data consists of reliable statistical sources from well-known companies and institutions in Finland, such as banks, Statistics Finland, Asiakastieto, which is a company storing credit data and

Kansaneläkelaitos (abbr. Kela), which is the social insurance institution of Finland and stores statistical information and releases public press statements that are accurate for the thesis, as they settle benefits under social security programs guarantees the study loans. The chosen data is presented below in chapter 3.3.

4. Processing the collected data

The collected data was processed through theory driven reading of several articles, researches and statistical records. The processing of the data was analyzing the models and facts included in the theoretical framework (Dingemanse, 2014). As the most relevant source to answer the research question is via statistical records, these were processed and analyzed from the most recent ones to a few years back in order to gain understanding of the situation, detect possible patterns and relations and find explanations on why the situation has been so poor during the last years.

3.3 Presentation of the chosen data

Chosen data are from sought from the following published sources and can be seen in the table below:

- Reports and publications of associations connected with business and industry and banks
- Public records and statistics
- Publications of the central, state and local governments
- Reports prepared by research scholars, universities, economists etc. in different fields

The results are divided into four sections using four types of sources and are presented in the table below:

Table 1: Chosen data

Research review	Statistics	Banks	Law regulations & Initiatives
Nuorisobarometri	Tilastokeskus	Handelsbanken	Change in Consumer Protection Act
Marttaliitto & Lähitapiola	Nuorten hyvinvointikertomus	S-pankki	Positive credit register
POP Pankki	Kela	Nordea	Initiative to change the Consumer Protection Act
Arcada	Asiakastieto	-	-

The review of earlier research conducted on young adults buying and credit behavior presents how economics affect young adults' daily life, if parents' economical behavior affects the young adults and how they use credits. All researches are publications and reports from related industries to the topic, including a company measuring young adults aged 15-29 years annually on different areas, an insurance company and bank.

The statistical part includes of 4 main sources: Tilastokeskus (Statistics Finland), Nuorten hyvinvointikertomus, which is based on statistics sought from Tilastokeskus, Asiakastiето and Kela. All other statistical sources include the whole country, besides Nuorten hyvinvointikertomus, which is only including young adults in the capital area of Finland.

Banks are approaching young adults to receive a lifelong customer using different approaches and because loans from traditional banks are seen as positive (Lehtinen & Peura-Kapanen, 2005), 3 different banks homepages aimed towards young adults are analyzed in this thesis and what services they offer. Banks were chosen as a source because young adults will in the future affect the stability of macroeconomics. Thus, banks have a role as a trustworthy institution who supports their customer, and help them to manage their finances and avoid over-indebtedness. Print screens from the homepages can be seen in the appendices.

Regulations and initiatives were handled with information from Lexia and a bill from the Finnish Parliament. Two articles were used as sources for initiatives regarding changes in the Consumer Protection Act: an article from Yle, which is the national public service broadcasting company, and hence not a yellow tabloid and articles are serious and trusted by the Finnish population. Another article was included, Lakimiesuutiset, as it is a trade journal for lawyers and hence accurate because of the changes in the Consumer Protection Act.

4 RESULTS

The results are divided into four sections: 1. Research conducted on young adults buying behavior in Finland, 2. Statistic on young adults' financial situation and payment default entries in Finland, 3. Banks approaches on young adults and 4. Regulatory actions and initiatives in Finland to avoid over indebtedness. The chosen data is presented in chapter 3.

4.1 Review of conducted research on young adults buying and credit behavior in Finland

Nuorisobarometri conducted a research in 2015 about young adults coping with daily life. The research's results are based on 1894 phone interviews. The research found, that money is of high significance in a young adult's everyday life and differences in economic situations also affect the social inequality. 33% of the interviewees had to quit a hobby and 16.7% had cancelled plans with friends because of lack of money. (Nuorisotutkimusseura, 2016) Nuorisobarometri found, that 10% of the young adults had left a bill unpaid during the last year, 10% had consumer credits, and another 10% was willing to apply for one. At the same time the research found, that it is more common today for a young adult to receive financial aid from their parents – 58% of the interviewees who had moved out from their family home had got economical help during the last 6 months. (Nuorisotutkimusseura, 2016)

According to a survey conducted by Marttaliitto and LähiTapiola, the way of using funds is somewhat inherited from the parents. The study was conducted in 2016 as a web questionnaire with 962 participants. All participants were 18 years or older and living out of their family homes, i.e. meaning they were living independently. (Lähitapiola & Marttaliitto, 2016). The questionnaires aim was to find out if there is a correlation between the parents and children's way of spending money and whether the habits were inherited. The study shows, that over two thirds of Finns see themselves as having an organized private economy and 23% sees themselves as carefree spenders. 80% of those, who see their parents having a structured economy, sees themselves as structured as well. If the participant assessed both of their parents as care free spenders, only 51% assesses themselves as responsible and systematic in their spending. Around 70% of those, who saw themselves as responsible spenders, considered their child, who had reached adulthood as responsible regarding their private finances. (Lähitapiola & Marttaliitto, 2016)

The study's results stated, that the difference between genders were insignificant. Although, if the respondent assessed one or both of their parents' economic behavior as care-free, the male respondents saw themselves as carefree more often than females did. As a conclusion, males seem to inherit negative habits regarding usage of money slightly more often than women. (Lähitapiola & Marttaliitto, 2016).

As stated in POP Pankki's research conducted in 2018 by Syno Int., young adults are more open to different payment methods and are more active credit card-users than older generations. The research shows, that 45% of 18-22-year-olds use credit cards daily whereas only 25% of 36-55 years uses it as often, and only 16% of 56-80-year-olds use credit cards daily. POP Pankki states, that differences in generations are seen in their customers and older generations are clearly more careful when using credit-based payment methods than young adults. (POP Pankki press release, 2018) The research states, that the use of credit card and adjustments of credit limits are still on a moderate level. Half of the participants reported to have a credit limit of EUR 2 000 or less. The most common reason to raise the credit limit was travelling or financing a more expensive purchase. Nearly 50% of young adults aged 18-22 years also announced changes in their life situations to be a reason to raise their credit limit. Credit cards are mostly used when purchasing online and less for everyday purchases; such as groceries. (POP Pankki press release, 2018)

According to a study conducted in Arcada UAS in 2018, 57% of the students have credit cards and 42% do not. Nearly half of the credit card owners were unsure about their credit balance, meaning they did not know how much debt they had on their card. The low knowledge was not limited to only the credit balance: 64.8% did not know the annual percentage rate (APR), 75.4% did not know the late instalment fees, 90.7% did not know the fee for cash advance and 81.8% did not know the overdraft fee. (Ludlum, Hongell, Tigerstedt, Steelman, Reese, 2019) According to the same study, 9.4% of American undergraduate students paid of their credit card in full every month, but the study conducted in Arcada UAS did not include a question on whether the credit was paid in full every month. (Ludlum et al., 2019) If a credit is paid of full each month, the credit is interest fee. If the budgeting is done responsibly, one should be able to pay of the credit in full, but the results in the study found, that only 51% of the participants in Arcada UAS has a personal budget (Ludlum et al., 2019).

4.2 Statistics of income, loans and payment default entries

If a household with one adult has an annual income of EUR 14 430 or less, the household is seen as a low-income household (Tilastokeskus, 2018). The statistics shows, that the number of low-income households among young adults aged 18-34 years, has been rising since 2007 with a small decline during the last years:

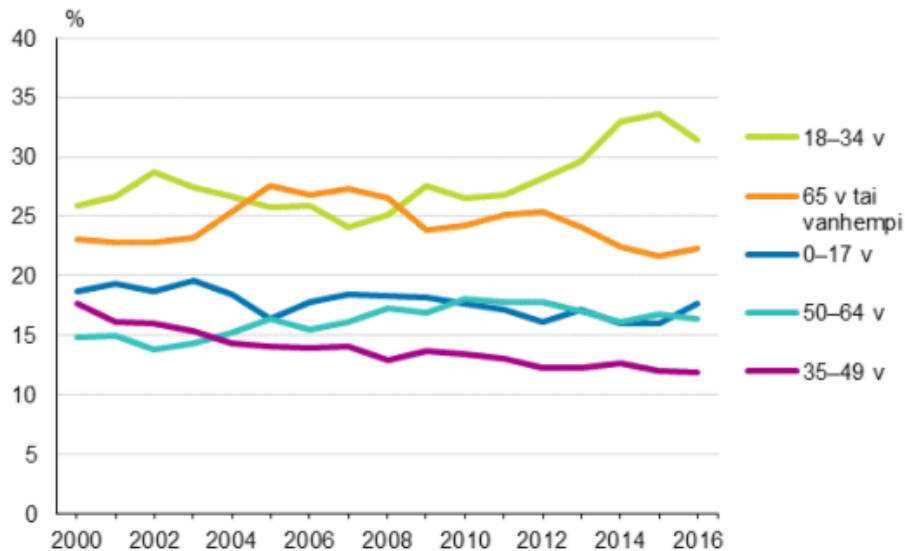


Figure 2. *Low income households /age (Tilastokeskus, 2018).*

Tilastokeskus statistics proves, that most low-income households are within the age group 18-34 years (Tilastokeskus, 2018).

In *Nuorten hyvinvointikertomus* (2018) it is mentioned that 82 300 households in the capital area aged between 20-29 years had debt in 2016, which is over 4 000 households more than in 2014. In 2018 they had increased to 105 619. The average debt amount of EUR 32 300 had remained roughly the same, and was EUR 3 100 less than the average amount of debt when considering the whole country. (*Nuorten hyvinvointikertomus*, updated 2018)

The following picture presents the share of debtors aged 20-29 years in the capital area of Finland. The blue bar stands for housing loans, red bar for student loans, green bar for other loans and yellow bar for loans for business activity and income sourcing.

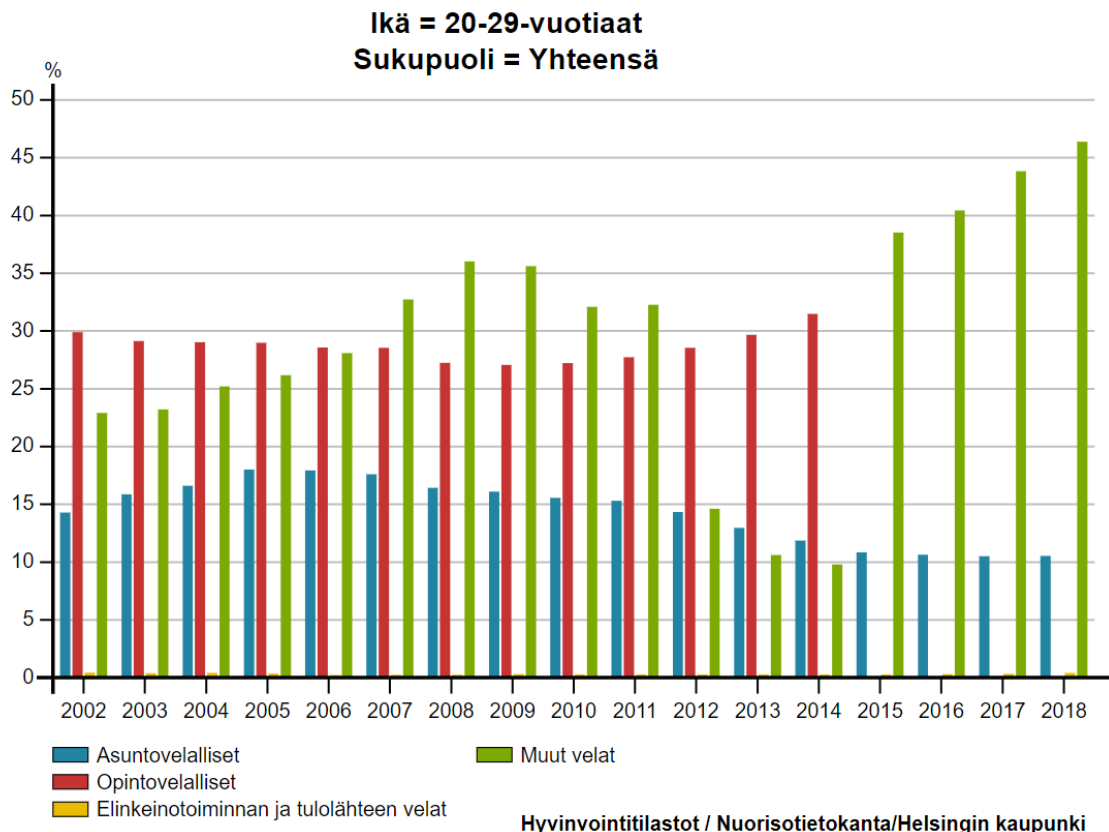


Figure 3. *Number of young adults as debtors in the capital area. (Nuorten hyvinvointikertomus, 2018)*

In 2016 11% of young adults aged 20-29 years living in the capital area had housing loans, which is around 9% less compared to the whole country. In all debtors under 30 years, the amount is just above 4%. No significant changes in housing loans are seen between 2016 and 2018. On the other hand, the amount of housing loans were on average EUR 103 700 for 20-29-year-olds, which is EUR 22 500 more than comparing to the whole country. (Nuorten hyvinvointikertomus, updated 2018)

One third of 20-29-year-olds in the capital area had student loans in 2014. The statistics separated student loans from other loans until 2014, after that they are categorized under other loans, which explains the high rise in other loans in the table since 2014. Other loans also include car loans and consumer credits. The average amount of debt categorized under other loans was EUR 9 100. (Nuorten hyvinvointikertomus, updated 2018) Student loans will be displayed later in this chapter.

Average amount of debt for business activity was just above EUR 70 000. Only 560 households had such loan. (Nuorten hyvinvointikertomus, updated 2018)

The following table presents changes in the number of households in the capital area with loans and the type of the loan, between the period of 2016-2018. The table includes households between 20-29 years in the capital area:

Table 2. Changes in loans / household 2016-2018. (Nuorten hyvinvointikertomus, 2018.)

Type of loan/year	2016	2017	2018
Housing loans	18889	18874	18806
Other loans	71826	78641	82869
Business activity	560	604	731

As can be seen, there has been a large increase in households who have other loans, that as previously explained includes consumer credits, student loans and car loans. A slight decrease in the amount of housing loans is seen between 2016 and 2018. Generally, women have less debt than men, but more women have loans than men in the capital region. (Nuorten hyvinvointikertomus, 2018).

As explained earlier, Nuorten hyvinvointikertomus includes student loans under the category other loans. The high increase in other loans since 2014 can therefore be explained. According to Kansaneläkelaitos (abbr. Kela), the total equity of state guaranteed student loans was almost EUR 2 753M in late 2017. The real equity of student loans decreased to half from 1992 to 2008, but has in the recent years increased rapidly: the total amount of student loan debtors decreased 30% from 1997 to 2008, but has increased with 42% during the last seven years. During the semester 2017/2018 Kela reported 408 500 persons to have student loans in Finland, with the average loan amount of EUR 7 631. (Kelan opintoetuustilasto, 2018) Therefore, the average amount of student loan is around EUR 1 470 less than the average amount of other loans according to Nuortenhyvinvointikertomus, meaning the other loans consists of other credits too.

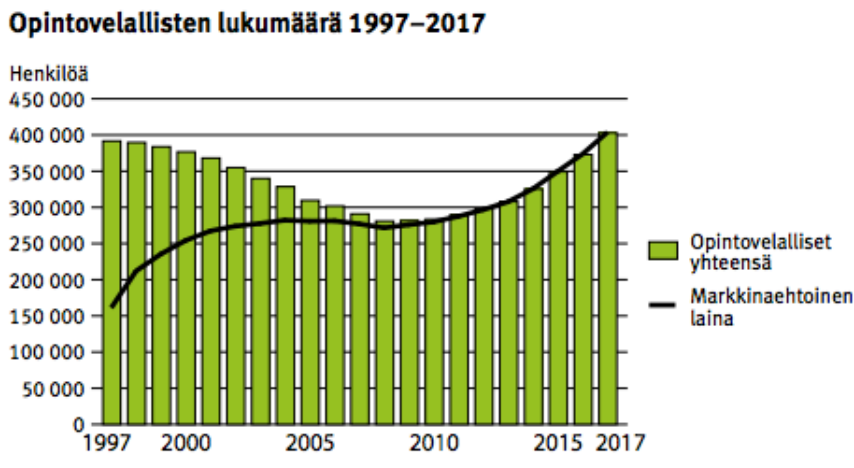


Figure 4. *Share of student loan debtors 1997-2017. (Kelan opintoetuustilasto, 2018)*

The unemployment rate in Finland is 6.6% of the population in July 2019, of which a large amount is young adults. According to Tilastokeskus (2019), 15.2% of the unemployed are between 15-24 years old. Even if the total unemployment rate sank from 2018 with 0.5%, the unemployment rate within young adults rose with 1.2%. (Tilastokeskus, 2019)

Unemployment rate / month by month 1989-2019, Finland

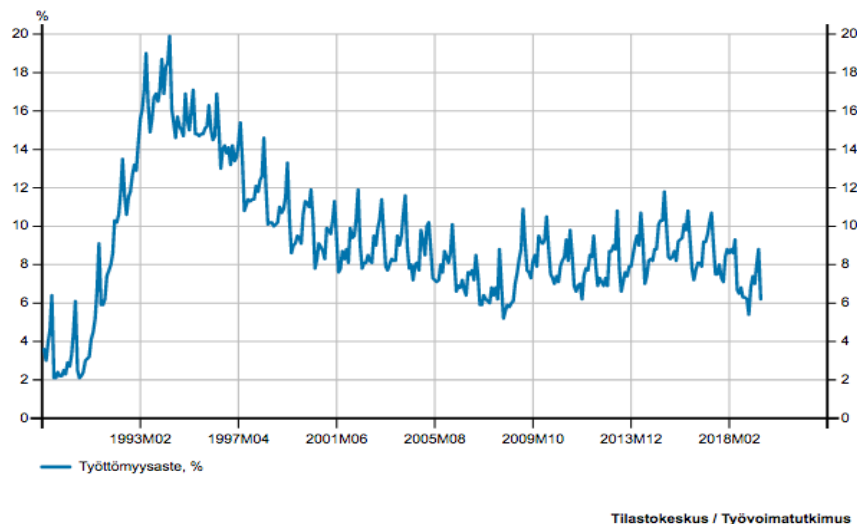


Figure 5. *Unemployment rate / month by month 1989-2018. (Findikaattori 2019)*

The employment rate amongst students on the other hand, has been increasing with a faster pace than the overall employment. The rate had grown with 2.5% in 2017 since 2016. (Tilastokeskus, 2019)

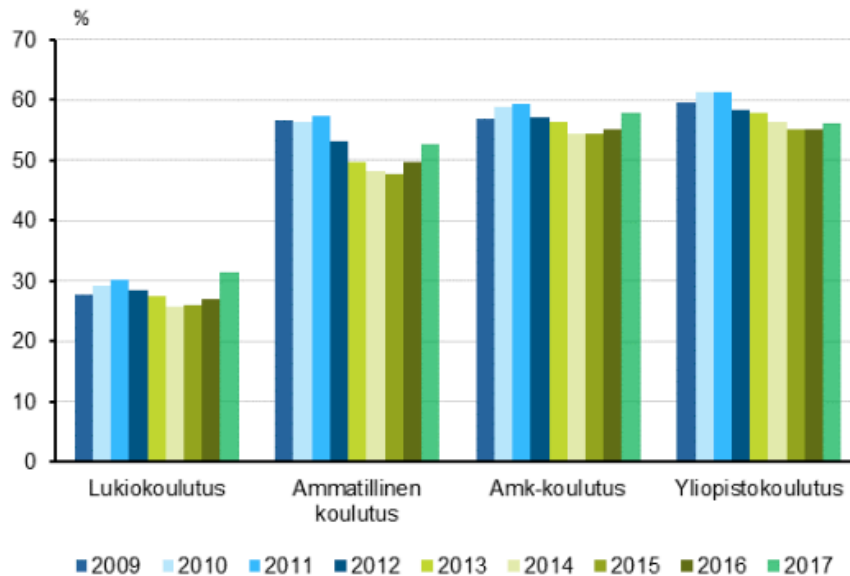


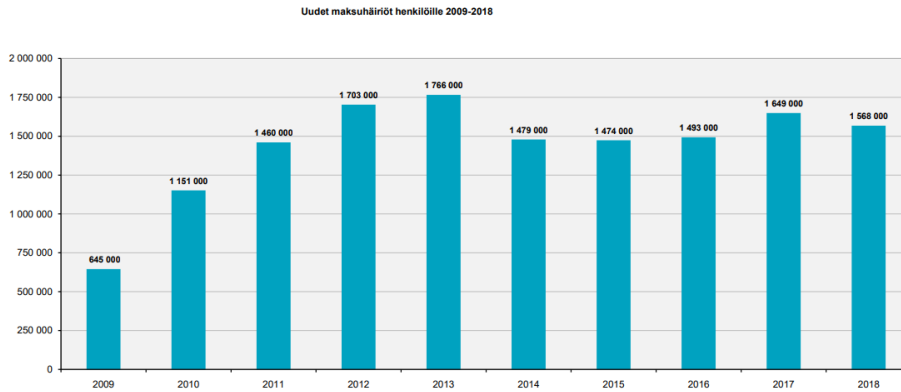
Figure 6. *Employment rate of all students aged 18 and above (Tilastokeskus 2019)*

According to Tilastokeskus (2019), there is a slight difference between genders: 56% of females are working aside studies compared to males, of whom 50 % are working. There is also a difference on the employment rate depending on age: 29% of 18 years old are working, 40% of 21-year-olds are working and 52% of 24-year-olds are working. Of students aged 25 years and above, 64% are working. There is also differences between counties: working alongside your studies is more common in Uusimaa, Pohjanmaa, Varsinais-Suomi and Ahvenanmaa. (Tilastokeskus, 2019)

Asiakastieto’s statistics on payment defaults shows, that there is a growing amount of people with payment default entries in late 2018. Around 383 200 private persons had according to Asiakastieto’s press release poor credit record, meaning approximately 8% of the whole population and the amount has never been higher.

The following figure shows how many new payment default entries have been registered between 1-12 2009-2018:

Uudet maksuhäiriömerkinnät henkilöille 1-12 2009-2018
New payment default entries for persons 1-12 2009-2018



3

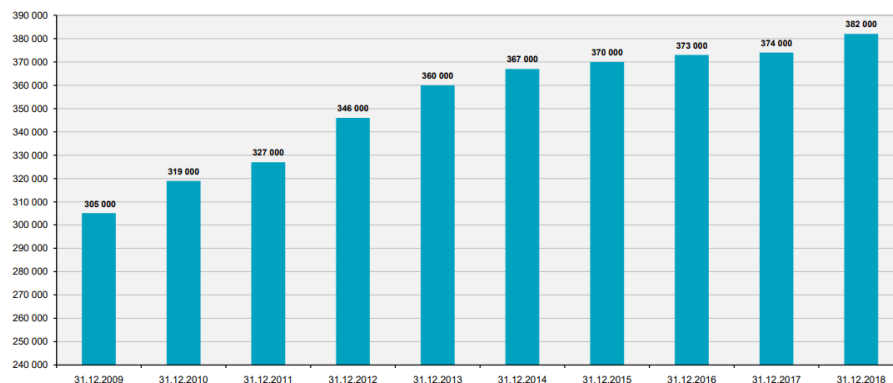
2011 lähtien jatkaneen ulosottoon sisällyttäessä velka on alhustunut oman maksuhäiriömerkinnän, joka on kasvattanut uuden maksuhäiriöiden määrää merkittävästi.
From 2011 each debt with an enforcement impediment has caused a payment default entry of its own, which has significantly increased the number of new payment defaults.

Part of Asiakastiето Group Plc

Figure 7. *New payment default entries for persons 1-12 2009-2018 (Asiakastiето Payment default statistics 2018)*

As the figure states, the amount has rapidly increased after 2010, reaching its peak in 2013 and after a few years with small decreases a new increase in 2017. After 2011 all loan with an enforcement impediment has caused a payment default entry of its own - hence the significant increase. Even if the amount of payment defaults has decreased, the amount of people with payment default entries has increased, which is demonstrated in the figure below:

Henkilöt, joilla on maksuhäiriö 31.12.2009-2018
Persons with payment defaults 31.12.2009-2018



Part of Asiakastiето Group Plc

Figure 8. *Persons with payment defaults 31.12.2009-2018 (Asiakastiето Payment default statistics 2018)*

Asiakastieto stores information on whether the debtor has paid the debt to its full, even if the payment default entry would still be valid. Of all persons with payment default entries 1.5% have 1 payment default entry with a payment entry, 1% have several payment default entries with payment entries on all defaults, 3.2% have several payment default entries with payment entries on some defaults, 12.5% have one payment default entry with no payment entry and 81% have several payment default entries with no payment entries. Of all payment default entries, nearly 40% are defaults in limited enforcement (Asiakastieto, 2018).

Asiakastieto’s press release shows, that the share of persons with payment defaults in age categories are mostly people aged between 30-34 years, who represent 13.2% of all people with payment default entries. The 35-39-year-olds and 25-29-year-olds comes as a close second with a respective 12.9% share each. Young adults between the age of 20-29 years represents 21.6% of them.

As the figure shows, under 20-year-olds represent only 1.2% of the people with payment default entries, and the amount steadily increases until 45-49-year-olds, when the amounts of payment default entries start to decrease.

The figure also separates men and women, showing that in all age groups, men have more often payment default entries than women with the largest amount within the age 30-34-year-olds.

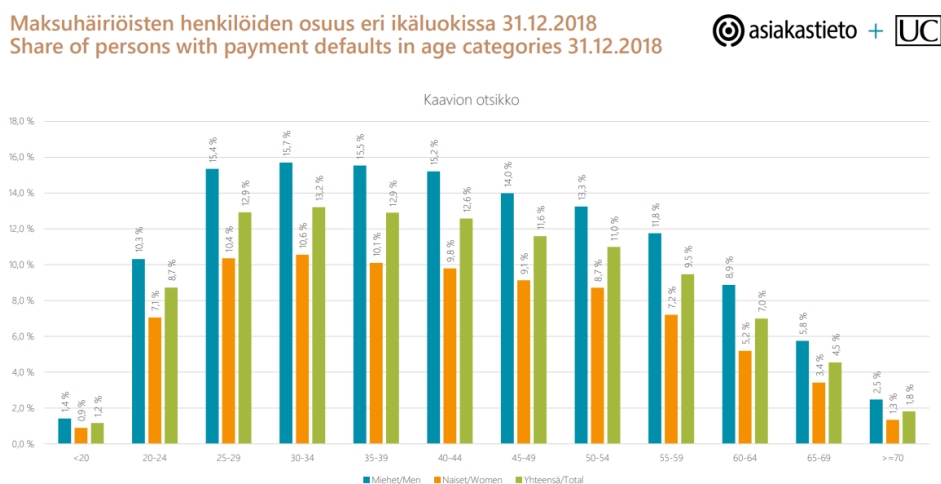
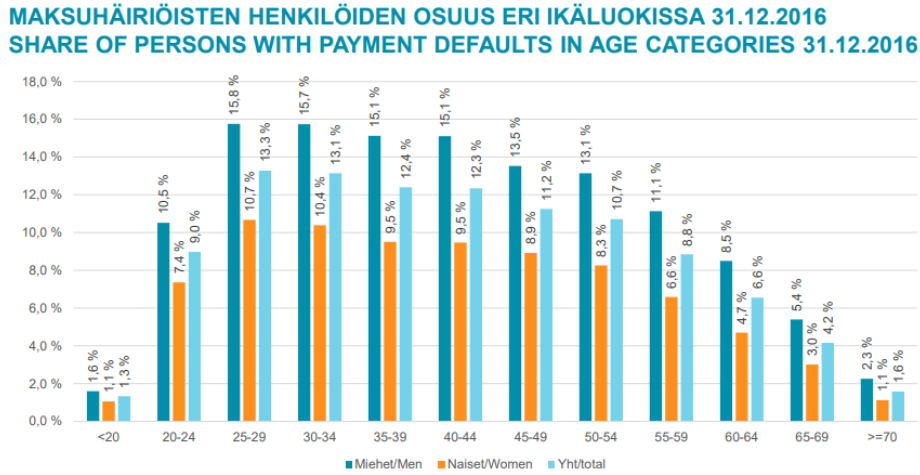


Figure 9. Share of persons with payment defaults in age categories 31.12.2018 (Asiakastieto Payment default statistics 2018)

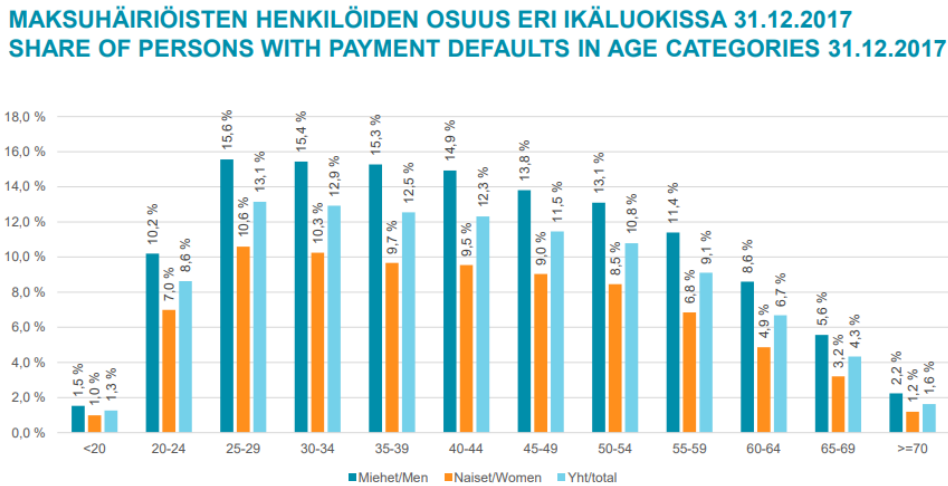
As a comparison, the share of persons with payment default entries in age categories are presented below from the previous two years (2016 and 2017):



asiakastieto.fi

Figure 10. Share of persons with payment defaults in age categories 31.12.2016 (Suomen Asiakastieto Oy: Maksuhäiriötilastot 2016)

In 2016, the share of 20-29-year-olds with payment default entries was 22.3% and under 20-year-olds was 1.3%.



asiakastieto.fi

Figure 11. Share of persons with payment defaults in age categories 31.12.2017. (Asiakastieto Payment default statistics Q1-Q4-2017)

In 2017, the share of persons with payment default entries between the age 20-29 years was 21.7%, and 1.3% for under 20-year-olds.

New payment default entries for persons Q1-Q2 2009-2019

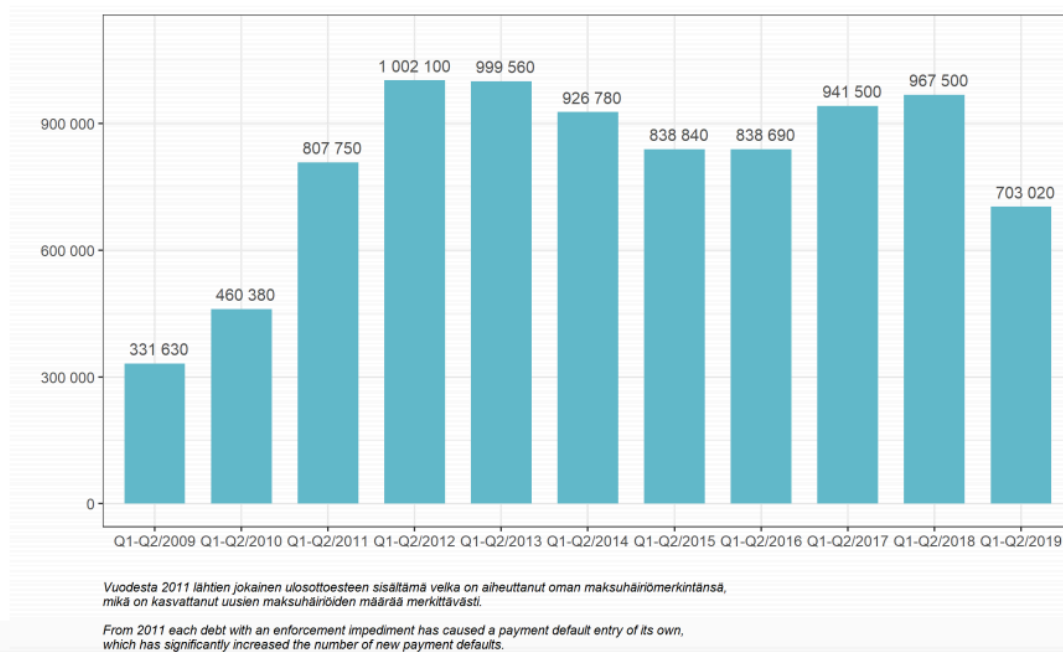


Figure 12. *New payment default entries for persons Q1-Q2 2009-2019. (Asiakastieto Press release 2019)*

The figure above presents how many new payment default entries have been registered between Q1-Q2. The statistics show, that under Q1-Q2 2019 there has been a decrease from the previous years and the amount of new default entries have not been so low since 2010.

4.3 Banks approach towards young adults

A comparison on 3 different Finnish banks approach aimed at young adults is presented below.

Handelsbanken has a separate selection for 18-year old customer and young adults. As an 18-year old, you become responsible for your own finances and parents' user rights are removed from your accounts. The changes in banking contract when a minor enters

adulthood is explained at Handelsbanken's site. Handelsbanken offers free accounts, mobile banking and debit cards until the age of 27 years.

The page has 3 main points: Everyday banking, saving and loans. The customer is invited to contact their branch office for updating their services and the homepage suggests, that even if the customer is young, it is wise to think about pension and saving for unexpected expenses. Handelsbanken mentions two loan services aimed at young adults: student loan and ASP-savings account, which is a savings account for housing loans with special conditions, meant for young adults first own housing. (Handelsbanken: Barn och unga, 2019. See appendix 1)

S-Pankki Oyj does not have as much material about young adults and their everyday banking as Handelsbanken. The section aimed at children and young adults is more concentrated on what parents can do; i.e. open an account, start saving for their children, order them a debit card or online banking. All sections are linked to an appointment booking-site. The only one specifically aimed at young adults is information on how to start saving to an ASP-savings account. (S-pankki: Lapsi tai nuori S-pankin asiakkaana, 2019. See appendix 2)

Nordea has a broad selection of material aimed towards young adults. *Nordea* has a section for ASP-savings account and an informative page on how to apply for student loan. *Nordea* also approaches young adults with information about credit cards. On their homepage, "Am I eligible for a Mastercard?", they line up 5 myths about credit cards. "*There are a number of myths surrounding eligibility for a credit card but some of them are not quite true. Read when you can and should acquire your first credit card*" (*Nordea: Personal: Credit and payment cards*). They annul myths such as you have to be 18, employed with a big salary and that credit cards should not be acquired as they drive the cardholder to debt. *Nordea* writes "*For example, students doing occasional short-term jobs may use a credit card to balance their finances. A card also makes travelling and online shopping easier and helps you purchase something a bit more expensive like furniture or a laptop*" (*Nordea, Am I eligible for a Mastercard? 2019*). The webpage has a direct link to the Netbank, where the customer can apply for the credit. (*Nordea: Nuoret aikuiset, 2019*. See appendix 3)

4.4 Regulatory actions and initiatives in Finland

One's private economy is on everyone's own responsibility and requires knowledge about finances, but there are also laws and regulations in order to protect the consumer. A brief review of these are included below.

As of 1st September 2019, a change in the *Consumer Protection Act* came into force. The change tightened interest rates and other fees in consumer credits (Simola, 2019) with the mission to avoid over-indebtedness even more drastically than before. In 2013 the Consumer Protection Act regarding consumer credits was changed so, that if the consumer credit was under EUR 2 000 the annual percentage rate (APR) can exceed the reference rate with maximum 50%. To avoid this, creditors started to offer credits with a minimum limit of EUR 2 000 (Lehtonen, 2019). The new change regulates the interest cap to be 20% maximum and other fees, (i.e. account fees and annual fees) to be a maximum of EUR 150 per annum (Simola, 2019) and is also regarding credits with limits over EUR 2 000. The law regards all new credits, only credits with collaterals, such as housing loans, are not included.

The Ministry of Justice in Finland conducted a research of a so-called *positive credit register* in 2018. A positive credit register consists of the information on the debtor or applicants' incomes and amount of debts, which gives the creditor a better total picture of the applicants' solvency (Konttinen, 2018) and therefore differs from Asiakastieto's credit data files with payment default entries. The creditors would be forced to inform how much a debtor owes the company and when admitting new credits, the creditor would be forced to check the register (Konttinen, 2018) and therefore take into consideration other debts the applicant has and get a better picture of the ability to pay. Currently, Asiakastieto keeps a consumer credit inquire system, with 38 participating creditors and more joining, especially banks (Asiakastieto Media, 8.11.2018).

Another initiative was taken in 2018, when Members of Parliament in Finland initiated a legislation, which aims to relieve debtors with shortening the time period the poor credit register affects the defaulter with a *change in the Credit Information Act*. The proposal was to delete all payment default entries from the credit data file once the debt is paid off,

expired or the grounds for the debt is extinct. The current register files the information for 2 years, nevertheless if the debt is paid off or not and if the debtor receives a new payment default entry, a previous payment default entry of an already paid loan is not deleted. This initiative would rather than guilt the debtor try to support them to get back to a normalized financial situation with speeding up the process of deleting the payment default entry or deleting them after the loan is paid off. (LA 28/2018 vp) Notable, that Asiakastieto already stores information on whether the debtor has paid off the loan.

5 DISCUSSION

In this section the results from the theoretical framework and the desktop study are discussed to answer the research question: What is the current situation in Finland regarding payment default entries and indebtedness among young adults?

As young adults mostly are low-incomers (Tilastokeskus, 2018), a surprising expenditure, such as a broken home appliance, can disturb the monthly budget. Research shows, that many young adults do not have an exact monthly budget (Ludlum et al., 2019), a large expenditure can therefore be a heavy burden resorting to credit use.

The modern technology with easy access can feed addictions like gambling, when the young adult is able to spend money on online casinos at every hour of the day. Risky behavior often peaks at the emerging adulthood; connected to a positive and optimistic view about reaching goals (Arnett, 2000), addictions can be fed with the goal to win back lost money. Statistics prove, that reported gambling problems are most common for males aged between 20-30-year-olds (Tilastokeskus, 2006). The same demographic group reported themselves to more often inherit carefree attitude towards money from their parents compared to females (Lähitapiola & Marttaliitto, 2016). This supports the fact, that it is more common for males to have payment default entries than for women, as can be seen in Figure 9 (Asiakastieto, 2018).

As described in POP Pankki's research (2018), credit cards are very commonly used especially in online stores. Young adults spend a lot of time online on various social media sites, which affects the young adults' self-esteem and increases a want to look and live

like the influencers, and encourage spending (Pahlevan Sharif et al., 2018). Influencer marketing today is one of the most important tools amongst marketers: influencers market items on their own social media sites and tag brands they are sponsored by. This makes it possible for the consumer to press a button, and straightly purchase the marketed item, feeding compulsive and impulsive buying behavior. It is arguable, that payment with credit card may be positive and even recommendable in some cases; for example, many credit cards have an insurance package as an additional service, which may be useful when paying for travelling. Still, the credit gives the consumer the ability to live above their income.

A low educational level is found to correlate with over-indebtedness (Majamaa, 2017). As could be determined from the statistics from Kela (2018) and Nuorisohyvintilastot (2018), the amount of other loans including student loans has been increasing in the past years, which can be a sign on either a worse economic situation amongst students or more young adults studying. Simultaneously as the amount of students with student loans have been increasing during the last years, the employment rate amongst students have been growing (Tilastokeskus, 2019). This indicates that students would have more available funds than previously and supports Lehtinen & Leskinen's study (2005), where young adults were actually earning more than ever before, yet gaining a lot of debt. The loan has a low interest rate and has to be paid back only when the student has graduated. If the student falls into a poor work situation with part-time work or casual contracts for several years, the monthly instalments can be a burden. Positively, the employment rate is predicted to increase (Ministry of Finance, 2019), which may indicate better opportunities for full-time, permanent job contracts. At the same time, a steady income does not always mean a financially solvent situation: it is common to have more than one credit (Kröger, 2019), and several instalments a month can be a large part of the net income - the numbers of payment default entries are alarming amongst 30-44 year olds (Asiakastieto, 2018) who would be in the ideal work force which is supported by the fact, that the least amount of low-income households are within the age group 35-49 year olds (Tilastokeskus, 2018).

As the statistics show (Asiakastieto, 2018), the number of persons with payment default entries have steadily been growing the past 10 years. The actual amount of payment default entries although grew significantly more rapidly: from 2009 with 645 000 payment default entries to 2010 with 1 151 000 defaults to 2011 with 1 1460 000 default and reaching the peak in 2013 with 1 766 000 default entries (Asiakastieto, 2018). As of 2011 all debt with an enforcement impediment has caused a payment default entry, but that is after the high increase between 2009 and 2010 and thus does not explain the high rise. One reason behind the steady growth might be the economic depression in Finland, which started in 2008. The creditor gives the debtor chances to avoid payment default entries and the creditor can try to solve the problem (Nykänen, 2015) with instalment plans or voluntary debt collection before further actions are taken.

Looking at the statistics from previous years, 2016 and 2017 (Asiakastieto), the situation regarding young adults is actually looking promising; young adults share of all people with payment default entries have been decreasing and registered payment default entries during Q1-Q2 in 2019 has not been this low since the change in 2011, which is a positive sign. At the same time, statistics show us that the amount of student loans has increased a lot with instalment starting only after graduation (Kela, 2018). It is only to be seen if a new trend will be seen within a few years when the amortizations of the loans start. Traditional loans given from banks are seen as positive (Lehtinen & Peura-Kapanen, 2005), which indicates that the high amount of student loans might increase also in the future. The amount of young adults with housing loans in the capital area has decreased during the last years (Nuorten hyvinvointikertomus, 2018), which can imply on low savings and no possibility to get a loan and also changes in wants. As described earlier, for example social media affects young adults buying behavior and young adults want similar luxury products and travels as their favorite influencers (Pahlevan Sharif et al., 2018), which might be a reason behind low savings.

Young adults still trust banks as described above, and looking at banks approach towards young adults an interesting finding was, that Nordea specifically promoted credit cards, compared to the other two banks that were analyzed. All banks informed about student loan and ASP-savings account, which helps the young adults to buy their first own housing. None of the banks on the other hand encouraged saving in any other form, such as

presenting funds or shares. POP Pankki's (2018) research shows, that customers credit limits are on a quite moderate level, which is a positive sign.

As previous research states, the economic behavior is somewhat inherited from parents (Lähitapiola & Marttaliitto, 2016). As the statistics proved, 30-34-year-olds have the most payment default entries (Asiakastieto, 2018), which might be a worry for the future, as they are in the family building age and may transfer the economic behavior to their children, who are the future financial actors.

6 CONCLUSIONS

This thesis has been focusing on payment default entries among young adults in Finland. The following conclusions can be mentioned based on the theoretical framework and results:

- Debt problems amongst young adults are based on several different reasons. At the threshold to adulthood, the young adult is facing changes in their life, such as moving out of their parental home, getting a job and education, which can come with many surprises.
- The future is looking a bit brighter for young adults based on the statistics, but the topic still needs attention and further actions, because we are in a market situation where the interest fees might jump up drastically within a couple of years and might therefore face a new phase where the loan instalments become too large.
- It is possible for people to survive a few years on savings or trying to pay off debt with another debt, but it is a temporary solution. As the now 30-44-year olds, who have the most payment default entries of all age groups were young adults at the time when the situation exploded in 2010, it is possible that the risky behavior common to the age is the reason behind their poor credit record. It also shows, that a poor credit record can affect your life for a long period of time, as they present the largest group of people with payment default entries, but also least low-incomers.

- Money has, and probably always will, affect social inequality. It is hence important to try to help suffering of financial problems and also try to find these people, before it is too late, or otherwise over indebtedness may become a national disease. Many young adults found they do not get enough guidance, and hence it is important to include it to the compulsory education in Finland.

6.1 Ethical consideration and trustworthiness of the study

Several studies are conducted earlier with questionnaires and surveys about young adults' knowledge about payment default entries. This thesis approach is different, as it aims to evaluate the situation in Finland, which factors are leading young adults to overspend and what drives their buying behavior. As the sources sought are public records and statistics they are highly trustworthy as the sample is presenting the whole country or state, compared to i.e. a survey conducted in a school or online.

The chosen method still has its limitations, even if it allows a much larger sample than a primary research. If the research questions are particular and precise, a method such as desktop research may not exactly answer them. The available data may also be collected outside the timeframe the thesis is written or including data from a different geographical area, as this thesis focuses on Finland.

6.2 Recommendations and suggestions for further research

It would be important to apply mandatory financial schooling as a part of the education, as not everyone can rely on the help of their parents or families. As the saying goes "*It takes a whole village to raise a child*", meaning it is important for other actors and bodies to take responsibility over the situation and it is important to find the people struggling in order to avoid social exclusion which may lead to substance abuse or other problems.

Several experts, such as Peura-Kapanen stated (2012), that only limitations of consumer credits are not going to solve the problem, but knowledge will.

Even if limitations alone are not the solution, they will certainly protect the consumer with regulating how much the creditor can collect interest and fees. Unfortunately, creditors tend to find ways to avoid the regulations, as they did in 2013 with only offering credit limits above EUR 2 000, as they were outside the scope of the change in the Consumer Protection Act. If the initiative of the change in the Credit Protection Act would be legalized there would be no massive changes in the in the credit data file. As can be read from the statistics, only 2.5% would actually gain from the change (Asiakastieto, 2018). Debtors in limited enforcement could take advantage of the proposal, assuming they would pay off the debt. Such change might encourage debtors to pay off their debt quicker and be able to stabilize their financial situation sooner. A positive credit register on the other hand benefits both the debtor and the creditor. As a suggestion for further research, the positive credit register should be taken into use and be developed further from the similar system Asiakastieto now offers. It is the whole nations worry if the population are over-indebted, as it affects the purchasing power, which affects how companies are able to operate and therefore the whole nation's economy.

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APPENDICES

Appendix 1: Print screen of webpage: Handelsbanken Unga och Vuxna

<https://www.handelsbanken.fi/sv/privat/barn-och-unga/banktjanster-for-unga-vuxna>

Appendix 2: Print screen of webpage: Lapsi tai nuori S-pankin asiakkaana.

<https://www.s-pankki.fi/fi/asiakaspalvelu/lapsi-ja-nuori-s-pankin-asiakkaana/>

Appendix 3: Printscreen of webpage: Nordea: Am I eligible for Mastercard?

<https://www.nordea.fi/en/personal/our-services/credit-payment-cards/eligible-for-a-mastercard.html>

Appendix 1:

handelsbanken.fi/sv/privat/barn-och-unga/banktjanster-for-unga-vuxna

Privat / Barn och unga / Unga vuxna

Banktjänster för unga vuxna

När du är ung, händer det så många saker i livet. Vi vill vara med i svängarna.



Banktjänsterna i vardagen



Bankkonto, bankkort och mobil- och nätbanken är bra verktyg för att få vardagen att löpa. Nätbankskoderna behövs också i många andra nättjänster, inte bara i nätbanken och inte heller bara för att betala utan också för att identifiera dig.

Konto och kort och mobil- och nätbanken är avgiftsfria tills du fyller 27 år.

Besök kontoret, så går vi tillsammans igenom dina banktjänster och ser till att de svarar mot de behov du har idag.

[Hitta bankkontor >](#)

Börja spara



Kanske du redan har lite sparade pengar, men nu är det hög tid att börja spara regelbundet. Ju tidigare du börjar, desto mera får du sparat. Fastän du är ung, så är det bra att börja fundera på pensionen. När du sparar på lång sikt behöver du inte spara stora summor i månaden.

[Börja spara >](#)

Lånetjänster för unga

Studielån

För studielånet behöver du statsborgen. Borgensansökan gör du på nätet på [kela.fi](#) och för det behöver du dina nätbankskoder. När du har fått borgensbeslutet, kan du anhänga om studielån i nätbanken.

[Studielån >](#)

Bostadssparande och lån med BSP

Det är viktigt att börja BSP-spara tidigast möjligt. Du får en bra ränta på ditt sparande. När det blir aktuellt att skaffa bostaden, kan du ansöka om ett BSP-lån.

[BSP till första bostaden >](#)

Appendix 2:

Etusivu > Asiakaspalvelu > Lapsi tai nuori S-Pankin asiakkaana

Lapsi tai nuori S-Pankin asiakkaana

S-Pankin palvelut sopivat erinomaisesti myös lapsille ja nuorille. Alaikäiset eivät kuitenkaan voi tehdä sopimuksia yksin vaan ne tehdään yhdessä edunvalvojien eli tavallisesti omien vanhempien kanssa. Vanhempien tehtävä edunvalvojina päättyy, kun lapsi täyttää 18 vuotta. Tämän jälkeen vanhemmilla ei enää ole oikeutta käyttää nuoren pankkipalveluita tai saada niistä tietoa ellei nuori anna siihen erikseen lupaa.



Asiakaspalvelupisteessä

Vanhemmat voivat yhdessä lapsen kanssa hakea

> pankkitiliä

> verkkopankkitunnuksia

> pankkikorttia

VARAA AIKA

Halutessasi voit tulla myös ilman ajanvarausta.

> Toimipaikat

Avaa verkkopankissa

> säästämisen ja sijoittamisen palveluja

KIRJAUDU VERKKOPANKKIIN

Kysy chatissa

Pankkitilin avaaminen lapselle

Vanhemmat voivat yhdessä avata lapselle tilin S-Pankkiin. Lapsi voi itse käyttää omaa tiliään, jos vanhemmat yhdessä antavat siihen luvan. Tällöin lapsella on oltava kuvallinen henkilöilisyystodistus, josta hänen henkilöilisyytensä voidaan todentaa.

VARAA AIKA



Verkkopankkitunnukset

Verkkopankkitunnukset voidaan avata yli 12-vuotiaalle. Verkkopankissa alaikäinen voi seurata tilitapahtumiaan, tehdä tilisiirtoja ja maksaa laskuja sekä verkkopankissa että S-mobiilissa. Hän ei kuitenkaan voi itse tehdä uusia sopimuksia pankin kanssa.

Verkkopankkitunnuksia vanhemmat voivat hakea yhdessä lapsen kanssa asiakaspalvelupisteestämme.

VARAA AIKA



Halutessasi voit tulla myös ilman ajanvarausta.

> Toimipaikat

Verkkopankkitunnusten hakeminen ▾

Pankkikortti

7 vuotta täyttäneelle lapselle on mahdollista tilata oma pankkikortti, S-Etukortti Visa Debit. Kortti voidaan liittää alaikäisen omaan tiliin tai esimerkiksi vanhemman tiliin.

Lapsen pankkikortin vanhemmat voivat tilata yhdessä lapsen kanssa asiakaspalvelupisteestämme.

VARAA AIKA



Halutessasi voit tulla myös ilman ajanvarausta.

> Toimipaikat

Kortin hakeminen ja käyttäminen ▾

Säästäminen lapselle

Vanhemmat voivat aloittaa säästämään lapselle S-Pankin verkkopankissa. Lapsen säästämisen palveluita voit avata ja hallinnoida ainoastaan vanhemman verkkopankin kautta.

AVAA PALVELUITA



Rahastosäästäminen ja S-Osakekauppa ▾

Nuori asuntosäästäjäksi

- 15–39-vuotiaille tarkoitettu ASP-tili on helppo tapa aloittaa säästäminen kohti ensimmäistä omaa kotia.
- Kun ASP-säästäjä on säästänyt vähintään 10 prosenttia tulevan asunnon hankintahinnasta, lainaa S-Pankki hänelle puuttuvan osan. Lainaa voi saada 115 000–180 000 euroa asunnon sijainnista riippuen.
- Säästämilleen rahoille voi saada myös verotonta korkotuottoa.
- ASP-laina on korkotuettu, joten saat suojaa korkotason nousulta.

> Lue lisää ASP-säästämisestä



Toisen vanhemman valtuuttaminen palveluiden avaamiseksi

Kun lapselle tai nuorelle avataan palveluita, tarvitaan suostumus kaikkilta edunvalvojilta. Vanhemmat voivat myös valtuuttaa toisensa avoimaan yksin lapsen tai nuoren palveluiden avaamiseksi asiakaspalvelupisteestämme. Sekä valtuuttajan että valtuutetun tulee olla S-Pankin asiakas.

Valtuutuksen voi antaa vapaamuotoisella valtakirjalla. Valtakirjasta tulee löytyä valtuuttajan, valtuutetun ja alaikäisen henkilöötunnukset sekä avattavat tuotteet ja palvelut (tili, verkkopankkitunnukset, pankkikortti). Saat tarkempaa tietoa valtuutuksen antamisesta asiakaspalvelustamme.

Kysy chatissa

Appendix 3:

Nordea [Our services](#) [Get help](#) [Become a](#)

Am I eligible for a Mastercard?

Adulthood, good salary, permanent employment... There are a number of myths surrounding eligibility for a credit card but some of them are not quite true. Read when you can and should acquire your first credit card.

Myth 1: You must have turned 18

Right and wrong. It is true that you as a minor cannot yet use a Mastercard of your own: you cannot apply for a combination card - which is a credit card equipped with debit and credit facilities - until you have turned 18. However, minors can have a parallel card to their parents' credit card.

The parents can set a spending limit on the parallel card to prevent excessive use of the card. There are some situations in which you should consider acquiring a parallel card with a credit facility, such as if you are a minor and move away from home, travel without your parents due to, say, a sports hobby or are about to leave home for a student exchange year. The card brings peace of mind to both you and your parents.

Myth 2: You must be employed

Wrong. A credit card with a credit limit up to 2,000 euros can be granted to university students who have a clean credit history and have no problems with their finances.

Myth 3: You must have a big, regular monthly salary

Right and wrong. When the bank is making the credit decision, it assesses the customer's financial standing as a whole based on the customer's history with managing their personal finances. A registered payment default may well prevent getting a credit card. But the customer doesn't have to earn gigantic sums, as the bank understands that in some sectors short-term employment relationships are typical. If this is the case, the fixed term of the employment will not automatically prevent the customer from having their card application approved.


Myth 4: Applying for a credit card is a long and difficult process

Wrong. For instance, you can apply for a credit card in Netbank with your access codes or by calling Nordea Customer Service. Applications are in general processed in a couple of days, and the whole process from submitting the application to the card's arrival will take approximately two weeks.

Myth 5: You should not acquire a credit card, as it will drive you into debt

Wrong. A credit card is not just for impulse purchases, but it also provides you with financial security in case of unexpected expenses. For example, students doing occasional short-term jobs may use a credit card to balance their finances. A card also makes travelling and online shopping easier and helps you purchase something a bit more expensive like furniture or a laptop. Still, you should always keep in mind that the cardholder is of course responsible for the card use.

This article by Pauliina Suominen was originally published on 8 June 2015. The article has been later revised. You can find the original article at the address ajassa.nordea.fi.



Apply for a card in Netbank

[Apply here](#)