

New solvency registry in Greece: A first step towards digitalization

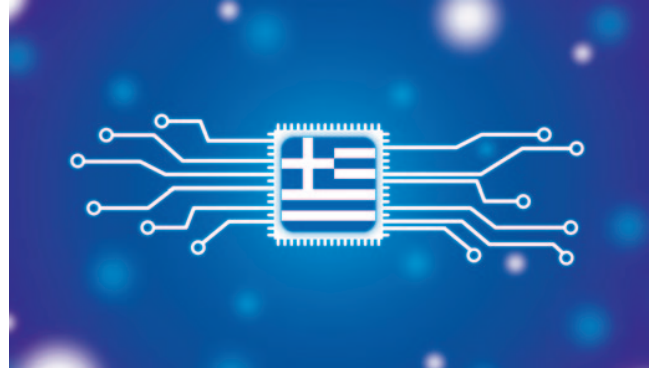


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The term ‘Greek statistics’ often evokes distasteful memories. Yet, in the insolvency field, Greece has long suffered, not from unreliable statistics, but rather from a complete absence of comprehensive data on the operation of the insolvency system.

The recent overhaul of the insolvency framework by virtue of *Law 4548/2020 on Debt Settlement and Facilitation of Second Chance* (Insolvency Law) has proved a game-changer as far as digitalization and data collection is concerned. In particular, the Insolvency Law has established a unified Solvency Registry, where all notifications regarding the various insolvency and restructuring procedures must be published. Such information ranges from the issuance of insolvency judgments and the ratification of rehabilitation agreements to less consequential procedural steps, such as the sealing of the insolvent estate, the conclusion of contracts by the insolvency practitioner etc. Judging from the breadth of available information, the Solvency Registry constitutes the first ever database on insolvency and restructuring statistics in the country.

That being said, the comprehensiveness of the available information could be improved. Data on the registry is entered by users directly, either by insolvency practitioners, the debtor or creditors, and is not managed centrally. As a result, the system still suffers from double or triple entries as well as from inaccurate filings. In addition, though the Registry is publicly available, it is not particularly user-friendly and does not offer a useful search facility permitting multiple parameters, making the processing of data a challenging



task. Even with these limitations, however, the statistics that can be obtained can show general trends and prove useful in understanding the application of the relevant insolvency and restructuring legislation in practice.

The system first took effect in March 2021. Since then, there have been a total of 1097 registry entries designated as the filing of insolvency applications. The vast majority of such applications (88%) relate to individual debtors, which was an expected development, since the new Insolvency Law extended eligibility to consumers for the first time. A striking feature is that most insolvency applications (90%) have been filed during 2022. This can be partially attributed to the delayed familiarization of debtors with the new available procedures, but may also reflect the growing financial pressures currently faced by businesses and households, as a result of inflation and the energy crisis. According to the registry, there have been 336 declarations of insolvency, 89% of which relates to natural persons, whereas the remaining have been dismissed or withdrawn or are currently pending before the insolvency courts. The absence of any reliable historical data makes it difficult to consider emerging trends, but the general impression

is that the number of insolvency filings and judgments is significantly higher than in previous years, probably attributable to the inclusion of consumers within the law’s scope.

As far as rehabilitation proceedings are concerned, the picture is somewhat clearer. In fact, rehabilitation constitutes the only available restructuring procedure under Greek law and is also classified as a preventive restructuring proceeding for the purposes of implementation of the EU Directive. Since the introduction of the new Insolvency Law, there have been 64 applications to confirm rehabilitation agreements, almost exclusively corporate. Courts have issued 22 judgments confirming rehabilitation agreements, whereas two applications were dismissed, although the number of applications dismissed may be under-reported, given the absence of incentives for the debtor to register a failed rehabilitation attempt. These statistics, however, confirm the widely-held perception that rehabilitation is an attractive restructuring mechanism only for larger debtors and does not constitute a ready restructuring tool for the majority of distressed businesses. ■



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