

Finland: Update on National Insolvency Statistics



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In summary, the COVID-19 pandemic and the ongoing war in Ukraine have not so far drastically affected the number of formal insolvency proceedings filed. In fact, there have been less filings than before the pandemic. The reason for this will surely be an interesting topic to examine in the future, but at this time we can only speculate the underlying reasons. In 2020 and 2021, the amount of direct corporate subsidies tripled compared to previous years, which on its part explains the decrease in insolvency proceedings. The reasons might include also temporary changes in Finnish insolvency regulation making it more difficult to apply debtors into bankruptcy, and the ample subsidies and low-cost financing (low interest rates) have certainly contributed. However, the total amount of filings for 2022 remains to be seen as it is not available at the time of writing.

Preventive Restructuring Proceedings

In July 2022, a major change took place in the Finnish restructuring legislation with the addition of new preventive restructuring proceedings to complement the existing, now known as regular, restructuring proceedings. As a result, there are now two different restructuring proceedings.

The new preventive

restructuring proceedings in Finland were introduced in July 2022 along with the implementation of the EU Insolvency Directive. Since then, only two preventive restructuring proceedings had been filed by the end of Q3/2022. The idea behind preventive restructuring is to enable companies facing impending insolvency to address their financial distress at an early stage to rehabilitate their business and prevent their insolvency. The objective in Finland, too, is to encourage applying to preventive restructuring proceedings early to rehabilitate companies in distress and avoid unnecessary bankruptcies.

In addition to the implementation of the directive, Finland is also amending the domestic Restructuring Act to make restructuring proceedings more flexible and cost-efficient and to prevent abuse of restructuring proceedings, for example by filing for restructuring only to delay bankruptcy or by making repeated restructuring applications. The proposed amendments are expected to come into force in the spring of 2023.

Regular Restructuring Proceedings

The so-called regular restructuring proceedings correspond to the old restructuring proceedings before the revision of the Restructuring Act.

Curiously, there have been fewer restructuring applications during the pandemic than the average in the previous years. There were only 331 filings in 2021 and 336 in 2020, while the average since the 2008 financial crisis is 448 filings per year. There was an increase in applications in the years following the financial crisis, but since 2013 the yearly number of filings decreased steadily.

The number of restructuring applications in 2022 was 339 with an increasing trend: the number of restructuring applications in

Q1/2022 was 69, but in Q4/2022 it was 95. Despite the increase, the number is still greatly below the yearly average since the financial crisis. It remains to be seen whether the number of restructuring applications continues to rise in 2023.

Notably there were only two applications to preventive restructuring proceedings, even though the option to apply for preventive restructuring proceedings has been available since July 2022.

Bankruptcy Proceedings

The reduction in restructuring filings during the pandemic cannot be explained with an increase in bankruptcy applications, because also the number of bankruptcy applications was below average during the pandemic years of 2020 and 2021 in comparison to the average in 2008–2021.

The yearly average of bankruptcy applications in 2008–2021 was 2,693, whereas in 2021 there were 2,472 bankruptcy filings and only 2,135 in 2020, especially the latter number being significantly lower than the average. However, as many as 2,656 proceedings were filed in 2022, which is a notable increase in comparison to the previous years and almost reaches the yearly average of applications made in 2008–2021. The slowest month was July with only 148 bankruptcy applications, whereas the busiest month was September with 284 applications. However, looking at the quarterly statistics, the number of bankruptcy applications remained steady throughout the year varying from 665 to 671 applications per quarter.

Therefore, based on the latest statistics from 2022, the number of bankruptcy applications also seems to be on the rise. Coupled with the fact that the number of restructuring applications is also rising, this may indicate busier times for insolvency practitioners in 2023. ■



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