



European
Commission

Early restructuring and a second chance for entrepreneurs

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Estonia 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 Estonia? ⁽¹⁾

Effectiveness of insolvency proceedings

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Estonia ranks 19th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

EE 3.0

EU 2.0

Recovery rate for secured creditors following insolvency proceedings

EE 40.3%

EU 65.0%

► The most likely outcome for debtors in financial difficulty in Estonia 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 Estonia ^(?)	With the new rules
<p>Insolvency proceedings are in general very long and there is room to improve their efficiency.</p>	<p>✓ The rapid treatment of procedures, the specialisation of judges and rules on increasing professionalism of the practitioners can improve the efficiency of procedures and reduce their length.</p>
<p>A “breathing space” from enforcement actions is automatically provided to the debtor after the opening of the restructuring procedure and continues until the end of the procedure.</p>	<p>✓ The debtor 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.</p>
<p>New financing for companies in the process of early restructuring is not sufficiently or specially protected.</p>	<p>✓ Access to fresh money is vital for the rescued company. New financing can be specifically protected increasing the chances that restructuring will be successful.</p>
<p>Discharge for entrepreneurs will usually vary from 3 to 7 years, subject to the discretion of the court and the satisfaction of the creditors’ claims to a considerable extent.</p>	<p>✓ Honest over-indebted entrepreneurs will have access to full discharge of their debt after a maximum period of 3 years and any repayment obligation will have to be adapted on individual cases. There will be adequate safeguards to prevent abuse.</p>

^(?) 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.