European Commission

Early restructuring and a second chance for entrepreneurs

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Spain — 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 Spain? (1)

Effectiveness of insolvency proceedings

11 Spain ranks 11th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

- ES: 1.5
- EU: 2.0

Recovery rate for secured creditors following insolvency proceedings

- ES: 78.3 %
- EU: 65.0 %

▸ The most likely outcome for debtors in financial difficulty in Spain 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 Spain [2]	With the new rules
There are few or inefficient early warning tools alerting debtors to the risk of insolvency and the urgency to act in order to avoid liquidation.	✓ Debtors will have access to **early warning tools** which can detect a deteriorating business and lead to more restructurings at an early stage.
There is room to improve the length of insolvency proceedings in general.	✓ Specialised training of judges and practitioners as well as the use of electronic means of communication will improve the **efficiency of insolvency procedures and reduce their cost and length**.
The discharge period is 5 years and depends on the payment of an abstract 25% of the debt.	✓ Honest insolvent entrepreneurs will have access to **a full discharge of their debt after a maximum period of 3 years** and repayment of an amount of debts adapted to each entrepreneur, without prejudice of adequate safeguards put in place to prevent possible abuses.

[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.