

More Slovaks file for personal bankruptcy

Justice Ministry is making changes to demanding personal bankruptcy law

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THE NUMBER of Slovaks filing for personal bankruptcy set a new record in 2013 and is expected to rise even more this year, yet fewer people are taking advantage of this option than in neighbouring countries. Experts and market watchers say excessively demanding laws are behind the low numbers, but the Justice Ministry is working on changes to ease the personal bankruptcy rules.

In 2013, 353 individuals filed for personal bankruptcy in Slovakia, representing 114 cases or 47.7 percent more than in 2012, based on statistics of the CRIF - Slovak Credit Bureau. At the end of 2013, the number of personal bankruptcies more than doubled when compared with 2011, when the CRIF - Slovak Credit Bureau registered its first significant rise, up 55.66 percent to 165, which it ascribed to the economic crisis.

"The reason for the increase in the number of personal bankruptcies in Slovakia was the growth of the inability of private individuals to settle their financial obligations,"



People sometimes get into a vicious circle of debt. Photo: Sme

Jana Marková, chief analyst at CRIF - Slovak Credit Bureau, told The Slovak Spectator.

The Právne Centrum law firm confirms a growing interest among individuals in filing for bankruptcy.

Recently, Slovaks have become increasingly interested in resolving their financial problems through personal bankruptcy, Katarína Bystrická from Právne Centrum told The Slovak Spectator, adding that "the most numerous group are people who have gotten into a difficult financial situation as a consequence of taking on a disproportionate number of loans and credit with banks or non-licensed financial companies, often accompanied by the loss of regular income."

Bystrická specified that in the beginning most clients are not aware of all the legal requirements that come with filing for bankruptcy.

"It happens that after becoming familiar with the conditions, their initial interest decreases and they drop the idea [of filing for personal bankruptcy]," said Bystrická.

Prvá Oddlžovacia, which provides services to people who are unable to manage their debt, agrees that Slovaks know little about filing for bankruptcy as a way to get out of their desperate financial situation. This means that for some it is too late, as they no longer have the minimum assets required to successfully file for bankruptcy.

Under financial obligations, the CRIF - Slovak Credit Bureau considers all debts, not just bank loans, mortgages or forms of credit taken from non-licensed financial institutions, but also all debts for delivered but unpaid goods and services. Marková explains that in some cases

these debts may gradually become unmanageable and result in a situation from which the debtor cannot escape. The exact level of debt in such cases can vary from person to person - ranging anywhere from €10,000 to €100,000.

Slovakia's current legislation does not set a minimum level of debt for filing for bankruptcy - this is left entirely up to the debtor. The law only sets a minimal value for the debtor's assets, €1,659.70, as a condition for declaring bankruptcy. If the value of the debtor's assets is lower, the court would halt the proceeding. The debtor also must be able to cover any fees linked with the bankruptcy proceeding.

Marková explained that Slovaks typically fall into debt because they have lost their job or are working less due to illness, but low wages, a consequence of stagnant wage growth, also prevents people from being able to cover rising living costs.

"Slovakia does not differ in terms of the most commonly cited reasons for personal bankruptcy from other countries," Marková said.

According to Bystrická, the advantage of filing for bankruptcy is that once a debtor successfully completes the entire two-phase process, he is no longer responsible for any unsettled debts, which are part of this process.

See DEBT pg 8