

DEBT ADJUSTMENT ACT OF  
FINLAND.  
RECENT AMENDMENTS

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# Background.

## Law originally in 1993

Fresh start for *private individuals*

- Company debts are not included
- Private business debts are included only if this business has been liquidated

General impediments to debt adjustment

- Debtor incurred debts "*obviously recklessly*", offences, improper business liabilities etc

*Administrators* suggest payment plans checked by City Courts

*Payment plan* mostly 5 years

# Amendments 1993 - 2013

- 1997 Temporary impediment to debt adjustments (= must be able to pay debts)
- 2002 Less restrictions to get into program
- 2010 Payment plan normally 3 years, not 5 years
- 2011 Drafted totally new law was rejected
  - Bailiff to make payment plans instead of administrators
  - Opposed by courts etc.

# Statistics (population in Finland 5,3 million)

1993-2012

- 108.000 petitions

2012

- 4.539 cases in court

- 2.963 accepted payment plans

- Debts totally 227 m€

- Median debt 34 t€ per person

- Payment plans 3 years (35 %), 5 years (37 %)

- 2 % less petitions than 2011

# Amendments / Working group 2013. Entry into force 1.1.2015

## Access to small business

- Private enterprise debts may be adjusted, too
- Small business only
  - If not, renovation of companies
- Comparable to employees
  - "one-chair hairdresser"
- Must be insolvent
  - On the other hand, ability to pay new debts

# Responsible lending

- ▣ Creditors must co-operate in order to conciliate debts
- ▣ Long-term contracts may be terminated prematurely
  - Lease agreements etc.
  - E.g. 3 year cable tv-agreements, internet etc.

# Payment plans

Recommendation:

- Debt advisors make more often payment plans (also small business cases)
- If the case is unclear and disputed etc., administrators may be appointed
- Cost-effectiveness (?)

The sum of the debt is fixed

- The payment plan will not be remade because of intrests etc.

# Other amendments

Owner-occupied *home* of the debtor:

- Ordinary creditors share will increase slightly

Accelerated procedure

- Payment plan may be accepted if 80 % of all the creditors agree (< 5 %)

Additional payments

Only if income has increased more than 1.500 € in a year (before 957 €)



# SUMMARY

