

Stakes High for Armenia's Loan Shark Victims

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Borrowers typically have to sign over their homes as security for high-interest loans.

Marina Poghosyan is taking boxing lessons. It is an unusual sport for women in Armenia, and Poghosyan, 53, is her trainer's only female student.

For her, boxing is not a hobby, but something she does in deadly earnest. She took it up in the hope it would help her defend herself from the loan sharks she has taken on. Last year, she set up a campaigning NGO called Veles to tackle what she says is a nationwide problem that largely goes unnoticed.

"I have been threatened on many occasions," she told IWPR. "I need to be in good physical shape and be prepared to defend myself."

Poghosyan says more than 100 people have sought her help in the year since she established Veles.

"The people who come to us have suffered from officials at various levels [who offer loans]. The law enforcement agencies don't defend their rights so they come to us," she said. "There are similar problems in the provinces [outside the capital]. People come to us from Gyumri, from Vanadzor - there are so many of them that we aren't able to help everyone."

Armenian law defines unlawful lending as "usury", specifically any arrangement involving twice or more the central bank's interest rate, or "other deals from which one side benefits but which is extremely disadvantageous to the other".

The penalties that can be imposed are fairly low - up to two years in prison, or a fine.

At the moment, the central bank lending rate works out at two per cent a month, whereas some private lenders ask for up to 15 per cent, again monthly. But because this is illegal, they invent special terms to bump up the loan price.

"Usurers cannot officially conclude a deal to lend money at, say, ten per cent [monthly], because they'll get brought to book for that," explained Artur Sukiasyan, a lawyer who defends loan sharks' clients. "So they draw up false documentation for a property sale, which then becomes security to ensure repayment."

If the borrower fails to repay the loan, the document suddenly becomes real, and the lender will seize his or her home.

That is what happened to Zinaida Melikyan, 28, who took out a loan to grow her business - a textiles shop with her family home on the same premises - and ended up losing everything she had.

She took out a loan of 16,000 US dollars from one Kristine Vardanyan, with the interest set at ten per cent a month. When she fell behind with the repayments, she borrowed more money, and ended up with a debt of 100,000 dollars including the principal sum plus interest.

Melikyan then consolidated the debt by taking out another loan of 100,000 dollars, again at ten per cent a month.

"But no one is going to offer such a large sum without security, so [the lender] persuaded me to transfer my shop to his ownership. He said that when I paid back the money, they would re-register it as mine again," she said.

When she could not meet the payments, her home and shop were transferred to the ownership of Artavazd Ayvazyan, a lawyer and business partner of the lender, Hovhannes Yeritsyan.

When IWPR asked Yeritsyan, formerly head of civil aviation in Armenia, for an interview, he showed up with books written about him and a pistol.

He admitted acquiring Melikyan's property and said it was she who asked him to arrange the sale to Ayvazyan; all he did was make the introduction.

Ayvazyan disputed this, saying it was Yeritsyan who decided to sell the shop to him.

"I didn't know Zinaida. I reached agreement with Yeritsyan and gave him the money," he said.

Melikyan says the transfer of ownership from Yeritsyan to Ayvazyan really amounted to paying off her debt

to the former in exchange for a new loan from the latter.

She went to the police, who launched a criminal investigation that has continued for more than a year.

In the interim, Ayvazyan has had Melikyan's family evicted from the property.

Poghosyan, who was working on the case, was there when it happened, and accuses court bailiffs of assaulting her and Melikyan's 75-year-old grandmother.

"We have come to realise that the police, prosecution service, the judiciary and the state bailiff agency represent not the law but Yeritsyan's interests," she told IWPR.

Gayane Tumasyan is in a similar position. Her husband took out a high-interest loan from Yeritsyan, and their detached house was signed over as security.

"My husband paid interest at ten per cent a month over the course of a year and a half. When he was no longer able to do so, they took away the house we had built together," she said.

Yeritsyan is now living in the house, which he says he just "acquired".

"These people are slandering me. I have never lent money with interest," he told IWPR.

Tumasyan filed a complaint which resulted in criminal proceedings. The case was dropped, however. She appealed against the ruling, and judges ruled that the investigation had not been full or complete, so they ordered a new investigation.

The Veles organisation has written numerous letters to the president and the prosecution service about these cases, but has heard nothing back.

Another case involves Siranush Chplakhyan, who alleges that a former government official lent her money and eventually seized her home in lieu of payment.

"I borrowed 25,000 dollars at five per cent a month from Nune [Pluzyan], and paid 1,250dollars a month over two years. Nune demand that my house be formally signed over to her cousin. She said she'd return it once the debt was paid," Chplakhyan said.

The house was then claimed by Pluzyan's cousin Grayr Babayan, who has tried to evict Chplakhyan, so far without success.

The police have dropped their investigation into the case, and Chplakhyan has been unable to appeal against that decision, although she has a separate court case in train in which she is seeking an annulment of the property transfer.

Babayan insists the house is legally his. "I acquired this house and fell into a trap. I understand it if you find this case surprising. So do I," he told IWPR.

Chplakhyan points out that she has continued to live in the house despite it being signed over to Babayan in 2011.

"If they'd really acquired the house, would they have let us live there for all these years?" she asked.

Pluzyan was sacked from her government job in January. She denies any role in the purchase of the house and says she does not even know Chplakhyan.

Sukiasyan, the lawyer, says it is difficult to find evidence to build a legal case, since such informal loans are not documented.

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