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European Monitoring Centre on Change

# Denmark: Rescue procedures in insolvency

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Denmark

Phase:

Type:

Management

Rescue procedures in insolvency

Last modified: 22 March, 2023

Native name:

Konkursloven LBK nr 11 af 06/01/2014

English name:

Bankruptcy Act (Consolidation Act no. 11 of 06/01/2014)

## Article

Part IV, chapters 25-28

## Description

The Danish Bankruptcy Act (Konkursloven, LBK nr 11 af 06/01/2014) distinguishes between three different types of insolvency. These are bankruptcy, restructuring, and debt relief. Bankruptcy and restructuring are applicable to both legal and natural persons, while debt relief is reserved for natural persons. Aside from these judicially regulated insolvency proceedings, other non-judicial rescue procedures can be utilised, as long as the creditor agrees to it.

Restructuring proceedings can be opened through an application by either the debtor or a creditor, which then needs to be approved by the bankruptcy court. The requirement for opening restructuring proceedings is that the debtor is considered to be insolvent.

An administrator and an accountant are appointed by the bankruptcy court for the restructuring process. Although the debtor maintains control of his/her assets when entering into restructuring proceedings, he/she is required to obtain the approval of the administrator for certain large transactions. The administrator will propose a restructuring plan, which the creditors then vote on.

Restructuring proceedings generally end with one of three options:

1. The debtor recovers from the financial strains and is able to continue operating the business,
2. a compulsory composition is carried out, or
3. the debtor faces bankruptcy.

Compulsory composition (tvangsakkord) is a legally regulated restructuring procedure, in which either the amount of debt that the debtor has to pay to the creditors is reduced, or the debtor's property, or part of it, is distributed to the creditors, or the timeframe for repayment can simply be extended. A mixture of the aforementioned alternatives can also be utilised. The debtor can apply for the commencement of compulsory composition proceedings. The aim of a compulsory composition is either to enable the company to continue operating, or to free the debtor from the remaining company so that the debtor can set up a new company without the burden of the old one.

## Comments

According to the Danish statistics database, in 2018, 2,019 companies with more than one employee faced bankruptcy, 111 of which had more than 20 employees.

### Cost covered by

Not applicable

### Involved actors other than national government

Other




### Involvement others

Court, creditors

### Thresholds

No, applicable in all circumstances

### Sources

-  [Konkursloven](#)
-  [Danmarks statistik](#)
-  [Bankruptcy and a fresh start: Stigma on failure and legal consequences of bankruptcy - Denmark](#)

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