

Latvia: Further reforms

As the author has foreseen in the Winter edition of Eurofenix, restructuring and insolvency has remained a hot topic in Latvia with both the public debate and the legislative process on the high tide.

What pertains to the legislature's activity, then since last September the Insolvency Law alone has been amended three (sic!) times, the second of amendments mostly designed to postpone the entry into force of the initial package of amendments (adopted on 25 September) from 1 January to 1 March and the third amendment providing for changes in the mentioned package of amendments shortly before its entry into force. This is to say nothing of amendments in a few other legal enactments.

Compared with the initial package of amendments of 25 September, the idea to

liberalise personal bankruptcy regime has now been mostly overturned, eliminating so-called non-recourse loans,¹ thus making life a bit easier for mortgage creditors and raising the threshold for applying a shorter discharge procedure. Now, only those individuals whose outstanding liabilities after the sale of assets by an IP does not exceed 30,000 euros will be eligible for a discharge procedure lasting for one year, whereas individuals with outstanding liabilities ranging from €30,001 to €150,000 will qualify for a discharge procedure lasting two years, and the rest, having unsettled liabilities exceeding €150,000 – for a three year-long discharge procedure.

The reform of the status of IPs has been a hot potato for a while, as well. As of 1 March, all IPs are regarded as public officials. The radical status reform was aimed at ensuring more effective control over IPs. However, its true implications in practice remain to be seen, as well

as ways how several theoretical and practical problems are going to be resolved, such as the possibility to combine this status with the profession of an attorney-at-law. One of the cornerstones of the reform is to ensure that IPs are supervised by the Corruption Prevention and Combating Bureau. Nonetheless, according to another recent decision by the Parliament, amendments to the law On the Prevention of Conflict of Interest in Activities of Public Officials, that would empower the Bureau to supervise IPs as regards corruption risks, will enter into force only on 1 January 2016, instead of 1 July 2015. At the same time, several IPs have challenged the status reform in the Constitutional Court which will say its word on the feasibility of the reform in the nearest future.

Footnote:

- ¹ Providing for a discharge of a secured claim immediately after the sale of a mortgaged dwelling, irrespective of the applicability of the discharge procedure.



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