



Grounds for social lending and instructions for loan applicants

Helsinki

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Objectives and purpose of social lending

These instructions are to relay information to residents about social lending.

Social lending is a statutory service *intended to prevent economic marginalisation and over-indebtedness, as well as to promote independent social performance for individuals and families.* (Act on social lending 1133/2022, section 1)

Social lending is not a grant; it is a loan that must be fully repaid in accordance with the terms and conditions.

Eligibility for social lending is always based on a needs assessment and the customer's ability to make repayments. It is also tied to the appropriations for this service by the wellbeing services county.

Target group for social lending

You may be eligible for a social loan if you are at least 18 years old, live in Helsinki, and are unable to receive an affordable bank loan due to your low income and insufficient assets. However, you must be able to repay any social loan that you may receive.

These are some situations in which we are able to issue a social loan to you:

- Your income or assets are insufficient to cover essential household purchases or other essential expenses of independent living. You are unable to acquire an affordable loan due to insufficient collateral or a bad credit record;
- Your debt service costs are too significant, and you cannot cover them without going further into debt;
- You have a need of social assistance due to enforcement.

Social loans are not granted for funding business activities. If you have debts in connection with your business, the conditions for you to receive a social loan are restricted. In such a case, any statutory payments required of your business must be in order.

Uses for social lending

These are some of the situations in which we can issue a social loan to you:

- To keep you from accruing further debt
- To purchase an appliance
- To promote rehabilitation or finding employment
- Health care expenses
- To handle a social crisis such as a sudden life event
- Lack of collateral or a bad credit record that prevent you from acquiring an affordable loan.

If you have debts that are difficult to manage, we may grant you a social loan to settle them. This means combining all your enforcement payments, collection debts and unpaid bills into a single loan.

In a debt settlement solution, we recommend that you file for a voluntary debt settlement record (a TK record) or a voluntary credit ban for the duration of the repayment period of the social loan. A TK record may prevent you from receiving new credit, credit cards, insurance policies, instalment contracts, or acquiring new telephone or internet contracts. It may also make it difficult to find a new rental apartment. However, the record will not have an effect on your existing contracts or rental arrangements as long as you make the payments on time.

Loan issuing process

Application procedure

If you are considering an application for a social loan, you should first contact the counselling service for social lending. Based on the discussion you have with them, we can assess if you are eligible to apply for a social loan.

We will then direct you to submit an electronic loan application through Maisa. If you are unable to submit an electronic application, paper form applications are also available. Send your completed and signed application with the required attachments by mail to the Helsinki social lending service.

The telephone number for Financial Counselling, the form and contact details are available at hel.fi/social-loans

In your application, state your intended purpose for the loan, and how you believe it will help you live independently. Also attach the documents stated on the application form.

If you need help with completing your application, social lending personnel will be happy to assist.

Attachments required for the application

Income statements:

- Most recent payslips
- Benefits decisions (housing assistance, pension, unemployment or illness allowance, student financial aid, care allowance)

Expense statements:

- Receipts for paid rent and other housing expenses
- Decision or agreement on a child support / Decision or invoice for daycare payments
- Account of health care expenses
- Account of other special expenses

Other statements:

- Debtor's Enforcement Matters printout
- Statement of debt such as car loan, student loan, consumer credit
- Account of the previous year's taxes (tax certificate, tax decision)
- Bank account statements for the previous three months

Application processing and decision-making process

We will contact you within seven working days of receiving your application. We will then invite you for a further negotiation.

In this negotiation, we will discuss your past payment record and your ability to manage your debts. We will also offer you financial planning advice.

Decisions

We will send you a written decision after the further negotiation that follows your application.

- **Positive decision:** We will invite you to a meeting to verify that you have understood the terms of the loan and to sign the loan agreement.

Loan agreements are always signed in person. At the meeting, we will verify your identity and make sure that you are sufficiently informed about the terms of the loan agreement. It is impossible to apply for a social loan in a paper-only process or on behalf of someone else with a power of attorney.

- **Negative decision:** In the decision, we will clearly tell you why we cannot grant you a loan. The decision is based on your application and the documents you have provided.

If you are dissatisfied with the decision, you can make a written claim for rectification within 30 days of receiving the decision. Instructions for submitting a claim are always provided with the decision.

Criteria for granting a social loan

Eligibility for a social loan

Social loans are intended to support you to independently manage your financial affairs. We will always consider your overall situation when we process your application.

To be granted a loan, we require your financial situation to have stabilised. If you are applying for a loan to settle your debts, we pay particular attention to:

- your current ability to make repayments;
- your future income opportunities;
- the stability of your situation; and

- how this loan would help your household now and in the future.

Assessment of your ability to make repayments

You are only eligible for a social loan if you can repay it. This means you must have enough **financial leeway** in your personal budget for the repayments and interest. This leeway is calculated by deducting the essential expenses from your and any partner's income.

Income here means regular established income. If you are on a fixed-term employment contract, you will have to repay the loan during that contract.

Expenses refer to costs related to housing, commuting, daycare for children, child support, health care and possible recurring costs such as those related to pets. To assess your essential cost of living, we make use of [the cost-of-living norms for individuals in debt adjustment confirmed by the Ministry of Justice](#).

We may ask you to demonstrate your ability to make the repayments. For example, this means that:

- you can make debt repayments for 3–6 months for a sum that is within your means;
- you can save a sum equal to the monthly repayment amount without accruing additional debt.

We particularly require a demonstration if:

- you have a history of not paying your debts,
- your bank statements show that you spend more than the payment estimate norms;
- you are grappling with gambling or substance addiction issues that limit your ability to make repayments.

For example, if you have a gambling addiction, we require you to demonstrate that you have not gambled for at least six months.

Possible obstacles

Your application may be rejected based on some of the following criteria:

- Your income would be insufficient to make the repayments.
- Your total amount of debt is too large to be covered by a social loan.
- You are eligible for a loan with reasonable terms from the regular market.
- You do not provide the requested attachments or have missed set appointments.
- You possess assets that can be liquidated or used as collateral.
- Your income and expenses allow you to save your desired sum in a reasonable time without requiring a loan.
- You are grappling with gambling or substance addiction issues that limit your ability to make repayments.
- We have reason to doubt that you will not repay the loan despite your ability to do so.
- The loan would be insufficient to settle your debts, and you would remain in debt after receiving a social loan.
- You are in a deep spiral of debt, and your situation requires the adjustment of a private individual's debt.
- You are not a resident of Helsinki.

- You are currently under a debt adjustment order or have an active social loan from another area.
- Social loans are not granted to pay additional payments of the debt.
- You are carrying business-related debt.
- Another justifiable reason.

If your application is rejected, we will provide you with clear justification and let you know how to seek redress.

Loan sum and repayment period

Social loans may be granted for a sum of €500–15,000. The repayment period for loans of under €10,000 will not exceed five years. In an exceptional situation, and if the loan sum exceeds €10,000, the repayment period may be set for up to 7 years.

Loan interest

Social loans are subject to the Bank of Finland's reference rate, which is reviewed every 12 months from the date of withdrawal. No other expenses are associated with social loans.

If your repayment is late, we may charge you a late interest. The late interest corresponds to the reference rate.

Loan agreement

Once your social loan is approved, we will conclude a loan agreement in writing with you. The agreement will include:

- the intended use of the loan,
- the repayment terms;
- the sum of the monthly instalment;
- the due dates;
- any possible special conditions.

We will explain to you the general terms of the loan, which you approve by signing the agreement. You will be given a copy of the signed agreement and the terms of the loan. We will also instruct you on the repayment schedule and your opportunities to apply for changes to them.

The loan will be paid to your bank account on a separately agreed date. After receiving the loan, you are required to provide receipts of its use to the social lending unit so we can make sure that the loan has been used for its intended purpose.

Repayment and changes to the payment plan

Repayments and monitoring thereof

Loan repayments must be made every month. You may also make a full repayment at once before the end of the loan period without additional expense.

If your payments are late, we will contact you as soon as possible to resolve your payment issues in good time.

Our recovery procedure follows the legal provisions for collecting a debt. If your repayments are late, the payment schedule is as follows:

- **The first payment notice** will be sent to you 14 days after the due date.
- **The first payment demand** will be sent to you 14–30 days after the payment notice if the payment has not been made.
- **The second payment demand** will be sent to you 30 days after the first demand if the payment has still not been made.

We can thus secure a reasonable payment schedule and help you manage your situation.

Payment-free month and changes in the repayment plan

If there is an unexpected change in your financial situation, you may apply for a payment-free month or a change to the terms of repayment, such as an extension to the repayment period or a reduction in the monthly payment. We will assess your overall situation and use this as the basis for our decision.

Remember to contact the advisory service for social lending before applying for a payment-free month or a change to the repayment plan. You may apply for these changes electronically through Maisa. You will be sent a written decision regarding the change.

A change to the repayment plan requires that we find it a sustainable long-term solution. Changes to the repayment plan are generally not made if you have taken action to reduce your ability to make repayments by accruing additional debt or by losing your willingness to make repayments after being granted a social loan.

Exemption from payments

You may also apply for an exemption from payments from the social lending unit. We may grant an exemption from making repayments or the interest of the social loan, either in part or in full. An exemption means that the collection of a loan or a part thereof may be given up, based on certain legal conditions.

An exemption is a last-resort measure and before we grant one, we will consider other measures such as financial advice, changes to the terms of the loan, payment arrangement, resettlement of the loan or payment-free months.

An exemption may be considered if your ability to make repayments has permanently changed, and debt adjustment is no longer appropriate just for a social loan.

An exemption is impossible if:

- you have other debt liabilities;
- your situation is the result of your unwillingness to make payments or the accrual of additional debt;
- your need for an exemption is the result of a material breach of the agreement or fraudulent behaviour.

The decision to approve or reject an exemption will be made by a social lending manager.

Recalling the loan and legal collection

If you do not pay late instalments despite receiving all the payment notifications and demands, your loan agreement will be terminated. Your loan agreement will be terminated if your repayments are over one month late, and the late sum exceeds at least ten per cent of the original sum of the loan or five per cent of multiple instalments. The loan agreement may also be terminated if the loan remains unpaid in its entirety.

If the late payments are due to an illness, unemployment, or another reason beyond your control, the lender may not recall the loan unless it would be unreasonable to refrain from collection measures.

If you make the payment on a late instalment before the loan is recalled, the loan agreement will remain in force, and the recall will be cancelled. The termination of the loan agreement will become valid 30 days after the termination letter is sent.

We will seek an enforcement measure from the Administrative Court regarding your terminated loan. Our dues will be subject to enforcement measures for 15 years after the Administrative Court's decision. The legal enforcement will be transferred to Svea Perintäpalvelut for collection.

Financial advice and guidance

During your loan, we will provide you with advice on financial planning and monitoring according to your needs.

We will provide you financial advice during the full repayment period if necessary. This advice is provided in person, but we can also arrange remote meetings through Maisa or another application.

We can also provide financial guidance, which will help you manage your income and expenses, as well as adjust your spending accordingly. This monitoring is provided for a set period, the duration of which is agreed with you based on your needs.

Financial advice is also available before you are granted a social loan if:

- You continue to gain additional debt, or you are not in control of your spending behaviour.
- Your income does not leave you with enough funds to manage the loan, even if it should.

You can be guided to financial advice after being granted a social loan if:

- Your loan has not been sent to collection, and/or we assess that there are risks in your ability to keep making repayments.
- You have repeatedly failed to make the agreed repayments.

Income support and social lending

Before we can grant your social loan, we will verify if you are eligible for basic social assistance from Kela or supplementary and preventive social assistance from the city. Social loans and income support serve different purposes, but there are situations in which you can be granted both.

Generally, a recipient of basic social assistance is ineligible for a social loan, as they are considered not to have the means to make repayments. An exception can be made if you are on basic social assistance due to enforcement measures, but after the enforcement is over, you will be capable of making the loan repayments.

Claims for rectification and legal protections

Claims to rectify a decision

If you are dissatisfied with a social lending decision, you can submit a claim to rectify the decision to the City of Helsinki Social, Health and Rescue Services sub-committee. Claims for rectification must be submitted within 30 days of receiving the decision and must be delivered in writing to the City of Helsinki Register Office.

Claims for rectification may also be submitted through secure email. Log in at [securemail.hel.fi](mailto:securemail@hel.fi) with your online banking credentials and send your message to helsinki.kirjaamo@hel.fi.

Read more about the Register Office at hel.fi/kirjaamo

Social and patient ombudsperson

If you are dissatisfied with how you were treated or with the services of social lending or financial advice, or you need advice on your rights, you can contact the social and patient ombudsperson. The service is free of charge.

In-person appointments are agreed in advance. Further information is available at hel.fi/sosiaali-ja-potilasasiavastaava

Objections and complaints

If you wish to submit an **objection** on a deficiency in health care and social welfare, it can be directed to the unit's responsible person or the senior official. The objection form is available [here](#).

If necessary, you may also file a **complaint** to the [Regional State Administrative Agency](#) or the [Parliamentary Ombudsman](#).

Regulations that govern social loans

[Guide to social lending](#)

[Act on social lending \(956/2022\)](#)

[Administrative Procedure Act \(434/2003\)](#)

[Act on Social Assistance \(1412/1997\)](#)

[Social Welfare Act \(1301/2014\)](#)

[Act on the Status and Rights of Social Welfare Clients \(812/2000\)](#)

[Debt Collection Act \(513/1999\)](#)

[Act on the Limitation of Debts \(728/2003\)](#)

[Municipality of Residence Act \(201/1994\)](#)

[Act on financial and debt counselling \(813/2017\)](#)

[Act on the Adjustment of the Debts of a Private Individual \(57/1993\)](#)

Helsinki

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