

Update on National Insolvency Statistics from Lithuania

No significant surge in restructuring cases despite transposition of the Preventive Restructuring Directive.

This is the conclusion of the summary of the recent statistics in Lithuania on restructuring and bankruptcy proceedings, as reported by Andrius Juškys and Frank Heemann from bnt attorneys in CEE.

Lithuania has transposed the Preventive Restructuring Directive by amending its relatively young Law on Insolvency of Legal Entities of the Republic of Lithuania (the LILE). The amendments came into effect on July 15, 2021.

Their aim was to facilitate access to restructuring procedures for legal entities with financial difficulties, i.a. by motivating debtors to initiate at an early stage restructuring proceeding for rescuing businesses. Due to external factors the impact of external factors, such as the COVID pandemic, the war in Ukraine and record high inflation, it is difficult to assess the actual impact of the amendments to the LILE and related tools such as the Early Warning System on decisions of companies with financial difficulties to initiate or not restructuring or to choose other insolvency proceedings. However, until now there has been no significant increase neither in restructuring nor in bankruptcy proceedings.

Historically, the number of restructuring proceedings has always been low since the introduction of this kind of proceedings in 2001 with the Law on Enterprise Restructuring. Only 2% of all opened insolvency proceedings have been opened as restructuring proceedings. What is more, only 11% of all restructuring proceedings in the last 20 years have been successful. True, the number of new restructuring proceedings opened in 2022 increased from 12 to 21 compared to 2021 but this number was still considerably below the 2008-2020 average of 38 new opened restructuring proceedings per year. In the first two months of 2023, 5 restructuring cases were opened.

The number of bankruptcy cases opened in recent years was also below the pre-COVID pandemic average: 766 openings for bankruptcy in 2021 and 636 in 2020 were the lowest numbers since 2007. The expiration of measures taken by the Government during the COVID pandemic, such as subsidies, tax deferrals, moratoria on filing obligations contributed to an increase in the number of bankruptcy filings, as did other external factors. The increase in bankruptcy openings amounted to 53% with 1171 in 2022 as compared to 677 in 2021. Still, this number remains below the average of 1400 new bankruptcy openings per year during 2001-2019 and has a tendency to grow in 2023.

In summary, while the statistics show an increase in restructuring and bankruptcy proceedings in the past 2 years, this increase appears to be first and foremost a sign of a certain normalization of the number insolvency proceedings after COVID-19 related subsidies and other legal measures supporting businesses during the pandemic have expired. The overall numbers of opened proceedings still remain below pre-COVID figures. A clear link of the increase of insolvency proceedings to recent amendments to the LILE cannot be confirmed, as yet.



Further statistics from Lithuania and from all jurisdictions can be found on our website [here](#).

Source : INSOL Europe E-newsletter (February 2023)