European Commission

Early restructuring and a second chance for entrepreneurs

November 2016

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Denmark 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 Denmark? (1)

Effectiveness of insolvency proceedings

4 Denmark ranks 4th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

DK 1.0

EU 2.0

Recovery rate for secured creditors following insolvency proceedings

DK 88.0 %

EU 65.0 %

▶ The most likely outcome for debtors in financial difficulty in Denmark is **restructuring**.

(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 Denmark [2]	With the new rules
There is full court involvement, from formally opening the procedure – including the appointment of an insolvency practitioner and voting on a plan – to the confirmation of the plan by the court.	✓ **Flexible preventive restructuring frameworks** can make access to early restructuring easier, particularly for SMEs. Where necessary, the courts must be involved to safeguard the interests of third parties.
A "breathing space" from enforcement actions is automatically provided to the debtor after the opening of the restructuring procedure. There is not prescribed maximum period.	✓ Viable companies in financial difficulties can have access to **a time-limited "breathing space"** of no more than 4 months from enforcement actions, renewable until a maximum duration of 12 months under strict conditions. This will not only facilitate negotiations, but also provide further predictability and legal certainty for creditors.
New financing for companies in the process of early restructuring is not sufficiently and specifically protected.	✓ Access to fresh money is vital for the rescued company. **New financing will be specifically protected** increasing the chances that restructuring will be successful.

[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.