European Commission

Early restructuring and a second chance for entrepreneurs

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Ireland 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 Ireland? [1]

Effectiveness of insolvency proceedings

10 Ireland ranks 10th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

IE 0.4

EU 2.0

Recovery rate for secured creditors following insolvency proceedings

IE 87.7 %

EU 65.0 %

▸ The most likely outcome for debtors in financial difficulty in Ireland 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 Ireland (²)	With the new rules
A court has to be involved early in the process for opening the procedure and appoint an insolvency practitioner. It has to be satisfied that the company has a reasonable prospect of survival.	✓ Viable companies in financial difficulties can have easier access to a **flexible preventive restructuring framework**. Where necessary, the courts must be involved to safeguard the interests of third parties. The appointment of an insolvency practitioner should not always be mandatory.
All creditors are automatically involved in the restructuring process.	✓ **Early restructuring will not have to involve all creditors**, but can only involve part of them, e.g. financial 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 can 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.