



# EMN Legislative Mapping Report FINLAND



December 2019

This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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- 2 Supervisory framework for non-bank lending
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- 5 Development of existing framework for non-bank microcredit provision
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## Regulation of Lending Activity

In Finland, only shareholder companies registered with the Financial Supervisory Authority are allowed to lend money directly to the public. The provision of microcredit is considered a financial activity and falls under the scope of general applicable laws on financing, which is regulated by the Crowd Funding Law (2016).

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## Supervisory Framework for Non-Bank Lending

The lending activities of non-bank MFIs are not supervised by any government institution, although registration at the Financial Supervisory Authority is mandatory. The Supervisory Authority obliges “fit & proper” requirements for the directors and owners inter alia.

Access to the database recording payment defaults is restricted to banking institutions. In principle, no direct access is available for non-bank MFIs. However, they can require prospective clients to report their credit history.<sup>1</sup>

Non-bank MFIs are not necessarily under an obligation to provide these databases with information about borrowers.

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## Products

Non-bank MFIs are allowed to disburse business and personal microloans. Regarding business microloans, the maximum amount is EUR 2.500.000. Beyond this amount, an official national prospectus is required. Furthermore, there is no interest rate cap on this type of loan in Finland.

There is no legal specification for personal microloans, although EUR 50.000 is the typical upper limit. An interest rate cap of 50% is set for personal loans under EUR 2.000. The country also has a usury law on the books, but there is no defined term for it with reference to a specific figure.

1. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe

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## Incentives and Support

In Finland, there are no national or regional funds dedicated to the support of microcredit provision or tax deduction schemes for natural persons or organizations financially supporting microcredit provision.

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## Development of the Existing Framework for Non-Bank Microcredit Provision

Initiatives are underway to update the Crowdfunding Act from 2016 to create a more level playing field between banks and the non-banking financial sector. The sector is advocating for a higher level of investor protection and for the reduction of the cost of funds for institutions providing loans to microenterprises.

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## Inclusive Entrepreneurship and Microenterprise Development

In the Finnish context, there are no simplified administrative procedures in place for entrepreneurs, and the government is not running any educational campaign to enhance inclusive entrepreneurship, microenterprise development or dedicating attention to include these subjects as part of the secondary educational curricula.

In terms of public support, there is no welfare bridge to support unemployed people in the transition towards self-employment. Although, in some cases, unemployed persons starting up a new business, or those transferring from paid work, study or work from home to self-employment, may qualify for start-up allowances (starttiraha/startpeng) from the employment office, up to EUR 1,130/month for a maximum of 18 months.<sup>2</sup> However, business development services are publicly subsidized and widely available to micro entrepreneurs.

As a way to support inclusive entrepreneurship and microenterprise development, the Government of Finland through its specialised financing company, Finnvera plc, provides various forms of financing, including the Start Guarantee for newly launched start-ups for up to 80% of coverage and the Entrepreneur Loan for SMEs for working capital or investment purposes. Furthermore, Centres for Economic Development, Transport and the Environment (ELY-centres) provide financial support, including financing for new enterprises, particularly in rural areas, and information regarding external sources of funding. Other organisations provide more specialised financing, such as the Foundation for Finnish Inventions, which covers costs such as patenting, technical and commercial testing and product development.<sup>3</sup>

2. Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe

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