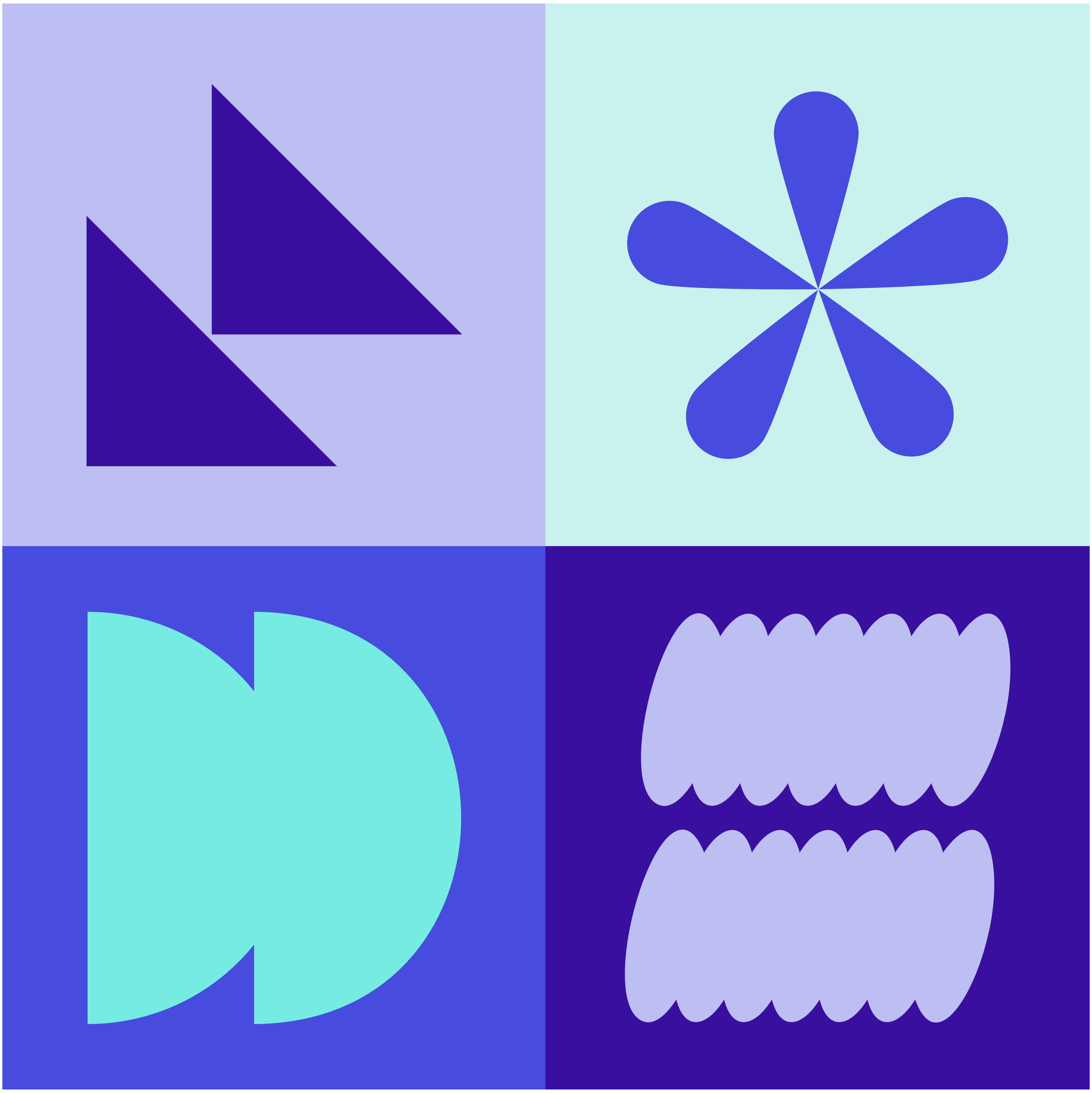
InDebted

Report

Rethinking debt collection in Brazil, Mexico and Colombia

A new playbook for modernising collections in LATAM



The new mandate for Latin American creditors

Unsecured consumer credit is surging across Latin America, ushering millions of first-time borrowers into the financial system. This wave of financial inclusion — fueled by innovation and fintech accessibility — is intensifying the operational and financial pressure on creditors.

But this wave is colliding with reality: rising delinquency, outdated infrastructure, and mounting operational strain.

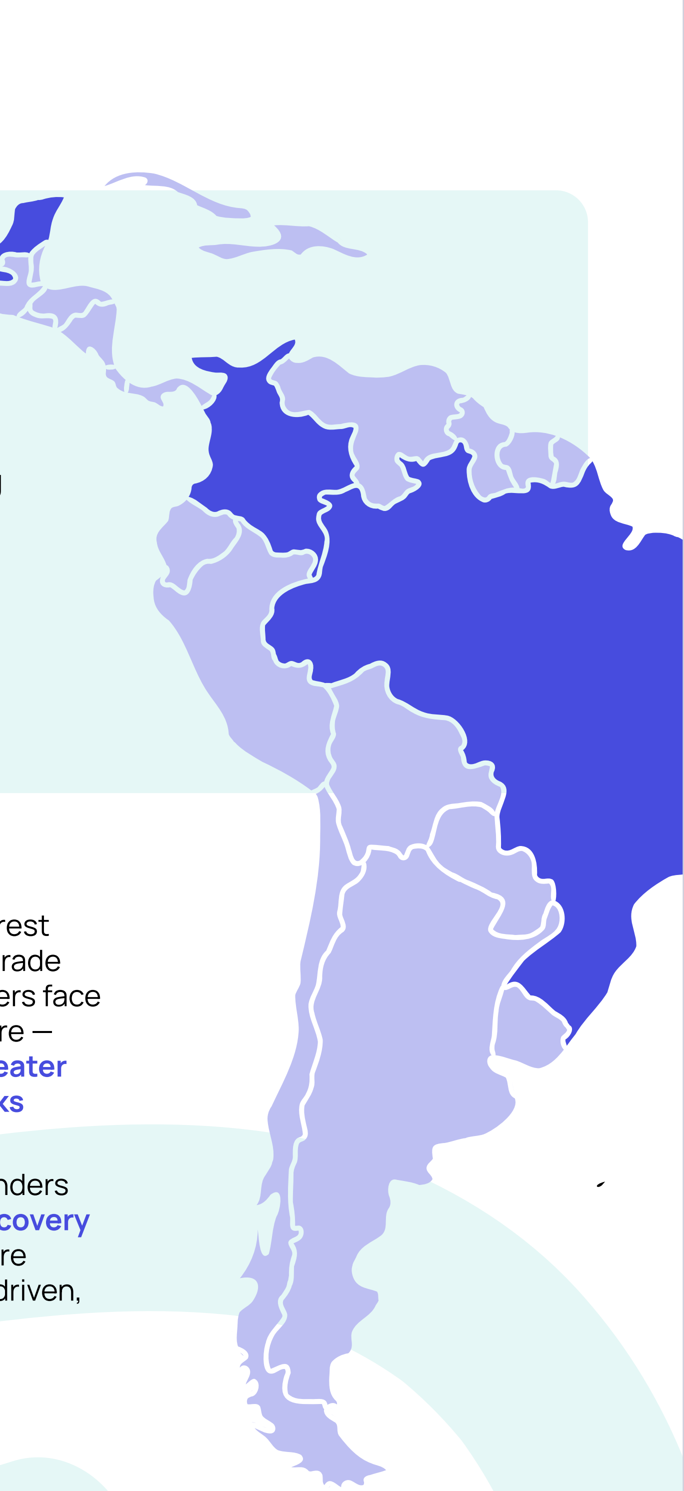
For creditors, the opportunity is massive. But so are the risks. Debt burdens are escalating, new regulations are coming into force, and traditional collection methods aren't keeping up. Many lenders are starting to feel the consequences. Some already are.

This report explores four urgent challenges that are shaping the future of collections in Brazil, Mexico and Colombia. It draws on regional data, original research from InDebted, and insights from industry experts on the ground — including collection leaders working at the heart of this transformation.

It's not just a snapshot of what's happening now. It's a call to rethink what collections should look like in a region where mobile comes before bank branches, regulation is tightening, and consumer expectations are shaped by the best of fintech.

The solutions explored here are designed for future-thinking lenders: those who want to improve performance and protect their brand. Those who understand that treating consumers with empathy is not just ethical — it's effective. And that embracing AI, automation and customer-first design is what it will take to win from 2025 and beyond.

Four challenges influencing the future of LATAM collections



In Mexico, credit card balances jumped **46%** year-on-year, signalling dangerous pressure building in lower-income segments

Colombian households now spend a shocking **28%** of their income on debt payments, a significant rise from **23%** in just one year

Brazil faces the most severe crisis, with **77.5%** of families in debt and nearly **30%** projected to default by 2025

- Household **debt is growing** rapidly across Latin America, with delinquency rates reaching alarming levels
- **Slow economic growth** forecasts for 2025-2026 suggest sustained financial strain on consumers
- With stagnating growth, high interest rates, and rising trade tensions, borrowers face mounting pressure — **and creditors greater performance risks**
- To stay ahead, lenders must focus on **recovery strategies** that are adaptable, data-driven, and empathetic

1.

More consumers are turning to credit to make ends meet

Latin American consumers are getting more into debt, and many are struggling to pay it back. These trends cut across borders. While each country has its own dynamics, the pattern is clear: more borrowing, more stress, and more accounts at risk of delinquency. For creditors, this means higher exposure and greater urgency to act by placing the customer experience front and centre — especially with economic headwinds intensifying.

Brazil: the most strained consumer debt market in the region

77.5%

of families are now in debt

29.8%

are projected to default by the end of 2025[1]

According to Fitch Ratings, the surge in unsecured lending — particularly to lower-income borrowers — has left many lenders dangerously exposed to delinquency and lower profitability.[2]

The situation has reached critical levels for some lenders. Brazilian fintechs faced crisis-level defaults on unsecured loans in 2024, with delinquency rates as high as 60%. This forced some to adopt emergency measures like undertaking mergers, scaling back expansion plans, and selling assets.[3]

[1] Brazil's consumer debt declines, trade organization reports — Agência Brasil

[2] Credit Card Delinquency to Pressure Brazilian Digital Banks, Fintechs & Card Companies — Fitch Ratings

[3] High Delinquencies Spell Trouble for Brazil's Fintechs — Bloomberg

Expert perspective

The current debt crisis has exposed the limits of traditional, pressure-driven collection models — especially those that ignore how financial stress impacts consumer behavior. To be effective, collections must evolve into a more empathetic and personalised practice, guided by data and behavioural insights that support — not pressure — repayment. In a saturated and highly competitive market, where companies fight not just for revenue but for customer loyalty, collections also play a critical role in client recovery. It's not just about recovering overdue amounts — it's about reactivating relationships, rebuilding trust, and enabling customers to re-engage with the business.

Seen through this lens, collections becomes a strategic function: one that directly contributes to customer lifetime value, long-term retention, and ultimately, the sustainability and growth of the business.

Nadia Lopes
Head of Collections, 99Pay

Colombia: increasing financial strain for households

The jump in debt-to-income ratios reflects rising vulnerability across the population — and growing risk for creditors in Colombia.

58.3%

of households went into debt or used savings to manage economic pressures in 2023[4]

28%

of Colombians now spend their income on debt repayments (up from 23% in 2022)[5]

[4] El 58,3% de los hogares colombianos se endeudaron o gastaron más de sus ahorros, según el Dane — Infobae

[5] Preocupa el nivel de endeudamiento de los colombianos, 30% de sus ingresos se van a pagar créditos — El Colombiano

Mexico: emerging warning signs

While Mexico's overall household debt remains lower than Brazil or Colombia, the warning signs are clear. Creditors should note:

46.1%

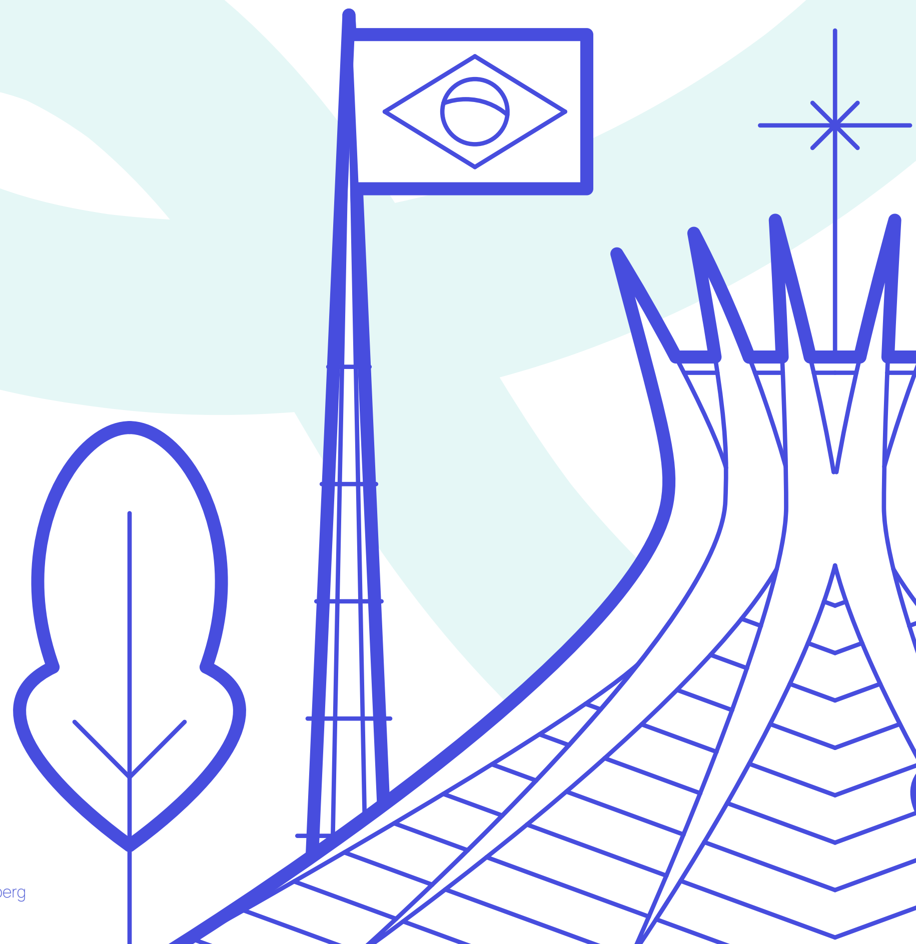
year-on-year surge in credit card balances in 2023

Default risk

remains a concern despite lower overall debt, as this credit boom could become problematic if interest rates stay high[6]

As in Brazil, rising delinquency is already putting pressure on lenders serving lower-income segments. The 2022 collapse of three lenders — AlphaCredit, Crédito Real, and Unifin — exposed just how fragile the system can be when alternative lending meets economic volatility. These institutions lent heavily to typically "underserved" low and middle income consumers, and when repayment capacity faltered, the fallout was swift.[7]

If interest rates remain elevated, repayment pressures will likely intensify — particularly for the most financially vulnerable.



[6] El endeudamiento de los hogares mexicanos se acelera — AmericaMalls & Retail

[7] Foreign Bondholders Lose $5 Billion on Mexico's Shadow Bank Collapse — Bloomberg

What's ahead: tougher economic conditions and rising repayment risk

Looking to 2025 and beyond, economic conditions are expected to put even more pressure on both consumers and creditors. Forecasts show:

- Latin America's economic growth is projected at just 1.9% for 2025–2026, falling behind other emerging markets.
- Central banks are likely to keep interest rates high due to ongoing inflation in services
- These conditions will maintain or even increase financial pressure on households already struggling with debt

The threat of a global trade war adds another layer of uncertainty. Economic projections suggest:

- A trade war could reduce Mexico's GDP by 1.7% over five years, and inflation could rise by up to 2.3% under a 25% tariff scenario[8]
- For other Latin American countries, the direct impact of a trade war may be less severe. But if a trade war with the US damages China's economy, this will reduce demand for Latin American commodities, negatively affecting the region's economies.[9]

High interest rates are already making the situation worse across the region. In Brazil, consumer loan rates have spiked above 40% after central bank hikes — putting further pressure on households already struggling with debt repayments.[10]

This combination of weak growth, sticky inflation, and high borrowing costs will likely increase the financial pressure on even more consumers.

As delinquency rates continue to rise, lenders must focus on:

1. Maximising recovery from customers who are able to repay,

...and

2. Adopting more resilient collection strategies to protect long-term profitability.

[8] Trump's threatened tariffs projected to damage economies of US, Canada, Mexico, and China — PIIE

[9] US Tariffs May Have Limited Impact on Latin America Now, but the Future Hinges on China's Macro Policy Response — CGD

2.

A new wave of consumer protection is reshaping financial services across Latin America

Key points:

- 👉 Governments across Latin America are introducing stricter rules to protect consumers as household debt grows
- 👉 Brazil's 2021 Over-Indebtedness Law forces more lender transparency and allows consumers to request debt renegotiation through the courts
- 👉 Mexico's consumer protection laws and PROFECO regulations strictly govern how collections are conducted, with an emphasis on respectful treatment and privacy
- 👉 Colombia's Law 2300, introduced in 2023, restricts when, how, and how often creditors can contact debtors
- 👉 Regulatory requirements are expected to become stricter across the region in the coming years
- 👉 Ethical, customer-first collection methods will help creditors stay ahead of these changes and avoid penalties

[10] High Interest Rates and Fintech Solution in Brazil — University of Illinois

As consumer debt rises across Latin America, regulators are stepping in to protect vulnerable borrowers from unethical lending and aggressive collection practices.

In recent years, Brazil, Mexico and Colombia have introduced sweeping reforms — and other countries are expected to follow.

Brazil: new rights for consumers, new responsibilities for lenders

Brazil's Over-Indebtedness Law (Lei do Superendividamento), introduced in 2021, aims to safeguard financially strained consumers by:

- **Requiring lenders to clearly disclose loan terms**
- **Allowing consumers to request court-supervised debt restructuring, to consolidate multiple debts into a single repayment plan**

Under the law, judges must ensure at least 25% of the 2022 minimum wage (R$303.00 or ~$57.80) is preserved for the debtor during repayment. However, consumer advocates argue this threshold is too low, and have filed lawsuits seeking to revise or annul the Decree.[11]

[11] New Developments in the Battle Against Consumer Over-Indebtedness in Brazil – TozziniFreire Advogados

[12] The Law for Transparency and Order of Financial Services - Banco de México

[13] Acuerdo A/002/2015 - Diario Oficial de la Federación

Mexico: enforcing ethical, transparent collection practices

Mexico has developed one of the most comprehensive regulatory frameworks in Latin America to protect consumers from aggressive debt collection. A combination of consumer protection, financial services, privacy, and criminal laws now strictly governs how debt may be collected — especially when it comes to vulnerable consumers.

The Law for Transparency and Order of Financial Services,

particularly Articles 17 Bis 1–4, which require financial institutions to register and supervise third-party collection agencies. The law also empowers regulators — CONDUSEF (for financial entities) and PROFECO (for commercial ones) — to issue binding standards for how debt collection is conducted

The Federal Consumer Protection Law (LFPC), strengthened by Decree A/002/2015,

explicitly prohibits harassment, deception, or intimidation. The decree also restricts contact to between 7 a.m. and 10 p.m. on weekdays, and collectors are banned from using abusive language or threatening behaviour[13]

The Federal Law on Personal Data Held by Private Parties

prohibits creditors from disclosing debt information to third parties, thereby protecting the borrower's privacy and preventing reputational damage[14]

Article 284 Bis of the Federal Penal Code,

introduced in 2017, criminalises illegal extrajudicial collection practices, including violence, intimidation, impersonation of officials, or use of fake legal documents — with penalties of up to four years in prison[15]

Raising the bar for collections standards

For creditors operating in Mexico, these laws require more than just compliance checklists. They demand a shift in approach: collections must be transparent, respectful, and accountable — and above all, aligned with consumers' rights to dignity, privacy, and fair treatment.

[14] Federal Law on the Protection of Personal Data Held by Private Parties - Gobierno de México

[15] Mexico: New Criminal Offense – Illegal Extrajudicial Debt Collection - Global Compliance News

Colombia: strict rules on contact frequency and consent

In 2023, Colombia passed Law 2300, a major update to financial consumer protection. It imposes tight controls on how creditors communicate with borrowers.

Specifically:

- 👉 Creditors may only contact borrowers during authorised hours
- 👉 They must obtain explicit consent from borrowers for each communication channel (e.g. phone, WhatsApp, SMS), and borrowers can change or withdraw their consent at any time
- 👉 Once direct contact has been made, they may not contact the borrower more than once a day, or through multiple channels in the same week[16]

Colombia tightens consumer protection

These rules are designed to limit harassment and protect consumer privacy — and they carry serious compliance risks for organisations that fail to adjust.

Looking ahead: more regulation is inevitable

As household debt continues to rise, pressure is mounting on lawmakers to protect citizens from predatory lending and aggressive recovery tactics. Even in countries where no major reforms have yet landed, the direction is clear — proactive creditors should start preparing now.

Those who adopt ethical, digital-first strategies will future-proof their operations — avoiding penalties while building stronger, more sustainable relationships with their customers.

Forward-thinking companies are already using AI-powered solutions to identify vulnerable customers earlier, offer them appropriate support options, and adjust collection strategies accordingly. They're adopting systems that can identify signs of financial pressure before they escalate, allowing for proactive intervention that protects customer welfare.

The financial institutions that thrive in this new era won't be those that fight regulation — but those that embrace it as an opportunity to innovate and deliver better outcomes for their customers and communities.

Expert perspective

"In regions like Latin America, where financial inclusion remains a work in progress, it's essential that debt collection strategies balance effectiveness with empathy. One of the key challenges is understanding each customer's unique situation and personalising the approach in a way that is not only realistic, but also genuinely supportive — enabling people to move toward lasting financial wellbeing and achieve their goals. Technology and AI have a critical role to play in this shift, helping us respond to individual needs with meaningful, scalable outcomes."

Ranferi Fierros

Director of Collections Strategy, Banco Azteca

[16] Ley 2300 de 2023 — Función Pública

3.

Traditional collections are falling behind rising digital expectations

Key points:

82%

of Brazilian banking transactions are now mobile

340%

growth in Latin America's fintech industry from 2017-2023

25%

increase in accounts resolved and +15% in cost savings show that digital strategies work

86%

of consumers prefer self-service portals over speaking with agents, according to InDebted data

👉 Traditional call-heavy collection strategies fail to engage tech-savvy consumers, who prefer digital, self-serve methods

👉 Creditors who fail to modernise their collections operation risk losing customer trust, damaging their brand, and underperforming on recoveries

The trend is clear: fintech is booming across Latin America. Consumers are managing their money through apps, mobile wallets, and digital banks. They've embraced seamless, user-friendly digital experiences — and when it comes to collections, they expect the same.

This means creditors must adapt to provide consumers with the modern debt collection approach they deserve. Doing so doesn't just protect brand reputation — it improves collections performance too.

LATAM's digital adoption is accelerating fast

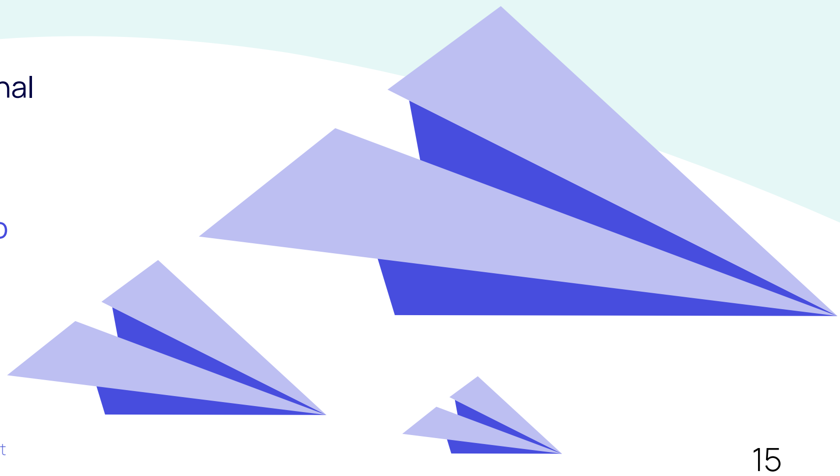
Fintech growth is exploding across the region. From 2017 to 2023, Latin America's fintech ecosystem grew by **340%** — and BNPL usage is rising at a CAGR of over **20%**. Mobile-first banking is now the norm:

A McKinsey survey found mobile payments surging across the region, particularly in Argentina and Peru[18]

82%

of all banking transactions in Brazil were via mobile in 2023[17]

As fintechs become more mainstream, traditional collection methods feel increasingly out of place. Strategies that rely solely on outbound voice calls or sending letters aren't in line with the expectations of customers who are used to managing their finances in just a few taps.



[17] Central Bank publishes 2023 statistics on retail payments and cards in Brazil — Demarest

[18] The rapid evolution of payments in Latin America — McKinsey

Old-school collections tactics frustrate tech-savvy consumers

Offering a modern fintech experience for banking and borrowing, but switching to an aggressive, outdated approach for debt collection risks frustrating and disappointing customers.

As more forward-thinking lenders adopt empathetic, customer-friendly tactics for managing late payments — like in-app notifications, grace periods, and flexible instalment options — the bar is being raised across the entire consumer finance industry.

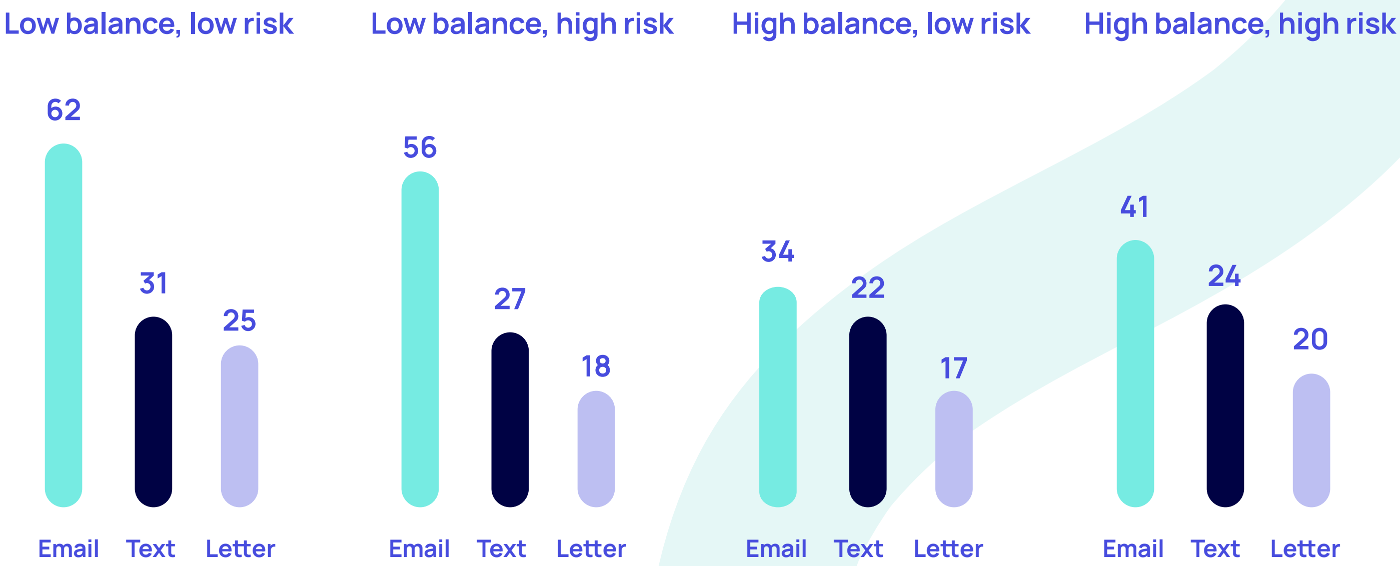
Traditional, call-heavy strategies risk alienating already stressed consumers:

- 👉 In Mexico's 2023 National Financial Health Survey, 43.8% of adults said they worry about debt piling up, with many reporting anxiety about how they'll repay it[19]
- 👉 When creditors respond to this anxiety with repeated phone calls and pressure, they don't just underperform — they create negative brand experiences that reduce long-term loyalty. Many borrowers will simply ignore or block the calls, and trust deteriorates
- 👉 Creditors that fail to recognise the emotional weight of debt — and don't adapt their collections approach — risk being seen as unethical, damaging their brand and losing long-term customer loyalty

[19] Mexicanos, los menos endeudados entre los países de la OCDE — La Jornada

Digital-first approaches improve collections performance

McKinsey research shows that modern customers strongly prefer being contacted by debt collectors through digital channels.



Preferred communication channels by credit card customers, adapted from McKinsey & Company

The result? Organisations that adopt digital collections are able are able to see results like:

+25%

increase in resolution rates for accounts that are 30+ days past due

+15%

reduction in collections costs

5X

boost in customer engagement through digital strategies[20]

[20] Asistencia a clientes holística mediante cobranzas digitales — McKinsey

InDebted's own data backs this up. We've seen:

+32%

lift in email payment conversions using highly personalised, AI-optimised communication. AI adjusts tone, language, and content for each segment — continuously learning from performance to boost impact

86%

of customers prefer self-service portals instead of speaking with agents. Managing their debts through an online portal is more convenient and less stressful than speaking with an agent, giving consumers more control over the process and with less pressure

70%

of paying customers resolve their account after opening an email

The case is clear:

Empathetic, digital-first collections aren't just better for customers — they're better for business. Modern borrowers expect nothing less.

Expert perspective

We're seeing a significant disconnect between how Latin American borrowers manage debt and how traditional collections operates. Modern consumers prefer resolving their debt independently through digital channels. This isn't just about convenience; it's about dignity. People in financial stress want control, not pressure. Creditors who embrace this digital-first approach see clear business benefits: higher engagement rates, improved recovery performance, reduced costs, and stronger customer relationships that extend beyond the collections journey. Self-service creates a win-win for both consumers and creditors in today's digital economy.

Stuart Ahmet

New Markets Lead, InDebted

4. Legacy IT systems are making it hard to deliver a modern customer experience

Key points:

👉 Delivering effective digital collections requires a modern tech foundation — including the ability to offer self-serve options and digital communication channels

👉 Data analytics, AI, and automation are essential for customer segmentation and personalisation — but are often missing in creditors' current systems

👉 Many Latin American institutions still rely on outdated systems — including Excel spreadsheets — to manage collections workflows

👉 Collections technology often lags behind other parts of the credit tech stack

👉 Most creditors have data, but lack the tools or expertise to extract actionable insights from it

👉 These limitations hurt customer experience, operational efficiency, and collections performance

Clearly, creditors across Latin America are under pressure to make debt collection experiences as smooth and customer-friendly as possible. But it's difficult for financial institutions to adopt this modern approach when they remain burdened with legacy IT infrastructure.

Effective digital collections start with a strong tech foundation

A modern collections strategy isn't just about tone or channels — it requires the right systems to support digital-first engagement.

Without these capabilities, creditors can't deliver the experience customers expect — or optimise for performance.

That means:

Establishing the technology and infrastructure that serve as the basis for digital channels and self-service options

Using data analytics, AI, and automation to identify and segment customers based on their preferences[21]

But legacy IT often holds creditors back

These two crucial pillars of modern IT — strong infrastructure and actionable data — are a challenge faced by many organisations.

Many institutions still manage collections processes with legacy systems or through tools that simply aren't fit for purpose

Legacy core banking systems make it difficult to get a unified view of a customer's loan history, leading to inefficiencies like contacting a borrower multiple times for different products

Integrating the new digital channels that consumers prefer, such as chatbots, into these old systems can also be a technical challenge

This severely limits the ability to adopt the automation, personalisation, and digital customer engagement needed for modern, effective collections

The data gap in collections

While many financial institutions have invested heavily in digitising customer acquisition and core banking services, collections has often been left behind — still running on old systems that can't support today's customer expectations.

As Receeve Co-Founder Paul Jozefak observed in our recent webinar:

Creditors are just catching up to where they should have been 10 years ago, but automation and digitalisation is only just happening today. It ultimately always comes down to the data, which often isn't being used effectively. Right now, the way a lot of technology is being used is for ingesting and even generating data — but no one's really leveraging the data at all.

Paul Jozefak
Receeve Co-Founder

[21] The customer mandate to digitize collections strategies — McKinsey

Without the proper data infrastructure and analytics capabilities, organisations lack the capabilities to extract meaningful insights that can deliver personalised, high-quality customer experiences and strong collections performance.

This technology gap presents both a challenge and an opportunity. Latin American creditors who can overcome these legacy IT barriers and implement modern solutions stand to gain significant advantages in collections performance, operational efficiency, and customer satisfaction.

Solve these four challenges with an AI-powered, human-centred approach to collections

We've outlined four major challenges that Latin American creditors must address to stay competitive in a fast-changing market:

1.*

Latin American consumers are increasingly struggling with higher debt and defaults, and this will likely become worse in the coming years. This creates greater delinquency risk for creditors.

2.*

With household debt on the rise, Latin American governments are stepping up to protect consumers like never before, presenting both a challenge and opportunity for innovation.

3.*

Modern, mobile-first consumers expect collections to match their customer-friendly fintech experiences — but traditional tactics fall short and struggle to engage them.

4.*

Effective digital debt collection requires modern tech solutions that enable operational efficiency, meaning Latin American creditors must find new solutions that are truly fit for purpose.

To adapt to the changing environment, creditors must ditch outdated debt collection approaches and old-fashioned technologies. They need modern, complete solutions that drive higher collections revenue and cost savings, as well as better customer experiences.

Improve collections performance through AI-powered solutions

With rising delinquency rates across Latin America, improving both the customer experience and collections performance has never been more crucial.

At InDebted, we combine the latest in AI-powered collections technology with an empathetic, human approach.

This delivers a smooth and personalised customer experience, boosting repayment rates and reducing operational costs.

40% higher liquidation

InDebted's Collect solution improves liquidation by up to 40% compared to traditional agencies, enabling creditors to drive performance while keeping customers happy.

Support vulnerable customers — and stay compliant

Economic pressures across Latin America have left many consumers in financially vulnerable situations. Collect uses AI to proactively detect customer vulnerability, analysing over 225 high-risk indicators to automatically flag accounts that may need specialised support.

Collect also offers flexible payment options, including customisable payment plans — giving customers sustainable options for every situation.

These features help creditors comply with regulatory requirements around vulnerable customer treatment, ensuring individuals receive the right assistance at the right time. With local regulations built into our infrastructure by code, collections activity is consistent with applicable laws and regulations.

By adopting customer-first collection practices — or by partnering with organisations like InDebted that champion an ethical, compassionate approach — organisations can play a meaningful role in promoting financial wellbeing in their communities. In a region where many borrowers are under financial pressure, treating consumers with dignity isn't just the right thing to do. It's a powerful way to build trust, strengthen brand reputation, and support greater financial inclusion.

With experience across seven global regions — including complex, highly regulated markets like the US — InDebted helps Latin American creditors stay compliant while delivering the respectful, frictionless journey today's consumers expect.

Meet customer demands for a smooth experience

Modern Latin American borrowers expect a modern customer experience. Collect provides this through our omnichannel engagement strategy, which leads to 282% higher engagement compared to traditional voice-only approaches by communicating through channels such as email and WhatsApp.

Our customer portal gives consumers the autonomy to manage their account independently, resolving their balance their way without needing to speak with an agent. Customers overwhelmingly prefer self-service portals — our data shows 86% choose this option.

And for those who prefer human support, our specialist agents are on hand to help. They're trained to provide empathetic, supportive guidance, focusing on finding sustainable solutions rather than applying pressure. This commitment to respectful, human support is reflected in our 4.8-star average rating across more than 2,500 Google reviews — a testament to the care our agents bring to every interaction. frictionless journey today's consumers expect.

Upgrade legacy systems with modern, scalable technology

Trying to scale an effective digital collections strategy with legacy IT and Excel spreadsheets is an uphill battle for most organisations. For creditors running in-house collections operations, Receeve offers a powerful way to modernise without overhauling your tech stack.

Receeve is an enterprise-grade, AI-powered collections software that integrates seamlessly with existing systems. It gives in-house teams the tools they need to succeed.

Seamless, smart, scalable: Receeve for modern collections

- 👉 Gain accurate, useful insights through real-time data analytics and dashboards
- 👉 Scale operations efficiently to handle growing volumes
- 👉 Make better decisions with trusted AI features such as behavioural scoring
- 👉 Maintain full control over your collection strategy while using advanced technology

Partnering with Latin America's most forward-thinking fintechs

InDebted is already working with industry leaders across Latin America. As Mexican fintech APLAZO.MX CEO Angel Peña said about our partnership:

We are thrilled to partner with InDebted. Their innovative, consumer-first approach to debt collection aligns seamlessly with our values of transparency and trust. Together, we aim to set a new standard for ethical and technology-driven financial solutions in the region.

Angel Peña

APLAZO.MX CEO

AI-powered collections

InDebted helps creditors in the region tackle these challenges head-on — improving collections performance and delivering a better experience for every customer.

Ready to see what a modern, AI-powered collections partner can do for your business in Latin America?

Talk to our team ›

Forward-thinking organisations choose InDebted's collections and decisioning solutions to transcend traditional methods, deliver superior customer experiences, and improve overall financial wellbeing. With a mission to change the world of consumer debt for good, our Collect and Receeve solutions empower organisations to move beyond outdated approaches and into the new generation of collections innovation.