

Saddled with debt? Indian household and businesses can call a white knight for help



Synopsis

It is very difficult to get out of a debt trap. As unsecured loans balloon, many Indians slowly realise they may need professional help to get out of a sticky situation.

In ancient times, when people's debts reached unmanageable levels and there was a danger of societal unrest, the king would forgive all debts and allow people to start afresh. Such amnesty schemes do not come easy in modern societies. And that is a problem in today's world where high household debts can destabilise the economy.

In fact, according to the Reserve Bank of India (RBI), the **credit card** outstanding rose by 29.6% to Rs 1.87 trillion (\$22.77 billion) in January 2023, up from Rs 1.53 trillion in January 2022. This has led **RBI** to privately caution Indian banks about the rising risks of unsecured lending. According to a September 2021 report by **SBI**, the Covid-19 pandemic has also resulted in a spike in the household **debt** to GDP rate. According to its estimates, it rose sharply to 37.3% in 2020-21 from 32.5% in 2019-20.

For **Harish Parmar**, the proliferation of unsecured loans and growth in household debt is a ticking time bomb.

A postgraduate from the University of Manchester's Institute of Science and Technology (UMIST), Parmar began his career in the family business in London and Manchester, focusing on trading of crude oil and by-products. But he turned to the financial world in the mid-1990s.

Parmar first entered the debt management sector in 1994 by beginning his career at Gregory Pennington, one of the first debt management organisations in the UK. He took an active role in the promotion of debt management services around the nation and in boosting awareness of their availability. After the global financial crisis of 2008, he launched his debt management company in the UK, called One Debt. The possibility of expanding the debt management services into a new market was a significant factor in the organisation's choice to look at India. In 2018, Parmar decided to set up a debt management company, **SingleDebt**, in India.

Parmar, who is in his late sixties, says the concept of SingleDebt emerged as a response to the widespread problem of debt burden in India, particularly for those who cannot seek professional help. "Many farmers and urban residents have lost their lives because of harassment by debt collectors using illegal methods. SingleDebt aims to provide ethical and lawful assistance to both debtors and banks, offering a way out of the debt trap and effective management of debts," says Parmar.

Debt-free life

SingleDebt says its primary objective is to offer workable **payment** options to clients, enabling them to pay off their debts while maintaining their daily essential expenditures. Moreover, the company provides various services that safeguard clients from creditor harassment and legal actions, freeing them from stress and helping them to rebuild their financial stability.



Harish Parmar, Founder, SingleDebt

“The need for debt advisory services in India has increased significantly due to the rising debt levels in the country. In March 2022, India's household debt was recorded at Rs 36 trillion, a substantial increase from the previous year, and 20% of households expressed anxiety about keeping up with their repayments. The lack of effective solutions and education regarding managing debt has serious implications at a personal, social, and economic level,” says Parmar.

Despite the increase in lending and borrowing, there are not enough agencies to provide help and support to individuals who fall into bad debt. The marketing of loans and credit cards is at an all-time high, and the criteria for acceptance are minimal, leading to irresponsible lending practices. As a result, many people end up owing multiple creditors and find themselves taking out new loans to pay off previous ones.

This can soon spiral into debt traps where individuals are harassed by collection agents. “In such a scenario, a company like SingleDebt exists to help people manage their debts constructively. There is a lack of knowledge among the average person about the available solutions and actions to take when facing financial difficulties. Thus, it is crucial for banks and NBFCs to cooperate and provide assistance to financially restricted individuals,” says Parmar.

The plan

SingleDebt faced some unique challenges in the early days. Bespoke software and trainers were necessary to train new staff in India. Also, an approach that suited the Indian debt market was required. Convincing the banks of the advantages of the company's services was a significant challenge, as the banks saw SingleDebt as an entity interfering with their method of debt collection. It also had to educate the public about debt management and undertake extensive marketing and PR efforts.

Any individual struggling with their debts and experiencing harassment can avail the services by visiting SingleDebt's website. The company only enrolls into its debt solutions programme customers who have missed two EMIs on their unsecured loans, like credit cards and personal loans. SingleDebt advises individuals how they can manage their debts and avoid loan defaults.

They suggest cutting back on non-essential costs, utilising savings, **debt consolidation** loans, and taking out secured loans with low-interest rates. SingleDebt also provides a free financial literacy programme to help individuals understand the debt trap and how to avoid it. Personal Debt Program (PDP) is one solution offered by SingleDebt to assist those struggling to make EMI payments. The programme provides a combination of services, including legal services and creditor calls redirection services, to protect clients from "illegal actions" of creditors.

The first step in devising a debt management plan for a customer is a free consultation with insolvency advocates and financial advisors. During this consultation, the client's financial circumstances are assessed, and a plan is proposed to the creditors. The plan aims to provide the customer with feasible payment plans that allow them to repay their loans while also meeting their essential expenses, such as rent or home loans, utilities, food, education, medication and commuting to work.





SingleDebt also assists clients with legal services associated with debts. In cases where recovery agents are harassing defaulters, SingleDebt provides debt management solutions and a team of paralegals and advocates who can file lawsuits against recovery agents. The initial step is for advocates to reach out to the creditors, and this stops the harassment in most cases. With an increase in loan apps and buy-now-pay-later schemes, creditor harassment has become more common, and it is important to act against such behaviour. Additionally, it provides counselling for emotional crisis situations, mental illness issues and suicidal ideation.

Legal and financial shield

“SingleDebt not only provides debt management solutions but also offers legal remedies to protect its clients' rights and reputation. However, it is essential to be aware of the dos and don'ts when dealing with recovery agents and using legal remedies. The Reserve Bank of India has issued guidelines against illegal harassment of borrowers by recovery agents, and formal complaints can be lodged with the police in such cases,” says Parmar.

If necessary, SingleDebt can defend its clients in court actions, including defamation lawsuits brought against recovery agents.

Bengaluru-based Vijay (name changed on request) is one client SingleDebt has been able to help effectively. The 42-year-old mechanical engineer was struggling to pay his EMIs and had maxed out six credit cards and four personal loans because of medical expenses. When he realised that he was in deep trouble, he began to look for solutions.

“My issues around debt servicing were significant, and I felt trapped and was unable to make my monthly payments. SingleDebt prescribed a debt resolution plan called PDP (personal debt payment), which was tailored to my needs and financial situation. This plan allowed me to make one monthly payment to SingleDebt, who then paid all my 10 creditors on a pro rata basis. This took the burden of paying multiple creditors off my shoulders and provided me with a clear plan to pay off my debts,” says Vijay.

SingleDebt also helped the engineer by stopping harassment from his creditors. “The type of harassment I faced was extreme, with 30 to 40 telephone calls a day, verbal abuse, and threats and agent visits to the home of my ill parents. SingleDebt's panel of advocates took eight weeks to stop the harassment legally and provided legal services in dealing with legal notices from my creditors. SingleDebt also defended me against an order from the arbitrator to remove my movable goods. Today, I pay a manageable amount each month to the company and have peace of mind knowing that my debt is being managed efficiently,” he adds.



Average amount of debt was Rs 59,748 among rural households (Rs 74,460 for cultivator households, Rs 40,432 for non-cultivator households) says All India Debt & Investment Survey NSS 77th round (January – December, 2019).

Over the course of its existence, SingleDebt has assisted over 35,000 individuals, and most of these clients are in urban areas and in age from 20 to 55. Parmar admits his company has been unsuccessful in reaching out to the rural population, but they are now actively partnering with local publications to increase knowledge about their services among the rural populace.

SingleDebt says it has seen exponential growth compared to the previous year, but did not reveal this year's numbers. The company reported a revenue of Rs 5.63 crore in FY21-22 and Rs 9.95 crore in FY22-23.

Services for companies too

Mumbai-based SingleDebt's services are not just for individual customers, but are also available for small businesses in the country. It says in the last four years it has helped over 25,000 individuals and thousands of businesses with managing their debt and putting an end to creditor harassment.

Amid the Covid-19 pandemic and the ensuing lockdown, many businesses faced severe challenges. During these trying times, SingleDebt often received requests for assistance and it decided to provide the support to help businesses regain their footing.

The clients of the company are reluctant to disclose their identities as they fear it would affect their personal and professional lives.

When a Mumbai-based restaurant chain faced a debt problem because of the Covid-19 pandemic and its aftermath, it decided to try SingleDebt.

“We had taken out two loans for expansion in June 2019, but we were forced to

close three of our four outlets and switch to a cloud kitchen model, which resulted in financial challenges. Pressure from creditors added to our difficulties and made us feel helpless until we found SingleDebt,” says the spokesperson for the restaurant chain.

The restaurant chain says it could meet its daily payments and the financial situation was getting worse. It needed professional assistance to communicate with lenders and offload its daily issues so that the restaurant could focus on running the business. “SingleDebt drew up a debt resolution that involved communicating with our lenders and informing them of our financial situation and our inability to meet daily payments. Their legal team also helped us challenge the arbitration invoked by both lenders, which was withdrawn thanks to a Supreme Court’s judgment. The breathing space provided by SingleDebt for almost a year was instrumental in stabilising our finances and resuming our daily repayments to lenders,” says the restaurant chain’s spokesperson.

SingleDebt says its 35-year track record of consumer debt management in the UK has provided it with extensive expertise to operate in the Indian market. While other providers may offer loans to pay off debts, SingleDebt offers a non-lending solution to individuals and **MSME** businesses. “Our debt management plan allows clients to pay off their debts in a manageable manner, without taking on additional loans,” he adds.

Edited by Ram Mohan.