



Early restructuring and a second chance for entrepreneurs

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Germany Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

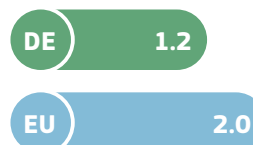
- ✓ Cut down the number of jobs lost due to bankruptcy;
- ✓ Bring more legal certainty for cross-border investors;
- ✓ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in Germany? ⁽¹⁾

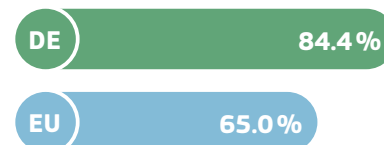
Effectiveness of insolvency proceedings

2 Germany ranks 2nd among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)



Recovery rate for secured creditors following insolvency proceedings



► The most likely outcome for debtors in financial difficulty in Germany is **liquidation**.

⁽¹⁾ All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: <http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>.

What will the new rules improve?

The situation today in Germany ⁽²⁾	With the new rules
There are strict entry conditions for restructuring and heavy court involvement that may deter debtors in financial difficulties from early access to restructuring.	✓ Companies in financial difficulties will have easier access to flexible preventive restructuring frameworks . Where necessary, the courts will be involved to safeguard the interests of third parties.
All creditors are automatically involved in the restructuring process (collective proceedings).	✓ Early restructuring will not have to involve all creditors , but it can only involve part of them, e.g. financial creditors.
Discharge will usually be granted after five or six years. Discharge can be granted after 3 years only when at least 35% of the claims are satisfied.	✓ Honest over-indebted entrepreneurs can have access to a full discharge of their debt after a maximum period of 3 years and any repayment obligation will have to be adapted to individual circumstances. There will be adequate safeguards to prevent abuse.

⁽²⁾ Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.