

Part B: National Reports

B.1 Bulgaria

Authors: Temida Foundation, European Consumer Debt Network (ECDN)

B.1.1 General Information

The 2021–2023 Bulgarian political crisis was a period of instability in Bulgaria, which has seen the country hold five elections over two years. The economic situation in Bulgaria is critical. The average wage in Bulgaria is around 967 EUR /month. The inflation rate is around 8 percent after peaking at 16.6 percent at the beginning of year 2023. Bulgaria remains at the lower end of almost all comparable tables with other Member States, as the poorest Member State. It is estimated that more than 30 percent of the Bulgarian population are at risk of poverty or social exclusion and the financial literacy of the Bulgarian population is below the EU average. Compared to the rest of the EU, Bulgarian consumer protection and awareness is in its infancy. Bulgaria is one of the last EU countries without a clear bankruptcy law. While there are private lawyers and consultants available to provide financial advice, these are beyond the financial reach of households experiencing financial exclusion. Bulgaria currently has only one free debt advice service, still at prototype level – Temida Foundation.

Situation of the provision of debt advisory services in Bulgaria Census results show the sharp drop in Bulgaria's population is continuing – with low birth rate, high death rate and migration as key factors behind the country's demographic decline. Bulgaria's population has fallen by over 844,000 people, or 11.5 per cent, since 2011, according to a presentation of the results from the 2021 census by the National Institute for Statistics. The population is ageing: 23.9 per cent of the population is over 65 and only 14 per cent are below the age of 17.

The volume of consumer loans has risen and there is a high risk that the level of non-performing loans (NPLs) will increase in the coming years, as most NPLs are outside the statistics, having been sold to soft collection companies, mainly by fast loan companies. The triggers for debt situations are mainly a drop in income and compensation through fast loans. Com-

pared to the EU, in Bulgaria current consumer protection and awareness need to be strengthened in practice to prevent an indebtedness situation, so debtors are chased for years and there are no pro bono independent financial counsellors. Bulgaria is one of the few European countries that does not have effective legislation regulating so-called "personal bankruptcy" and a mechanism for restructuring the obligations of people who are unable to cover them. The bill on personal bankruptcy was adopted in the first reading in June 2023 with recommendations for some significant amendments, but it never reached the second reading. Consumers are not experienced in debt management and financial behavior, but are using more and more consumer loans. The main reasons for taking a consumer loan are home repair (35 percent), refinancing and debt consolidation (34 percent), buying a car (24 percent), home furnishing (22 percent), housing investment (21 percent) and daily costs (15 percent). Around 30 percent of Bulgarians take loans from lending companies every one to six months. The main triggers for over-indebtedness are low education levels and unsatisfactory knowledge about financial matters, ease of borrowing money, exploitative, unscrupulous or irresponsible lending practices with terms and conditions that are significantly unclear and numerous.

B.1.2 Organization, Participation, and Results of the PEPPi Project Activities

The national coordinator was *Willy Pierre Abbal*. He has built up TEMIDA – a pro bono foundation in Bulgaria which helps people with debt advice (legally and psychologically) and organizes financial literacy training. He has 20 years' professional experience in retail banking. TEMIDA is still at the level of prototype based on CRESUS (France) methodology and the Slovakian Debt Advisory Model.

Following the kick-off meeting of the PEPPi project in July 2022, the national coordinator *Willy Pierre Abbal* initiated the compilation of a list of relevant stakeholders in the debt advisory services sector. The finalized list, comprising 31 stakeholders, was completed in September 2022. In adherence to the project plan outlined in the contract appendix, four network meetings (NM) were scheduled, namely NM1 on 30/11/2022, NM2 on 31/03/2023, NM3 on 31/07/2023, and NM4 on 20/11/2023.

All identified stakeholders were formally invited to the first national online network meeting on November 2, 2022, through personal letters,

emails, and follow-up calls from *Mr. Abbal*. Despite 15 invitations, only 9 stakeholders participated in the online meeting. Notable attendees included the consumer ombudsman, a journalist from Bloomberg, the NGO Samaritans, the banking association, a representative from the Ministry of Finance, and Soft Recovery Bulgarian Association EOS. The meeting was meticulously organized in collaboration with the European lead coordinator, the ECDN secretariat, and experts *Gwen Harris* and *Pauline Dujardin*. Technical aspects were managed by the ECDN secretariat using the Microsoft Teams application. The agenda covered presentations by the European lead coordinator, the national Bulgarian coordinator, a revision of the Consumer Credit Directive II, models of debt advisory services from Ireland, France, Germany, and Slovakia, as well as discussions on the project's relevance for Bulgaria. During the meeting, the primary focus shifted towards the new credit directive and its implementation. Most participants, however, did not prioritize this at the time, being more concerned with euro integration and political instability. Additionally, Bulgaria faced challenges as one of the last EU countries without a free debt advisory network and lacking a clear bankruptcy law, attributed to financial institutions' influence, particularly banks that also held shares in most fast credit companies.

Unfortunately, the second and third network meetings, originally scheduled for March and July 2023, were canceled. This decision was made in collaboration with the PEPPi lead coordinator due to two main reasons: (a) a lack of interest from stakeholders and (b) the unstable political environment, marked by frequent elections and political crises in Bulgaria between 2021 and 2023. The country faced five elections over two years: April 2021, July 2021, November 2021, October 2022 and April 2023. The first two elections failed to result in a governing coalition, but the November 2021 election saw a prime minister create an unstable government which lasted only 7 months. The October 2022 snap election resulted in another gridlock, leading to the April 2023 election. In May the political parties GERB and PP-DB agreed to form a coalition government for at least 18 months, based on an unprecedented prime ministerial rotation. PP-DB's leader will first hold the office for nine months, after which GERB's leader will take over for nine months. The physical meeting planned for Sofia in November 2023 was postponed due to time constraints and local municipal elections. Despite efforts to organize a common online network meeting, it was deemed impractical. As a result, the lead coordinator, *Dieter Korczak*, and the vice-president and expert of ECDN, *Pauline Dujardin*, decided to

postpone the travel to Bulgaria for peer-to-peer meetings. From January 15–17, 2024, successful meetings were conducted with key stakeholders, including the Bulgarian Deputy Minister of Economy and Industry, the Bulgarian Deputy Minister of Finance, the Ombudsman of consumers, representatives from Klear Lending (a peer-to-peer platform), the CEO from UniCredit Bulbank and member of the board of the Bulgarian Banking Association, a French economic consultant from the French Embassy, and journalists. In summary, the network meetings within the PEPPI project faced challenges in Bulgaria due to a shifting focus of stakeholders, political instability, lobbying against debt advice, unclear legal framework until the new credit directive, and external constraints, leading to cancellations and rescheduling. The face-to-face meetings in January 2024 aimed to address these challenges and engage key stakeholders in meaningful discussions. After the January 2024 meeting, an article about the Bulgarian debt advisory situation and the PEPPI project was published in the *Darik Business Review*.

The creation of a Bulgarian debt advisory website

By gathering information from the ECDN material and the other PEPPI partners, the national coordinator succeeded in creating a website that contributes both to dealing with financial illiteracy and providing all necessary information and assistance to consumers on financially related matters. The website mock-up was presented and validated with ECDN. It was launched in September 2023: <https://www.temidafoundation.com>.

The website is in Bulgarian and English languages and has four main pillars:

- a) manage budget,
- b) living with debts,
- c) choose a credit,
- d) tips and tricks.

A LinkedIn page was launched with active content: <https://www.linkedin.com/company/temida-foundation/?viewAsMember=true>. A Bulgarian IT company was hired to design, prepare and launch the website according to the project's needs.

B.1.3 Challenges and obstacles

As described above, the political instability and the missing responsibility and interest for the subject of debt advice were the main obstacle. Furthermore, the following points for improvement could be identified:

- a pro bono debt advisory service network has to be established, as there are actually only private providers,
- private lawyers and consultants advise, at high financial cost, households on the border of financial exclusion. This should be changed. Bulgaria needs a clear bankruptcy law. A 2015 interpretative decision allows debtors to use the bankruptcy law (previously for business only) on a case-by-case basis only.
- The access to credit reports for households has to be improved. The Central Credit Register is the only data provider but with unclear data reports and a two-week delay.
- The financial literacy activities have to be better coordinated. Most of them are dedicated to children, teenagers but not for adults and there is nothing official in schools or universities.

References

- Bulgarian National Bank (2023) Banking sector report: Non-performing Loans 2022-2023. Sofia: BNB
- Darik Business Review (2024) Debt Advisory Challenges and the PEPPi Project in Bulgaria. Published January 2024. <https://dbr.bg/8814>
- Ministry of Finance of the Republic of Bulgaria (2023) Personal Bankruptcy Law - First Reading adoption
- National Statistical Institute (2022) 2021 Census: Population results, Sofia: NSI
- National Statistical Institute (2023) Average Wage Statistics 2021–2023. Sofia: NSI
- National Statistical Institute (2022) Poverty and Social Exclusion Indicators. Sofia: NSI

B. 2 Croatia

Author: Igor Škrković

B.2.1 General information

Situation of the provision of debt advisory services

Until 2018, several counselling centers were active at the state level under the auspices of consumer protection associations funded by the Ministry of Economy. Counselling centers had, among other things, counsellors specialized in financial services. With the abolition of permanent funding, counselling centers ceased to operate, and currently the only option on the market is the Association "Padobran" (Parachute) with a permanent counselling center at the FINA branch office in Zagreb, and temporary counselling centers at five other locations in the country.

FINA has 180 branches and 2,400 employees and is part of the state information infrastructure. Aside from physical offices, there are also platforms available for access to FINA services for dispersed populations. FINA operates business and public registers and digital identity services for the state, and most importantly for the current discussion, enforcement on bank accounts since 2011, maintaining the Croatian bank accounts register. This is a fully digital system that is secure and transparent. Tracking data in real time is the biggest advantage of this system. Through this system it is possible to track individual debt, however thus far the system is focused on cases where a problem has already occurred, but attention is now turning towards prevention and identifying cases where risk is identified. Until very recently, few people opted for bankruptcy proceedings. However, a national reform program in 2018, at a time when the number of citizens with blocked bank accounts was exceptionally high (325,000), was introduced. This package of laws improved enforcement proceedings and debt to the state can be discounted. FINA has had the advantage of cooperation with Padobran. Staff can refer citizens to Padobran within the same building, and financial information can be easily transferred with permission. Ongoing communication with Padobran ensures that FINA can be responsive to identified problems and innovate accordingly, often through communications, staff education, media work; in addition, there is significant interagency cooperation between these organizations and ministries. FINA has also run a successful project with Padobran, 'Leap Out of Debt', providing counselling measures.

The "Leap Out of Debt" project is implemented by a consortium of Croatian Alliance of Consumers, Parachute and BE-ON. BE-ON is the only commercial solution for the reprogramming of financial obligations for citizens, recently co-owned by the Feelsgood Social Impact Fund, an investment fund that invests in projects with measurable social impact.

B.2.2. Organization, Participation, and Results of the PEPPI Project Activities

The national coordination of the project was done by *Igor Škrgatić*, president of "Padobran" – Financial Counselling Association. In the PEPPI project the main support was provided by UPH CAC, Croatian Alliance of Consumers, an inclusion association and alliance of fifteen consumer protection organizations covering the whole Croatian territory. Local consumer protection organizations provide support on the local level. Besides P2P national coordinator network meetings (the national coordinator for Croatia participated on April 13, May 25 and October 26, 2023), ECDN project coordinator *Dr. Korczak* made a two-day field visit to Croatia on September 5 and 6, presenting the PEPPI project to representatives of the Ministry of Finance, the Croatian Banking Association and FINA.

Development, set up and launch of the Croatian PEPPI website

The existing website padobran.hr was used as the platform for further dissemination of the relevant debt content. The website was completely revised and newly set up and will be used as the platform for debt advice in Croatia.

The site is organized in the following segments:

- Homepage
About Padobran association, main activities, statute, key persons.
- Projects
Description of association's projects, ongoing and finished.
- Education
Transposition of materials from ECDN website, including PEPPI webinars.
- Debt Advice Section – Financial Literacy and Living in Debt
The key section for the development of debt advice, divided into two main sections. Financial Literacy gives ex-ante advice for the prevention of over-indebtedness. Living in Debt is focused on the problems of

citizens that are already in the state of over-indebtedness and the possible solutions.

- Contact
Call to action for citizens in need of debt advice/counselling.

The site was launched in December 2023 and some parts will be translated into English. New content on the subject of debt advice will constantly be added and the site will be promoted on the national level with the promised support of the Ministry of Finance.

B.2.3 Challenges and obstacles

So far, the communication with the key stakeholders is very positive and in a constructive manner. The architecture of the debt advice system as a kind of public/NGO partnership is probable and possible. The main challenge is to construct an independent system with minimum political influence. The main obstacle is the lack of sustainable financing, but that part should be clarified in the transposition of the Directive.

The impact of the PEPPI project on the recognition of over-indebtedness and the need for debt advice was remarkable. The main obvious outcome of the project is the strengthening of the relationship with the stakeholders and the explanation of the importance of constructing such a system. The working group for the transposition and implementation of the Directive will be assembled soon and that will be the test and opportunity for even greater impact.

References

- Mikus M (2024) Tracking mortgage pathways in Zagreb: everyday economics of debt, housing wealth, and debtors agency in a European semiperiphery. *Current Anthropology* 65(4). 701–723. <https://doi.org/10.1086/731252>
- Mikus M (2022) ‚New‘ but ‚Squeezed‘ : Middle Class and Mortgaged Homeownership in Croatia. *Critique of Anthropology*. Vol 42. Issue 4. <https://doi.org/10.1177/0308275X221139159>
- Mikus M (2019) Contesting household debt in Croatia: The double movement of financialization and the fetishism of money in Eastern European peripheries. *Dialectical Anthropology* 43(3). 295–315
- Rodik P, Mikus M (2023) Moral economics of housing in post-boom Croatia: Swiss franc loans crisis and politics of housing financialization. *City* 27 (3-4). 579-598. <https://doi.org/10.1080/13604813.2023.2229196>

- Rodik P, Matkovic T, Pandzic J (2019) ancijskog kapitalizma. *Revi-ja za sociologiju* 49 (3). 319–348
Stambene karijere u Hrvatskoj: od samoupravnog socijalizma do krize fin

B.3 Cyprus

Authors: Cyprus Consumers Association (CCA), European Consumer Debt Network (ECDN)

B.3.1 General information

Cyprus is characterized as a country with low levels of financial education and financial literacy, since there are no appropriate free of charge services where the consumer can obtain information on matters related to banking issues or financial advice. The education system, based on the suggestions of the competent bodies, has incorporated, after a very long delay, a financial education course in schools to inform students about financial terms, managing money and debts, etc. In addition, in Cyprus there are private companies who provide advice to consumers on financial matters, but only after paying a high amount of money, while the financial commissioner's decisions are only guiding and not legally binding. All of the above has led many households to struggle or be unable to repay their loan, while consumers' only option is to appeal to the court against the banks to resolve their differences, a process that in Cyprus can last more than 7 years.

Situation of the provision of debt advisory services in Cyprus

The number of over-indebted persons in Cyprus is estimated to be 100,180 persons. Six factors are regarded as main causes of over-indebtedness in Cyprus: *Ease of borrowing money*: In Cyprus, since 2013, obtaining a loan was very easy, fast and it did not require collateral or accurate checks of the borrower's creditworthiness. Obviously, this could be an important determinant of over-indebtedness. *Unsecured credit*: markets in which collateral are little used tend to increase the likelihood of over-indebtedness. In particular, consumer credit tends to be provided to subjects which are devoid of assets, need money also for common consumption and can account only on their income. *Creditworthiness assessment practices*: institutions that do not have a sound process of creditworthiness evaluation (for negligence or convenience) increase the possibility of creating a heavy burden for

households. The *lack of communication* of this information is, first of all, unfair and also produces wrong financing decisions. *Financial illiteracy*. *Inadequate control* of banks by the Central Bank.

There are essentially no ways of reacting to personal over-indebtedness as the incomes of over-indebted persons not only did not increase, but decreased. As a result, the instalments cannot be paid and the loans are classified as non-performing loans "red loans". Attempts were made and are being made to restructure the loans of over-indebted persons, but with little result because the banks did not make sincere efforts to restructure the debt. Banks' efforts have been to sell non-performing loans "red loans" or to sell mortgaged properties rather than to do a real restructuring of the debt according to the financial capabilities of the borrowers. A large number of lawsuits were brought before the courts by over-indebted borrowers for over-charging by banks, mainly due to abusive terms. Unfortunately, there is undue delay by the courts in adjudicating these cases. Cases filed since 2015 are pending. The supply of debt advice is actually done by a large number of private Financial Advisors who, for a fee, undertake to advise borrowers and mediate between borrowers and banks for a restructuring of loans. In addition, the Financial Advisors undertake to estimate the total overcharges of the banks, mainly from the abusive clauses in their loans. From the state's point of view, there is the institution of the Financial Commissioner who mediates between banks and borrowers in cases where financial differences are found between the borrower and the bank. It is important to note that the decision of the Financial Commissioner is not binding on any party. There are essentially no financial prevention activities. The only activities that can be included in prevention are advice and information provided by the various non-governmental organized groups, such as consumer organizations.

B.3.2 Organization, Participation, and Results of the PEPPI Project Activities

The Cyprus Consumer Association (CCA) joined the PEPPI project officially in July 2022. *Marios Droushiotis*, President of CCA, was assigned as national coordinator. He has a financial sector background and is a former officer at the Consumer Protection Service of the Ministry of Energy where his main task was implementing the European legislation for consumer protection rights. After his retirement, he continued to work for consumer

protection as a volunteer in the Cyprus Consumers Association. He is the national coordinator for Cyprus. *Mr. Droushiotis* was supported by *Marios Michael* and *Virginia Christou* and, regarding the setup of the website, by IT technician *Mr. Christos Zambas*. On January 31, 2023, the CCA organized an online meeting with competent bodies and organizations in Cyprus to present the European PEPPi program. The invited stakeholders, representing the public sector and consumer-focused groups, work on financial literacy and consumer protection in financial services. Participants expressed strong interest in cooperating with CCA, highlighting the program's importance for Cyprus. It was not possible to organize more national network meetings because there is only a small number of competent bodies in Cyprus.

Development, set up and launch of the Cypriot PEPPi website

One of the obligations and tasks of the national coordinator was the development of a national website focused on the needs of indebted and over-indebted persons. A first standardized draft of the fundamentals for such a website was sent to all national coordinators before several individual online meetings were set up. By gathering information from the ECDN material and the other PEPPi partners, from European legislation, from decisions of Cypriot courts, from decisions of national & European Bodies and through useful tools that CCA has created, the national coordinator succeeded in creating a website that contributes both to dealing with financial illiteracy and providing all necessary information and assistance to consumers on financially related matters. The two most important sections of the website are financial education and debt management. In the financial education section, articles with useful information have been added regarding the rights of borrowers and topics that will help them understand the details, the terms and their obligations before and after taking out loans. Articles that analyze specific court decisions on financial-related issues have been added as well. In the section on debt management, the focus is on providing useful advice and guidance to consumers. Advice on loan and other debts management, advice on how to properly save money and what terms to check out before and after taking out loans have been included. Beside the two main sections of the website, CCA also added information about the PEPPi program, videos, information about the actions and the meetings CCA participated in, legislation concerning this kind of issues, terms & definitions and other useful links. Finally, CCA has added applications that help consumers to easily calculate their savings, their ability to repay their debts and the total cost they will pay in order to pay off their

loan. The website will remain active as an integral part of CCA in the future and will be constantly updated with new up-to-date materials and advice. A Cypriot IT company was hired to design, prepare and launch the website according to the project's needs. The website www.consumersadvice.cy was officially launched in December 2023.

B.3.2 Challenges and obstacles

One of the main obstacles CCA had to face was the lack of centralized material, where consumers could be informed about their rights, before, during, or after concluding a loan agreement. Also, as CCA was informed after communication with the competent bodies, there is no sufficient action by the competent bodies in Cyprus in relation to informing consumers about financial issues, which made CCA's effort on the PEPPI project more difficult. Another major obstacle is that the Cyprus Consumers Association is a voluntary organization with a very small number of employees and it cannot adequately respond to the large number of requests from consumers who called by phone to get help and advice about financial related issues. One major problem is the funding of debt advisory services. Organized consumer protection groups can offer the services free of charge. Unfortunately, they have not even the minimum financial resources to organize these services. The transposition of the CCD II will be a new challenge for the governmental bodies and the civil society stakeholders. Due to the recent date of the publication of the CCD II there is actually no plan known how this will be done in Cyprus. Because of the involvement of the stakeholders which participated in the 1st network meeting and due to the activities of CCA in the PEPPI project it can be supposed that PEPPI will have an influence on the further development of debt advisory services in Cyprus. It can be taken for granted that the website will remain active as an integral part of the CCA in the future and will be constantly updated with new up-to-date materials and advice. Furthermore, CCA managed to achieve cooperation with various law firms and financial advisors, so that in some cases they will give free advice on financial matters to consumers.

References

- Bergthaler W, Garrido J, Roshia A (2023) The Right Tool for the Job? Mortgage Distress and Personal Insolvency during the European Debt Crisis (IMF Working Paper)
- Eracleous m (2023) Consumer complaints rise in Cyprus. Ekathimeri-ni.com

B.4 Greece

Author: Anastasios Kokougiannis

B.4.1 General information

Over-indebtedness in Greece

The phenomenal and unprecedented financial crisis Greece has been experiencing for the last fifteen years has resulted in hundreds of thousands of households being unable to repay their debts to banks. This is the case not only for those who, in a climate of irresponsible lending by banks, have overestimated their borrowing capacity, but also for thousands of households which, in spite of the fact that they made reasonable use of housing or consumer credit, find themselves today, after the loss of income the financial crisis has caused (salary cuts, pension cuts, rapid rise of unemployment), unable to meet their obligations. According to the official report of the Bank of Greece for 2022, the total outstanding amount of loans was 165.8 billion euros (consumer 10.5 billion euros, mortgage 35 billion euros, business 120 billion euros), while the non-performing loans amounted to 15 billion euros (consumer 1.6 billion euros, mortgage 3.4 billion euros, business 10 billion euros). The situation has unfortunately deteriorated over the last years, since a vast amount of non-performing loans has been transferred to non-Greek designated activity companies and is being managed by Greek servicers [87 billion euros of NPLs bought through securitization by funds and managed by servicers – “Project Hercules” (Law 4649/2019)]. These servicers are usually not offering viable solutions to consumers for the regulation of their debts and proceed with evictions and auctions of primary residences, even for debtors with disabilities.

The causes of over-indebtedness

Consumer credit deregulation in Greece in the early 2000s has led Greek households to over-borrow, and this was aggravated by easy access to bank credit. The following have been identified as the causes of excessive borrowing by the Greeks:

- a. Causes relating to the policy of banks:
 - Overwhelming, too attractive, misleading advertisements and promotion strategies.
 - Giving out loans of any sort without consideration.
 - Lack of competition and unjustifiably high interest rates.
 - Incomplete information given to the consumer by the bank.
 - Non-transparent and abusive terms in bank contracts.
 - Termination of the contract even in case of a short delay.
- b. Causes relating to the consumers themselves:
unexpected events in the debtor's life, such as health problems, divorce, redundancy;
- c. Causes relating to the Greek State:
not having drawn up policy and not offering any consumer protection as far as loans are concerned in Greece (poor operation of supervisory mechanisms, inexistent information to consumers regarding the consequences of taking out loans).
- d. Causes relating to the unforeseeable changes in one's circumstances due to the financial crisis plaguing Greece; these changes, which are by no fault of the debtor, make it impossible for him/her to keep up payments (unusual cuts to salaries and pensions, unemployment, heavy taxation, price increases, etc.)

Legislation for insolvency and debt regulation

The issue of over-indebtedness was legislatively dealt with for the first time in Greece by the passing of Law 3869/2010 for settling the debts of over-indebted natural persons. The law in question introduced a groundbreaking procedure in Greek Law and seeks to give over-indebted consumers a second chance, so that they can manage to become re-integrated in social and financial life, to make a new start, after they settle their debts and become discharged from a significant part of the said debts. Important features of this law were (a) the debtor's discharge in four years, and also (b) the conditional exception from foreclosure of their main or only home. The above law has undergone multiple modifications over the years to the detriment of consumer protection and unfortunately is no longer applicable.

It has been replaced by Law 4738/2020, which concerns both households and businesses. Through its procedures debts to banks/private sector, as well as the State and Social Security Funds can be regulated. An online government platform for debt regulation out of court is functioning in the framework of the new law. The platform provides automated solutions through algorithms, as well as the possibility of mediation in case the debt planning is rejected by the debtor. The aforementioned law also provides for an insolvency procedure before court (provision of second chance) that can be initiated not only by the debtor, but also by his/her creditors and leads to liquidation of assets. Law 4738/2020 contains provisions for vulnerable consumers and their primary residence, based on (a) income criteria, (b) value of the debtor's real estate property and (c) compliance with the agreed debt regulation. In the stage of debt regulation through the online platform, there is state subsidization of mortgage loans for 5 years. Moreover, in the stage of provision of second chance (court procedure), a private entity buys the property and rents it to the consumer for 12 years, giving the possibility to the consumer to buy the property back after the above period has passed.

Debt advice services in Greece

In Greece, debt-related advice is provided by stakeholders of both the private and the public sector. However, we observe the lack of a certain and specialized legal framework. There is no specific provision in the Greek legal system regarding debt advice, i.e. who and under which circumstances can give debt advice, what kind of education and/or training must the advisor undergo, etc. In general, we could say that debt advice provision in Greece is regulated by laws or codes of ethics which govern the function of related organizations or the conduct of related professionals. Concerning the content of debt advice given by the stakeholders, it mainly has to do with information about the legal ways that an individual in debt can follow, in order to regulate his/her debts, as well as the commencement and management of the corresponding legal actions (extrajudicial or judicial). Unfortunately, consumers rarely seek debt advice as a prevention measure, that is before becoming over-indebted, or in order to tackle it at an early stage. Last but not least, the social and psychological aspect of over-indebtedness is seldom taken into consideration by organizations or individual professionals who give debt advice. The main stakeholders that give debt advice to consumers are:

- a. Special Secretariat for Private Debt Management (Ministry of Finance)
- b. Consumer associations
- c. Lawyers
- d. Accountants

Their main characteristics are the following:

Special Secretariat for Private Debt Management (Ministry of Finance) founded in 2016, firstly subject to the Government Council for Private Debt Management and since 2019 to the Ministry of Finance, established 45 Consumer Information and Support Centers and 16 Offices in large cities across Greece free debt advice, inform over-indebted consumers and businesses about their rights and obligations in the process of dealing with difficulties in paying their debts, provide customized advice and directions concerning the possible legal ways that an over-indebted individual or business can follow, under-function and mostly provide general information on debt-related legislation.

Consumer associations

Non-expensive debt advice; employees tend to be sufficiently educated/trained on legal, financial and debt issues, debt prevention, consumer education, psychological aspects of over-indebtedness; financial problems, lack of funding.

Lawyers

More expensive than consumer associations, customized advice, not their role to deal with debt prevention/consumer education, especially on a larger scale, unlikely to take social and psychological aspects of over-indebtedness into account, the only debt advice stakeholder entitled to represent consumers before courts in insolvency procedures.

Accountants

Usually non-expensive services, advice mainly concerns debt towards the State or Social Security Funds, consumers usually do not resort to them for bank debt problems, not their role to deal with debt prevention/consumer education, especially on a larger scale, unlikely to take social and psychological aspects of over-indebtedness into account.

In general, we observe that consumers in Greece are able to find a reliable stakeholder to inform them on the legal measures they can take, in order to regulate their debts. Stakeholders advise or even represent consumers through debt regulation procedures. However, the need for education and

training concerning debt prevention, as well as the social and psychological aspects of over-indebtedness is obvious.

B.4.2 Organization, Participation, and Results of the PEPPI Project Activities

The Greek coordination team consisted, under the lead of lawyer *Anastasios Kokougiannis*, of members of EKPIZO, a certified consumer union which was founded in 1988 to protect the rights of consumers and to improve the quality of life. The national meetings took place between November 2022 and December 2023 with representatives from the Ministries of Finance and Development, the General Secretary of Commerce, the Bank of Greece, the ERGO Academy, the Financial Literacy Institute, the Special Secretariat for Private Debt Management and the Parliamentary group of PASOK-KINAL. In these meetings the PEPPI project has been presented and the elements for the website have been discussed.

Development, set up and launch of the website

In an increasingly digital age, having a comprehensive website dedicated to debt advice and financial education is instrumental in empowering consumers to make informed and responsible financial decisions. This platform can serve as a centralized hub where individuals are able to access a wealth of information covering various aspects of personal finance, ranging from budgeting and savings to debt management. We hope that the website will be considered by consumers as a reliable resource to navigate the complexities of the financial landscape. It provides users with the opportunity to educate themselves at their own pace, gaining financial literacy that is essential for making sound decisions and avoiding obstacles and mistakes associated with debt and financial mismanagement. In addition, by offering up-to-date information on debt management strategies, budgeting tips, and financial planning, the website becomes an indispensable tool for those navigating the complexities of personal finance. Ultimately, a centralized platform for financial education and debt advice not only equips consumers with the necessary knowledge but also builds a supportive online environment conducive to informed decision-making and financial well-being. It is the first time that such a website, gathering information, material and tools on both debt advice and financial education, has been created in Greece and we believe that it will have a positive impact for consumers. The focus of the PEPPI project on the importance of financial education for

consumers has been crucial for us. Even though the education of consumers on financial issues is considered to be one of the main statutory purposes of consumer associations, the lack of funding which leads to the lack of personnel and the necessary occupation mostly with the confrontation of excessive over-indebtedness, has prevented us until now from investing in the development of this field. Through the PEPPi project we have been able to gain access to very useful material and tools regarding financial education for both consumers and professionals. Furthermore, we have seized the opportunity to establish communication with other NGOs, such as the Hellenic Financial Literacy Institute (www.gfli.gr) and ERGO. Academy (www.ergo.academy), which operate in this field. It should be mentioned that the latter organization (ERGO.Academy) has willingly agreed to provide help for the creation of content for the national website. We hope and definitely will try to continue and expand this cooperation in the future.

B.4.3 Obstacles and challenges

Through our involvement in the PEPPi project, we have identified the following obstacles and challenges:

Education of debt advisors

Debt advisors in Greece rely exclusively on their knowledge of the legal framework for debt regulation, as well as their professional experience. Apart from scientific seminars oriented to the explanation of the legislation, there is little to no educational material, where debt advisors could resort to, in order to receive practical training and further knowledge on debt advice. Of course, social media and peer-to-peer communication has facilitated the exchange of experience between professionals, but unfortunately this cannot be considered to be sufficient.

Certification of debt advisors

The lack of a specific legal framework about debt advice has led inevitably to the absence of a relevant certification. The establishment of such a certification, as difficult as it may be, will definitely contribute to the improvement of debt advice related services.

Taking all aspects of debt advice into consideration

Debt advice in Greece focuses mostly, if not solely, on the legal and financial aspects of over-indebtedness and debt regulation. Unlike other

European countries, where social workers are involved in debt advice, this role is mainly reserved for lawyers in Greece. This leads to the social and psychological aspects not being taken into account, although they are considered to be quite as important. We believe that with the proper education, as stated above in paragraph (a), debt advisors will widen their perspective and will be able to help debtors more efficiently.

Convince consumers about the importance and benefits of proper debt advice

Most of the time, consumers resort to professionals seeking advice after their debt has already reached a non-manageable size. In some cases, they do not even care to seek help, frustrated by the general financial situation in Greece and the reluctance of creditors to give viable solutions. More rarely, consumers get in contact with debt advisors at the moment the problem occurs or when they can predict that it will occur in the near future. Unfortunately, most consumers never ask for advice before signing a loan contract, nor do they search for alternative types of household management, although a lot of consumer associations would be able to provide such advice and directions. We consider it highly important to reach out to as many consumers as possible, inform and convince them about the significance and benefits of proper debt advice.

As a closing remark, we would like to underline the importance of the PEPPI project for the improvement of debt advice across Europe, as well as the impact that it already has and is sure to have in the future for all participating countries. We will certainly put great effort into making the best use of the knowledge and experience accumulated through the project during the transposition of the new Consumer Credit Directive in the Greek legal system. Finally, we consider it our duty to continue spreading the above knowledge and experience with old and new stakeholders even after the project's end, in our attempt to provide consumers with the best possible debt advice.

References

- Amitsis G, Manrin G (2012) Action plan to create a network of consultancy services for over-indebtedness in Greece. Final report to the Ministry of Labour and Social Insurance. Athens
- Kourmouis F (2021) Private Debt in Greece. Challenges and Solutions. Ministry of Finance. Special Secretariat for Private Debt Management.
- Mitrakos T, Zografakis S (2011) The low income risk in households with unemployed members during the current crisis. Bank of Greece

- Mitrakos T, Simigiannis G (2009) The determinants of Greek household indebtedness and financial stress. Bank of Greece. Economic Bulletin
- Spirakos D (2012) Tackling over-indebtedness during the financial crisis. Paper submitted in the European Consumer Debt Network Conference in Athens.
- Union of Working Consumers of Greece (2019) Household Overindebtedness Management. Statistical Results Study 2009 – 2019. Athens

B.5 Hungary

Authors: József Mészáros, Cognitive Ltd. European Consumer Debt Network (ECDN)

B.5.1 General information

At first glance, and according to directly accessible data, the debt situation in Hungary and the counseling assistance provided to the over-indebted appear to be in order. However, if we look more closely at the data and get to know their characteristics in more detail, it turns out that the real situation is deliberately hidden from the public eye because the real situation is far from reassuring. Unlike in most other European countries, the unserved masses are not served by non-profit institutions to mitigate the damage caused by over-indebtedness in society. On the one hand, a significant role in the development of the situation in Hungary is played by the fact that the Hungarian state significantly reduced the operational possibilities of non-profit organizations, made them impossible, or simply brought them under its authority. The main means of this is the withdrawal of financial resources, by exclusion from state tenders, or by making foreign financing impossible. A striking example of this is the long-established Consumer Protection Association, which was originally formed in the capital through the merger of two organizations; it is now led by a professor who teaches law at a rural university, delegated by the ruling party, and the operation of the association has become almost completely invisible. On the other hand, the government has delegated these tasks previously carried out by non-profit organizations to individual ministries, which either entrust state institutions or associations controlled by the Hungarian state. During the project, we gathered the experience that the task of debt counseling was

transferred to the National Bank (Magyar Nemzeti Bank, MNB) through the Ministry of Justice, which mainly delegated it to the Maltese Charity Service. In the past two years, the Magyar Nemzeti Bank has consistently refused contact after countless phone calls, e-mail exchanges, and official inquiries. Magyar Nemzeti Bank reports in its annual report that it serves 20,000 people who are in trouble with their loans and need help. The operative execution of that program was delegated mainly to the Maltese Charity Service. The head of the Maltese Charity Service responsible for the area said during an informal conversation that a total of three people perform these tasks. A comparison of these two numbers shows that it is difficult to meet the needs of the required capacity. We also got the impression that, on the one hand, the data is not accessible at all in some cases, such as in the case of court bailiffs, or even if it is accessible, it does not reflect the real facts. We found research that shed light on the fact that those in the most trouble are missing from electronic records because they try to avoid being included. After all, those records would make it easier for creditors or the state to reach and hold them accountable because of their debts. The further result of their hiding and becoming invisible is even more severe impoverishment (for example, due to illegally undertaken casual jobs or extortion by usurers), the deterioration of their health (they do not pay social security contributions), and their social deprivation.

Situation of the provision of debt advisory services in Hungary

The Family Protection Service in Bankruptcy is a central body belonging to the Government Offices, which coordinates tasks related to the debt settlement of private individuals undergoing private bankruptcy. Its duties under the Act include:

- publishing information materials for the public on the measures to be taken to avoid the accumulation of debts and over-indebtedness, the conditions and procedures for initiating debt settlement, and the model forms, applications, and declarations of rights relating to debt settlement
- supervising the professional activities of family administrators, and the administrative and organizational conditions for contacts with the parties to the proceedings. It has specific tasks for judicial and extrajudicial debt settlement proceedings.

The Family Protection Service in Bankruptcy's regional branches include Family Trustees, who play a key role in private bankruptcy proceedings. They are also assisted by a team of three members (by legal definition), who also have nominally a high level of professional knowledge and expertise in

legal, social, and economic fields, and carry out administrative tasks. The Hungarian National Bank is the main provider of financial literacy. In order to improve the financial awareness of the adult population, and consistent with the MNB's financial stability and financial consumer protection objectives, the MNB developed its complex information system called Financial Navigator, which is aimed at providing credible and accessible information to wide sections of society through various channels about typical financial decisions as well as the aspects and risks to be considered while taking informed financial decisions (MAGYAR NEMZETI BANK, Annual Report 2021). In addition to the website of the MNB Financial Navigator Program, the Financial Navigator Consulting Office Network, financed and professionally supervised by the MNB, has been operating since 2011 and serves approximately 20,000 clients annually, including those with debt problems. The consultants of the Office Network provide clients with a free, professional service that is independent of the interests of market players and is available in all county seats. Customers can contact the specialists in person as well as via telephone or electronic channels. The offices are operated by civil organizations that have a contractual relationship with the MNB. The advisers attend at least two mandatory training sessions per year, take annual exams, and the MNB regularly checks the quality of the service. The MNB's important professional partners are the Magyar Maltai Szeretetszolgálat Egyesület (The Maltese Charity Association), whose main profile is the protection and restoration of the financial balance of cumulatively disadvantaged households. It has to be pointed out that there is no real consumer support in that field in Hungary. There were scattered services rooted in the past by tiny NGOs. The services of the National Bank of Hungary do not focus on debt advice, and the Maltai Szeretetszolgálat is not able to cover the needs for financial advisory for over-indebted people.

B.5.1 Organization, Participation, and Results of the PEPPI Project Activities

The Hungarian National Coordinator of the project was Mr. *József Mészáros*, who has a sound background in social and financial research programs. He is the National Representative for the global professional research association, ESOMAR, and the research associations' society, EFAMRO. He is also a board member of the Hungarian research association. His work was supported by Ms. *Veronika Lakatos*, a leading advisor

and partner in Hungary's most prestigious financial education and consultancy firm, Bankárképző. She is profoundly involved in the theme of over-indebtedness as she is writing her Ph.D. thesis on that topic. Ms. *Berta Mészáros*, as a student, helped the project with her assistance in organization and translation tasks. Mr. *Ferenc Tóth* was responsible for setting up the website and managing its IT issues, while Ms. *Anikó Erdős* was the website/graphic designer. The national coordination team also participated in several online, telephone, and personal meetings with various organizations, associations, and persons who deal tangentially with the issue of excessive indebtedness (Energiaklub, a law firm specializing in over-indebtedness, Maltese Charity Service, Pontneked, etc.).

Development, set up and launch of the Hungarian PEPPI website

The website www.adossagtanacsadok.hu was officially launched in December 2023, and although it is fully functional, it is still continuously debugged and developed by the team. A graphic studio and an IT/web designer company were hired to design, prepare, and launch the website according to the project's needs. Due to the lack of domestic non-profit organizations in the field of debt counseling, we mainly present foreign examples, studies, documents, and lectures on the website. Because of the apparent functioning of Hungarian debt management, we have not included content such as the indebtedness calculator that other countries have used on their website. On the one hand, we obtained the main contents from the translation of the ECDN PEPPI central website, such as the Q&A section in the 'Knowledge Library', which provides general information to those who have problems with their loan repayments. In the same place, we used the flashcards developed by Gemma from Malta (we carried out the translation and transformation with their written permission), which our graphic designer animated, so they could be revealed and viewed in a question-and-answer manner. In this section, the studies, reports, and presentations published on the ECDN PEPPI page can be found in a separate download section. We also publish news on the site, which reports on the legal aspects of the area, announcements by the organization, and meetings related to the operation of the organization.

B.5.3 Challenges and obstacles

Beyond the advice of the kick-off meeting and the list of those who participated in the education (VVA participation list), we tried to find out

whether any non-profit organizations are active in this area of helping those struggling with over-indebtedness. We found organizations working in partially overlapping areas, but close cooperation with them is not possible, only occasionally, because the focus of their operations is different. Our partners are Energiaklub, Pontveled Foundation. The biggest challenge in the project is the autocratic transformation of the Hungarian political system. Civil organizations have been made impossible by legal regulations and by cutting them off from financial resources, so they barely function, and we have not even found a non-profit helping actor in this area. The state and its institutions nominally fulfill their role, but from a practical point of view, those in trouble rather encounter the oppressive bureaucratic function of the state instead of help, for example, in court enforcement, bailiffs, often in an illegal way. The first step in establishing cooperation is making contact. It did not work to reach the state actors or actors cooperating with the state in the way they provided (for example, the contact details indicated on the website). To get any kind of reaction or response to the messages we sent, extra efforts were needed; in several cases, we had to use our social capital. We had to ask for the intercession of officials, state secretaries, and political actors we know, so we reached, for example, the deputy president of the Magyar Nemzeti Bank, who also deals with cooperation, but at the end of this journey was the head of the department responsible for social relations, who had previously refused to cooperate. However, this was only enough for them to respond to our e-mails, letters, and phone calls. We only received negative responses. The idea that we are experiencing greater cooperation on the opposition side was unfortunately wrong, although Budapest is governed by political parties of the opposition, and we managed to speak with the head of the support organization for over-indebted people in the capital (Hálózati – Network), but we found the same conditions, as in areas related to the national government. They did not make any data available to us (according to their claim, they do not receive data from the capital, but then we do not understand on what basis the subsidies are allocated), nor were they willing to meet or cooperate with ECDN PEPPI. In Hungary, EU legal harmonization has never been late or faulty. The literal transposition of European directives and laws into the Hungarian legal order is always an orderly process. EU infringement procedures have never been initiated against Hungary for such a reason. This work is carried out by a well-prepared and knowledgeable apparatus in the Ministry of Justice. The problem is most often with the implementation of the law and application of the law. In Hungary, social consultations either

slip away (for example, they are announced at impossible times) or take place without any significance. The government tries to exclude the remaining few civil actors from influencing the decision-making processes. The Hungarian law provides that: Anyone can express an opinion on the draft or concept published for public consultation through the e-mail address provided on the website of the Ministry of Justice. A confirmation of receipt of the opinions must be sent. That is why it is important that the new forum, addossagtanacsadok.hu, can play a role that offers an alternative to the interpretation of the laws, to the criticism of the application of the law. For this task, a lawyer involved in our professional discourse would be very suitable. The pages of the state-run Hungarian National Bank and the Maltese Charity Service, and their contents, will most certainly not perform this task.

References

- Balás T (2012) A háztartások eladósodottsága és jövedelemarányos törlesztési terhe. Magyar Nemzeti Bank. <https://www.mnb.hu/letoltes/balas-1.pdf>
- Bankmonitor.hu (2015) Soha nem gondolná: a magyarok a legkevésbé eladósodottak Közép-Európában. <https://bankmonitor.hu/mediatar/cikk/soha-nem-gondolna-a-magyarok-a-legkevesbe-eladosodottak-kozep-europaban/>
- Berlinger E, Dobrászky-Bartus, Molnár G (2021) Overdue Debts and Financial Exclusion. *Risks* 9: 158. <https://doi.org/10.3390/risks9090158>
- Bródy L S, Pósfai Zs (2019) A háztartások eladósodása Magyarországon. Periféria Tanulmányok. https://real.mtak.hu/123986/1/pt2_brody_posfai_haztartasok%20_eladosodasa.pdf
- Központi Statisztikai Hivatal (n.d.) Magyarország népességének száma nemek és életkor szerint, 1870–2075. <https://www.ksh.hu/interaktiv/korfaak/orszag.html>
- Magyar Nemzeti Bank (n.d.) Tájékoztató - Háztartások hitelállománya. <https://statisztika.mnb.hu/publikacios-temak/penzugyi-intezmenyek-me-rlegei/penzugyi-stabilitasi-statisztikak/tajekoztato-haztartasok-hitellallomanya>
- Periféria Központ. (2021) Lakhatási válság és eladósodás összefüggései. <https://www.periferiakozpont.hu/haztartasi-eladosoda>
- Periféria Központ (2021) Háztartási eladósodás. <https://www.periferiakozpont.hu/haztartasi-eladosodas>

- Mandiner – Makronóm (2023) Így romlott, majd javult a magyar eladósodottság. <https://mandiner.hu/makronom/2023/01/romlott-majd-javult-magyar-eladosodottsag>Háztartásiszint-mikroelemzések
- Szigel G, Fáykiss P (2010) Az eladósodás hatása a magyar háztartások pénzügyi és jövedelmi pozíciójára. Magyar Nemzeti Bank. <https://www.mnb.hu/letoltes/szigel-faykiss.pdf>
- Szigel G, Fáykiss P (2012) The effect of indebtedness on the financial and income position of Hungarian households. Hungarian Central Bank (MNB)

B.6 Italy

Authors: Giorgio Calcagnini, Germana Giombini, Federico Favaretto

B.6.1 General information

Situation of the provision of debt advisory services in Italy

Italy is characterized by low levels of financial education and literacy and a quasi-total absence of public information on these matters. Only recently institutions like the Bank of Italy and EDUFIN have started serious efforts to disseminate financial education within schools and elsewhere. This is a key issue, as at the end of 2022, according to the Bank of Italy, Italian consumer households' indebtedness grew by 4.6 %, while household financial debt was 62.5 % of disposable income, about 2 % lower than in 2021 and more than 30 % lower than the euro area average. The provision of debt advice services is limited and not regulated (Antenucci and Caldarelli, QEF 2022, Bank of Italy). There are consumers' associations that provide connections with private lawyers or alternatively there are private entities such as the ECDN members: Legge3, Esdebitami Retake, I diritti del debitore, Misdebito, Movimento Consumatori. In general, debt advice is almost impossible to get through public institutions and the private presence is still scarce. Notwithstanding, there is a private presence due to the late introduction of a law (the famous "Legge 3" of 2012) that was introduced to give help to indebted consumers by giving ability to "eradicate" debt under specific circumstances (getting closer to household bankruptcy in spirit). The law was amended several times, but professionals in the field explain that it is still very unlikely for the judicial solution to be effective

due to both law limitations and cultural ones (the judicial system does not have adequate expertise or resources to solve the issues). Parallel to the judicial one, extra-judicial solutions exist that plan to avoid courts by defining a deal between creditors and debtors. Professionals in the field of debt advisory are legal and economic ones, while there is a scarcity of psychological professionals. An important national project is „Progetto Riparto – Financial Inclusion Pathways and Accompaniment for the Management and Solution of Over-indebtedness Situations for Restarting“, funded by the Ministry of Labor and Social Policy, promoted by Movimento Consumatori and Acli, currently with 27 branches in 17 regions. The University of Urbino Carlo Bo joined formally the PEPPI project in December 2022. Professor *Giorgio Calcagnini* and Professor *Germana Giombini* were appointed as the National Coordinators. Both were already members of the ECDN Scientific Group and had previous experience on issues related to debt, over-indebtedness, and financial literacy. Professor *Germana Giombini* attended the online PEPPI kick-off meeting on July 22 2022. Dr. *Federico Favaretto*, post-doc researcher at UNIURB, provided scientific, technical, and organizational support. *Donatello Trisolino*, Head of Communication Staff, Web Portal, Social Media and Multimedia at UNIURB, developed the website and provided technical assistance. The project had great positive impact on the Italian debt advice environment. First, it created a network of firms and professionals that work in this area, the first step of cooperation to potentially many more. Second, it created the Italian consumer website, one of the first sites that are purely informative and do not have conflicts of interest of any kind. This site will remain active and potentially help consumers with basic knowledge and guiding them on how to cope with debt and financial problems. Third, it raised awareness in a professional field that needs lawmaking, regulation and awareness within Italian institutional bodies. Indeed, by means of the PEPPI project, the accessibility to debt advisory services and the operational effectiveness of debt advice have improved through an appropriate territorial network that is able to facilitate the approach of all potentially affected debtors, and by fostering efficient collaboration with creditors. The project has created some important spillover effects: the National Coordinators have launched new programs on financial education: a MOOC, a Financial Education course for SMEs, and a Personal Finance course for students and all the staff of UNIURB. Moreover, two national conferences were convened, one in Sicily and one in the University of Urbino. These conferences brought together experts from across Europe and debt advice services in Italy.

The networks continue to work cohesively to improve services available to Italian consumers.

Development, set up and launch of the Italian PEPPi website

The website <https://debtadvice.uniurb.it/> was officially launched in the fourth Italian PEPPi meeting on 23 October 2023, after months of development. This endeavor was one of the main requirements for the PEPPi projects and it was considered as high priority from the start. The IT specialist *Donatello Trisolino* carefully designed a website that is both informative and easy to read, with a minimal interface that highlights immediately the connections with the ECDN website. The structure of the site was designed according to the ECDN Handbook Consumer Website and the contents were selected by ability to be both informative and accessible to the average Italian consumer. The site has very direct links to several institutional sites that explain in depth financial literacy and over-indebtedness topics (Bank of Italy, EDUFIN, FEDUF etc.) and those were the fundamental sources of references for the site. The site is divided into contents about “Managing finances” and “Living with debts”, treating one piece at a time and explaining basic useful concepts. In part, materials were also prepared by private companies, that were acknowledged for them. At the end of the site, ideally after reading through it all, consumers find a clear choice on how to concretely deal with problems in financial decisions or over-indebtedness: a path to go on other institutional sites and educate themselves extensively, a path to choose from few public or publicly funded services or the suggestion to go to some selected private companies. We stated first the ECDN members, then two more trustworthy institutions and then we referred to consumers’ associations, in all cases providing a clear website to refer to.

B.6.2 Challenges and obstacles

There are still challenges to overcome. First, although there are several initiatives, there is not a consolidated public presence in the debt advice services. Second, the regulatory boundaries are not clearly set (how to deal with conflicts of interest). Therefore, the coordination between consumers’ association is sometimes difficult to implement, creating inefficiencies in the allocation of funds and provision of services. In short, the PEPPi project in Italy, a country where debt advice is lagging in all possible dimensions, had great success.

References

- Antenucci D, Caldarelli G (2022) Il debt advice per il consumatore: Natura, dibattito europeo e implicazioni per l'Italia (Questioni di Economia e Finanza No. 740). Banca d'Italia. <https://doi.org/10.32057/0.QEF.2022.0740>
- Banca d'Italia (n.d.) La Centrale dei rischi in parole semplici. Banca d'Italia. <https://www.bancaditalia.it/>
- Banca d'Italia (2020) Italian household income and wealth in 2020. Banca d'Italia
- Bonaventura L, Lazzara M (2022) The economic effects of the consumer over-indebtedness legislation in Italy: An agent-based model. *International Journal of Business and Social Science Research*, 3 (3). <https://doi.org/10.47742/ijbssr.v3n3p1>
- Capozzi F (2023) Save your home, la start-up sociale che salva la casa ai piccoli debitori. *Verità & Affari*. <https://www.veritaeaffari.it/immobiliare/save-your-home-la-start-up-sociale-che-salva-la-casa-ai-piccoli-debitori-e-le-banche-dai-mutui-inesigibili/>
- Cogno R, Marcosano MC (2019) Sovraindebitamento e usura (Contributo di Ricerca 278/2019). IRES Piemonte
- Competence Center sul Sovraindebitamento (2020) Il fenomeno del sovraindebitamento. Università Cattolica del Sacro Cuore – CeTIF; Fondazione San Bernardino
- D'Alessio G, Lezzi S (2013) Household over-indebtedness: Definition and measurement with Italian data (Occasional Papers No. 149). Banca d'Italia
- Eurofound (2020) Addressing household over-indebtedness. Publications Office of the European Union. <https://doi.org/10.2806/25005>
- European Banking Authority (2020) Final report: Guidelines on loan origination and monitoring (EBA/GL/2020/06). European Banking Authority. <https://www.eba.europa.eu/>
- European Commission (2018) Proposal for a directive of the European Parliament and of the Council on credit servicers, credit purchasers and the recovery of collateral (COM(2018) 135 final). European Commission
- European Commission (2021) European Consumer Summit 2021: Agenda. European Commission
- Fondeville N, Özdemir E, Ward T (2010) Over-indebtedness: New evidence from the EU-SILC special module (Research Note 4/2010). European Commission

- Gaetano F (2013) Main results of the study on households' over-indebtedness [Conference presentation]. European Commission, DG Justice & Consumers
- Garrido J (2016) Insolvency and enforcement reforms in Italy (IMF Working Paper WP/16/134). International Monetary Fund
- Graziano M, Loschiavo D (2021) Liquidity-poor households in the midst of the Covid-19 pandemic (Occasional Papers No. 642). Banca d'Italia. <https://doi.org/10.32057/0.QEF.2021/0642>
- Italy (2019) Decreto legislativo 12 gennaio 2019, n. 14, Codice della crisi d'impresa e dell'insolvenza (Versione coordinata al 6 novembre 2020). Gazzetta Ufficiale della Repubblica Italiana
- Loschiavo D (2016) Household debt and income inequality: Evidence from Italian survey data (Temi di Discussione No. 1095). Banca d'Italia
- Ministero dell'Economia e delle Finanze (n.d.) Fondo per la prevenzione del fenomeno dell'usura. Dipartimento del Tesoro. <https://www.dt.mef.gov.it/>
- Organisation for Economic Co-operation and Development (n.d.) National strategies for financial education: OECD/INFE policy handbook highlights. OECD. <https://www.oecd.org/financial/education/>
- Piano Debiti (n.d) Guida sul sovraindebitamento. Pia.). no Debiti. <https://www.pianodebiti.it/>
- Solimeno V (2021) Le operazioni di cartolarizzazione a valenza sociale. Diritto Bancario. <https://www.dirittobancario.it/art/le-operazioni-di-cartolarizzazione-a-valenza-sociale/>
- Stamp S (2023) Toward good practice: A review of money advice services and debt management systems in Ireland, the United Kingdom, France and Germany (UNRISD Working Paper 2023–5). United Nations Research Institute for Social Development
- The Social Legal Aid (n.d.) The Social Legal Aid's ethics code for debt counselling. The Social Legal Aid
- VVA Brussels, CEPS (2021) Good practices in debt advice: Online seminar series meeting report. European Commission
- VVA Brussels, CEPS (2021) Provision of actions to extend the availability and improve the quality of debt-advice services for European households: Final report. European Commission

B.7 Latvia

Authors: Guntra Viksna, Andrejs Vanags

B.7.1 General information

Situation of the provision of debt advisory services in Latvia

Right now, debt advice as a number of services provided by a single provider or a number of providers in a coordinated manner, does not exist in Latvia on any level. There are many actors, providing different services and trying to achieve their own goals, but the coordination is not sufficient and in many cases is absent all. It is necessary to mention the project conducted by the Ministry of Justice, which was an attempt to improve the situation, as it has provided important contributions to creating a roadmap for those facing financial difficulties. Unfortunately, the scope of the project and its impact were quite narrow and it did not include non-governmental organizations. For example, the Ministry of Justice was to develop a website to help persons (not only consumers) facing difficulties to pay their debts, but it is not available yet and it is not clear when it will happen. Besides, the Ministry of Justice clearly indicated that they do not intend to create a debt advice service, but rather to provide a "small insolvency" (as they call it) solution for a limited group of legal and natural persons.

B.7.2 Organization, Participation, and Results of the PEPPI Project Activities

Our team consisted of:

1. *Guntra Viksna* – National coordinator for PEPPI project in Latvia. For 14 years, Guntra has been advising people having difficulties paying off their debts.
2. *Andrejs Vanags* – Member of the Board of Latvijas Patērētāju interešu aizstāvības asociācija (PIAA). PIAA is the Latvian national consumer association, supporting the PEPPI project in Latvia by both helping the national coordinator and taking responsibility for developing the PEPPI project website (see below).
3. *Sanita Gertmane* – representative of the Consumer Rights Protection Center (CRPC), which is the Latvian consumer protection authority.

Sanita has developed most of the contents of the PEPPI website. Both PIAA and CRPC provide general consumer advice to consumers and advice in debt matters. CRPC operates under the Ministry of Economy.

The national networks were created by four online network meetings. In addition, network meetings were held successfully with 24 representatives from other parties including the Ministry of Justice, the Ministry of Economy, the Consumer Rights Protection Center, several local governments; PIAA and its members – regional consumer organizations; Crisis and Consultation Center "Skalbes".

Development, set up and launch of the Latvian PEPPI website

PIAA developed the PEPPI website in cooperation with reputable WordPress developer SEM.lv and *Sanita Gertmane*. The process of development of the website was coordinated by *Andrejs Vanags*. Skalbes is an organization with both paid staff and volunteers with experience and relevant knowledge to provide professional help, support and information to people in crisis, including providing psychological support for people having difficulties to meet their financial obligations. The website was developed according to the handbook provided by ECDN. It is available here: www.pardupaligs.lv. It was developed during the second half of 2023 and was launched on December 29, 2023. The website is the first known attempt in Latvia to gather all the information necessary for consumers facing difficulties to pay their debts in a simple and comprehensive manner in one place. The website is publicly available for all consumers free of charge.

B.7.2 Challenges and obstacles

The main challenges we've faced were due to our late entry to the project and insufficient budget for developing the website. However, with the help of our partners in ECDN and SEM.lv, we were able to overcome them. We've also had some minor challenges with regard to organizing the network meetings, such as insufficient interest from local municipalities, as it seems that they see their role in providing debt advice as an intermediary only. It was also challenging to find suitable time slots for meetings in order to ensure maximum possible attendance. We think the main achievement of the PEPPI project is that of having started the conversation about the future of debt advice in Latvia with all the relevant stakeholders. We've also managed to position consumer NGOs as stakeholders in this very important

discussion with the Ministry of Justice, the Ministry of Economy, the Bank of Latvia and the Consumer Rights Protection Center about existing problems and future cooperation in the area of debt advice. Representatives of the stakeholders mentioned above showed great support for the project and found the information provided to them and discussions very useful. However, we think that it will take some time to achieve a coherent approach to solving problems of over-indebted consumers, as sometimes while making some progress in this regard, we might have regress in other areas. For example, we were very surprised when we learned that in parallel to the discussions within the PEPPi project, the Ministry of Justice proposed changes in Civil Procedure law, which would worsen the situation of the poorest debtors whose income is at the minimum wage or less.

References

- Consumer Rights Protection Center (2023) Statistics on non-banking credits. <https://www.ptac.gov.lv/lv/media/4008/download?attachment>
- Consumer Rights Protection Center (2023) Statistics on debt collection services. <https://www.ptac.gov.lv/lv/media/4359/download?attachment>
- Consumer Rights Protection Center (2019) Research on consumer credits and savings. <https://www.ptac.gov.lv/lv/media/116/download?attachment>
- Ministry of Justice (2022) Design of Information Sources to Identify and Resolve Financial Distress in Latvia. <https://www.tm.gov.lv/lv/projekts/projekts-informacijas-avotu-izstrade-finansialo-grutibu-apzinasanai-un-atrisinasanai-latvija>





B.8 Lithuania

Author: Lithuanian Consumers Alliance (LCA)

B.8.1 General information

Around 14 % of people of working age in Lithuania have debts they cannot pay. According to the Lithuanian State Data Agency, more than a third (36 %) of Lithuanians said they do not have any savings for unexpected expenses if they were to reach EUR 380. Those living below the poverty line reported that they were unable to pay rent, utilities, housing, or other loans on time due to lack of money. Not having savings and not being prepared for life's unexpected events is one of the greater risk factors for over-indebtedness. Lithuania still has one of the highest deductions to cover debts compared to neighbouring countries – up to 30 % of the salary below the minimum monthly wage (MMA) and up to 50 % above the MMA. These percentages discourage people from working and those who do work from maximizing their income. They choose to quit or work in the shadows.

Stakeholder groups

In order to understand why the debt situation is the way it is, it is useful to look at the stakeholders who affect, or are affected by, the factors that influence the debt market.

Public authorities:

- Ministry of Social Security and Labor (SADM). The institutions subordinated to the SADM – Sodra and the Employment Service (UŽT) – also play an important role in the debt ecosystem.
- The Ministry of Justice (MoJ), which is responsible for debt recovery procedures, payroll deductions, and instructions to bailiffs.
- Ministry of Finance (MoF). The most prominent institutions in the debt context are the Audit, Accounting, Asset Valuation, and Insolvency Management Service, which administers bankruptcy and insolvency procedures for natural persons, and the State Tax Inspectorate, which is responsible for the efficient and accurate administration of taxes.
- Bank of Lithuania (LB). In addition to its supervisory role, the Bank of Lithuania pursues policies to contribute to the stability of the financial system as a whole.

- Municipalities. They have the possibility to provide primary legal aid, social assistance (e.g. debt relief), and other support to debtors.

Non-governmental Organisations (NGOs):

- The National Network of Poverty Reduction Organizations is one of the most active organizations researching and advocating on debt.
- The Lithuanian Consumer Alliance (LCA) works to ensure the protection of consumers of financial services and supports debt prevention through the development of debt counselling services.
- The Financial and Credit Management Association (FICMA), also a member of LCA, has experts who help people create personal financial plans and provide advice on renegotiating mortgage loan terms.
- The Vilnius University Law Clinic provides free initial legal assistance to help debtors navigate court decisions, bailiffs' demands, and repayment conditions.
- The Lithuanian Association of Social Workers provides help for people with problem debts.
- Pactum, a public-private partnership, ran the project "Debt is not a problem, I will work – I will pay back".
- Vilnius CARITAS lawyer has been advising low-income residents and prisoners in debt.
- Debt collectors
- The Lithuanian Chamber of Bailiffs (LAR) brings together the bailiffs of the Republic of Lithuania, who are responsible for the recovery of the majority of debts through compulsory legal proceedings. They have over 250,000 debt recovery cases in their hands.
- Debt buying and/or collection companies are private alternatives to public bailiffs (e.g. Conlex, Julianus Inkaso, etc.).

Participants in the consumer credit market:

- Credit institutions – banks and credit unions.
- Consumer credit providers.
- Leasing companies (usually related banking companies).
- Peer-to-peer lending platforms.
- "CreditInfo" is a provider of credit information and risk management solutions. To calculate consumers' credit rating, "CreditInfo" compiles what is probably the largest debt database. – Loan comparison platforms – offer you the opportunity to compare the interest rates and repayment

terms of loans on offer. Helping people to find the potentially best solution for them, thereby "plugging" gaps in financial literacy.

Causes of arrears among residents

Over-indebtedness is a complex problem, which sometimes makes it difficult to distinguish between cause and effect. For example, poverty may be a cause of over-indebtedness, but excessive arrears can bring a person to the brink of poverty.

The Bank of Lithuania's 2022 survey identifies the following reasons for default: salary reduction, loss of a regular source of income, family growth, unforeseen expenses, and an increase in everyday expenses.

The most prominent at-risk groups in Lithuania are single-parent households with one or more children and couples with three or more children, as well as households with other household compositions below the poverty risk line. These households have fewer savings, cite liabilities as a greater burden, and also have less money for current expenditures, thus being forced to borrow. These groups are also not always able to pay their non-housing bills (telephone, internet, education or medical bills) on time due to lack of money. Often, the problem of indebtedness for individuals, especially families, stems from a lack of social skills and financial literacy.

Situation of the provision of debt advisory services in Lithuania

The support available in Lithuania is not centralized — there is no unifying body to regulate, integrate, and provide comprehensive support measures. However, there is some support available to people in debt in Lithuania, for example free primary legal aid provided by municipalities and NGOs. NGOs also provide counselling, accompaniment and, to a lesser extent, psychological support.

From July 2022, a person who has indicated to the Employment Service under the Ministry of Social Security and Labor that his or her debts are the main reason for not being able to get a job can receive a jobseeker status. This allows the Employment Service to provide assistance to help the person cope with this problem.

Bankruptcy of a natural person is also possible in Lithuania. In 2017–21, an average of 347 bankruptcies of natural persons were opened per year. In addition to state-guaranteed legal aid, municipalities, in the exercise of their autonomous municipal function, have the possibility and legal basis to grant additional social support in other cases not provided for in the Law on Cash Social Assistance to Needy Residents (to grant a lump sum,

targeted, periodic, or conditional allowance, or to provide other social support).

Good practice

As mentioned above, assistance to the indebted population in Lithuania is fragmented. Some NGOs run projects to help people in debt. For example, the office of the Public Institution "Pactum" ran a project providing debt counsellors and psychologists to help people in debt who are facing employment problems. The project provided mediation services (dealing with bailiffs, negotiating payment arrangements or more favorable conditions) as well as information and counselling services on debt management.

The Employment Service ran the Employment Promotion and Motivation for the Unemployed and Beneficiaries Model, which became the Employment Enhancement Program from 2023. One of the main objectives of this model is to combine the provision of employment promotion and motivation services with cash social assistance and personalized assistance through the employment of case managers. The continued implementation of the program is ensured through cooperation between the Employment Service, NGOs and municipalities.

In September 2022, the Bank of Lithuania established the Financial Literacy Centre, whose main objective is to increase the financial and economic literacy of society.

B.8.2 Organization, Participation, and Results of the PEPPI Project Activities

The LCA leads the creation and implementation of the PEPPI project in Lithuania, working alongside a team of experts from various fields. The National Coordinator was *Kęstutis Kupšys* (economist), assistants *Agnė Černiauskaitė* (lawyer) and *Rūta Trainytė* (project manager, communications expert), IT developer Lukas Jonaitis, and website content coordinator Sandra Jonaitė.

Other colleagues of the LCA were involved on an as-needed basis, e.g. contacting interested parties.

The LCA has been building a national debt counselling network through a series of stakeholder meetings under the PEPPI project.

The first meeting gathered state institutions, banks, NGOs, and universities. Participants discussed EU debt counselling models, training needs,

legal challenges, and opportunities for cooperation. The Bank of Lithuania took a coordinating role in drafting a national financial education plan.

The second meeting involved several institutions that committed to training counsellors to better support indebted citizens. Challenges such as accreditation, funding, and program content were noted. Stakeholders agreed to start with a pilot in 2023 and expand later, while also developing a user-friendly online platform.

The third meeting was hosted by the Bank of Lithuania on 18 December 2023 with 16 participants from 11 organizations. Among them were the Bank of Lithuania, universities, NGOs, and consumer groups. Discussions highlighted that Lithuania is one of 13 EU countries without a proper counselling network and that services are fragmented. Participants underlined the need for legal, economic, and psychological competences, as well as debt prevention starting from schools. The importance of implementing the new Consumer Credit Directive for creating a coordinated, well-funded system was stressed.

In addition, bilateral meetings were held with *Simonas Krėpšta* (Bank of Lithuania) and the Ministry of Justice. These focused on consumer protection, indebtedness levels, and funding. Proposals included using municipal legal aid and day-care centers, as well as allocating part of banks' "solidarity contribution" tax to financing the counselling network.

The fourth meeting brought together five key organizations: the LCA, ECDN, Caritas, Pactum, and the Ministry of Social Security and Labor. The discussion centered on the sustainability of the PEPPi website (www.skolai-ne.lt). Participants agreed to cooperate on social partnership principles to ensure long-term functioning after the project's end, with follow-up meetings planned for January 2024.

As part of the PEPPi project, the LCA engaged with parliamentary committees and national stakeholders to strengthen the debt counselling framework in Lithuania.

Development, set up, and launch of the Lithuania PEPPi website

A stakeholders' meeting was organized to discuss the content of the website and this was discussed more closely with the Employment Service from Kurk Lietuvai. Initially, it was envisaged that a joint website would be developed, but later the plans of the Employment Service changed and the LCA team, together with the IT and content coordinator, developed the website independently, mainly using the guidance and training information provided by ECDN.

We have created a separate brand "*No to debt!*"

The website was officially launched on 18 December 2023.

The website is clear, simple, and easy to understand:

- advice on what to do,
- contacts, where to go,
- the latest statistics, news,
- information about PEPPi,
- training videos,
- a map of free legal aid in Lithuanian municipalities,
- a map of the network of consultants.



The website was presented to stakeholders at the third meeting. The website was also promoted on social networks (messages and sponsored banners). In the first month, more than 4,000 visitors visited the site.

On 8 January 2024, a meeting was held with representatives of Vilnius CARITAS. During the meeting, it was agreed that the website www.skolai-ne.lt will be handed over to the Vilnius CARITAS team based on social partnership. This is a very favorable decision, as CARITAS is already providing counselling to the indebted population and can use the website daily. The CARITAS team can also upload specific information that is relevant to clients.

B.8.2 Challenges and obstacles

LCA faced several challenges during the project:

- Low involvement of municipalities,
- Fragmented services and the absence of a single responsible center,
- No sharing of information between stakeholders,
- No website with information on consultations.

A shift has been observed during the PEPPi project. Useful ECDN training for stakeholders on the experiences of other EU countries provided valuable insight into what is happening in other countries. The meetings organized between the stakeholders allowed for the exchange of information. The development of the website www.skolai-ne.lt fills the gap.

Management of the topic is still fragmented. Although the Employment Service is taking a leading role, it will organize training for consultants and carry out consultations. However, only the unemployed will receive this advice free of charge, so the fragmentation persists. The LCA has agreed to cooperate with Caritas and Pactum, who are currently running the consultations, to use the www.skolai-ne.lt website. There is still a lack of deeper involvement of municipalities. The Lithuanian authorities are aware of the Consumer Credit Directive and understand that it will have to be implemented, so some movement is expected in this area.

Conclusion: The help for the indebted population in Lithuania is slowly moving in the right direction.

References

- EAPN Lithuania (2019) Lithuanians Face an Inhumane Debt-Exploitation System; NSMOT (2019) Lietuviai susiduria su nežmogiška skolų išieškojimo sistema. Caritas: Skolos spąstai <https://www.caritas.lt/news/skolos-spastai>; <https://www.caritas.eu/lithuanians-face-inhuman-debt-relief-system>
- Kauno Diena (2019) Residents' Debts Across Municipalities Differ by Tens of Times; Kauno Diena (2019) Šalies savivaldybių gyventojų įsiskolinimai skiriasi dešimtis kartų <https://kauno.diena.lt/naujienos/verslas/moniu-pulsas/salies-savivaldybiu-isiskolinimai-skiriasi-desimtis-kartu-934319>
- Kauno Diena (2015) Problems in the Fast-Loan Market: What Solutions Does the Bank of Lithuania Propose?; Kauno Diena (2015) Problemos greitųjų kreditų rinkoje: kokias išeitas siūlo Lietuvos bankas? <https://kauno.diena.lt/naujienos/verslas/ekonomika/problemos-gretuju-kreditu-rinke-kokias-iseitis-siulo-lietuvos-bankas-709421>
- LCA (2024) Proposals of the Consumer Alliance for Political Parties Running for the Seimas; LCA (2024) Vartotojų aljanso siūlymai į Seimą pretenduojančioms partijoms. BNS Spaudos Centras. <https://sc.bns.lt/view/vartotoju-aljanso-siulymai-i-seisma-pretenduojancioms-partijoms-49290> (2021)
- Ministry report (2021) Every Fifth Resident Faces the Risk of Poverty; Ministerijos ataskaita (2021) Kas penktas gyventojas susiduria su skurdo rizika. Lietuvos Radijas ir Televizija <https://www.lrt.lt/naujienos/verslas/4/1504581/ministerijos-ataskaita-kas-penktas-gyventojas-susiduria-su-skurdo-rizika>

B.9 Malta

Author: Helena Holland

B.9.1 General information

The population of Malta as reported in January 2024 by the Maltese National Statistics Office (NSO) is 542,051 (2022 data).

Poverty: In 2021, the severe material and social deprivation rate increased by 3 percentage points to 5.4 % from the previous year. This is 0.3 percentage points higher than that estimated by EU-SILC 2020. The at-risk-of-poverty or social exclusion rate (AROPE) increased by 0.4 percentage points to 20.3 %, compared to that derived from EU-SILC 2020 (source: NSO, September 2022).

Social Security System: Malta has a universal social protection system covering all citizens, addressing risks such as unemployment, sickness, disability, and old age. It is based on two pillars: contributory benefits linked to social security contributions, and non-contributory benefits granted through means testing. In addition to cash benefits, the state provides free healthcare, education up to tertiary level, childcare, and school transport. Self-employed persons enjoy essentially the same rights and benefits as employees, including healthcare, pensions, family benefits, minimum income support, and partial maternity benefits.

Financial Fragility and Indebtedness in Malta

According to the Malta Central Bank's Household Finance and Consumption Survey (HFCS), around a third of Maltese households hold some form of debt, and the percentage of households holding mortgage debt stood at 23.6 %. This is based on 2020 data published in 2022.

There are no specific estimations of over-indebted households. But the research of Vella and Mintoff shows:

“economic hardship is a main contributing factor leading a person with few resources to resort to usury. Although usurious loans may provide temporary relief, they often lead to a usury trap, resulting in greater distress and poverty“ (2022:10).

15.4 % of households in Malta were not able to pay for unexpected expenses of €770 or more. 9.6 % were regarded as materially and socially deprived persons (NSO 2023).

Situation of the provision of debt advisory services in Malta

The Eurofound research report on public services addressing household over-indebtedness states that overall, Member States have converged in establishing debt settlement procedures to provide a way out of over-indebtedness. Malta and, to a lesser extent, Bulgaria lag behind. The report states that Malta along with Bulgaria, Croatia, Cyprus, Italy, Lithuania, Slovenia and Spain has a particularly weak tradition of debt advice and that in Bulgaria, Croatia, Cyprus, Malta close to no support has been identified.

Currently, NGOs fill important gaps, providing services for people who do not fulfil the criteria to be entitled to public debt advice (such as in the Netherlands), or when no public services are available. In the latter case, however, the gaps filled tend to be rather limited. An example includes Malta, where the Caritas NGO offers support on an ad hoc basis for usury, as a proper debt advice structure is lacking. All Member States now have some sort of private debt settlement in place, except for Malta.

Company Insolvency: The relevant provisions relating to the local law of insolvency are found mainly in the Companies Act and the Commercial Code. Moreover, as from 1st June 2003, the Set-off and Netting on Insolvency Act regulates the set-off and netting on bankruptcy and insolvency.

The Maltese Insolvency law regime distinguishes between bankruptcies of a person or a commercial partnership other than a company which are regulated under the Commercial Code and bankruptcy of a company which is regulated by the Companies Act. Further information can be found here <https://www.cc-advocates.com/company-law/company-insolvency-law-in-malta>

Personal Insolvency: There is no legislation targeting personal insolvency.

Legal Framework for Debt Collection in Malta

In Malta, debt recovery can be carried out either out of court or through judicial proceedings. Clear and certain debts below €23,300 are often settled via a judicial letter under Article 166A of the Code of Organization and Civil Procedure, while larger or disputed debts require court action. Creditors may also use precautionary measures such as Garnishee Orders, seizure warrants, or prohibitory injunctions to secure repayment. Enforceable titles include judicial letters, court judgments, notarized contracts, arbitration awards, mediation agreements, and decisions of the Consumer Claims Tribunal.

Enforcement of executive titles in Malta can involve various measures, including seizure of movable or immovable property, commercial assets,

garnishee orders, eviction, and arrest of vessels or aircraft. For Section 166A judicial letters, applicants must submit a legal copy with evidence of service to the Court Registrar. Movable property subject to enforcement includes stocks, licenses, insurance policies, credit securities, and intellectual property, while essential items for daily living and personal/professional documents are exempt. Since 2022, garnishee orders cannot affect social security benefits, pensions, allowances, or related bank accounts, and banks must provide separate accounts for receiving these benefits.

Other stakeholders

In Malta there are credit reference companies such as Credit Info.

Malta also has a Competition and Consumer Affairs Authority (the MCCAA)

The Office is tasked with the promotion and protection of consumer rights and welfare. This objective is mainly achieved by fostering a balanced relationship between consumers and traders. Through continuous education and information this Office empowers consumers to deal in the best possible way with the problems they encounter during their purchases. On the other hand, traders and service providers are encouraged to adopt commercial practices that benefit consumers and hence foster healthy customer relationships.

When facing disputes with traders or suppliers of services, consumers may seek the assistance of the Office for Consumer Affairs. This assistance is mainly provided through a conciliation process that is carried out between consumers and traders with the aim of reaching an amicable settlement. Another important role this Office has is that of ensuring effective enforcement of consumer protection legislation. This is mainly achieved through investigation of unfair commercial practices, unfair contract terms and breaches to the Consumer Rights Regulations and by taking the necessary measures for the suppression and prevention of such practices. It also ensures price transparency and compliance with other information requirements as stipulated in consumer legislation.

GEMMA

In January 2017, the Government launched the Strategy for Retirement and Financial Capability 2017–2019, later extended to 2021. Its implementation was entrusted to the Office of the Permanent Secretary within the Ministry for Social Justice and branded as GEMMA—a Maltese word for “saving.” In November 2017, the independent portal gemma.gov.mt was launched to

provide trusted information on retirement and financial matters, with most actions since implemented and new ones introduced.

The implementation of ĠEMMA's 2017–2019 Strategy demonstrated positive results in strengthening financial awareness. On 14 January 2022, the second ĠEMMA Strategy 2022–2025 was launched. ĠEMMA collaborates formally and informally with Life Long Learning Malta, JAYE young Enterprise, Malta e-Skills Foundation, the General Worker Union and 14 Union Haddiema Magħqudin, pensioner associations, the Local Council Association, The Malta Bankers' Association, HSBC Foundation Malta, Foundation for Educational Services Malta, Bank of Valletta, Youth Agency and others.

In Q4 2023, ĠEMMA was placed under the newly established Pension Strategy Directorate within the Ministry for Social Policy and Children's Rights. This new structure is intended to strengthen partnerships and broaden the dissemination of financial capability skills. During the same period, collaboration with the Ministry for Education was initiated to integrate financial education into state schools, alongside discussions with the MFSA. For 2024, a campaign targeting Church and Independent schools has been planned.

On 3 December 2021, during a meeting with the Jean Antide Foundation, the NGO highlighted the need for more individualized financial capability training and stressed the lack of debt advisory services in Malta, as confirmed by the Eurofound 2020 report. ĠEMMA's team leader reviewed the report and raised the urgent need for such services with the Ministry for Social Policy and Children's Rights. A preliminary document was drafted for the Minister and Permanent Secretary, later expanded with insights from reports and an online seminar series on improving debt-advice services for European households.

Virtual meetings were held with one of the authors of the Eurofound report, followed by informal discussions with NGOs and a first fact-finding meeting with MABS in Ireland. These exchanges marked the start of exploring models and good practices in debt advice provision. Subsequently, contact was established with the PEPPI Project leader, and given the relevance of the initiative, formal approval was obtained for participation and coordination within the Project.

B.9.2 Challenges and obstacles

The above facts and figures on Malta, its Social Security system, and debt-related legislation demonstrate the gaps and the need for a formal, structured, and professional debt advice service. Simultaneously, there is the need for supporting personal insolvency legislation, which would facilitate the set-up of a debt advisory service, the debt advice process, and the creditors themselves to mitigate and, where possible, resolve their debt situation. The PEPPI Project has already provided a solid basis for this set-up and is expected to continue to be a resource for the Maltese debt advisory sector and those involved in its running.

B.9.3 Organization, Participation, and Results of the PEPPI Project Activities

Our team consisted of:

1. *Helena Holland* – National Coordinator for the PEPPI Project in Malta. She led formal and informal meetings with stakeholders, explained the debt advice concept, compiled invitee lists, drafted invitations, and re-engaged participants through calls and emails to ensure participation in webinars and network meetings.
2. *Archibald Attard* – Project Officer, supporting coordination and implementation of project activities. He managed arrangements with speakers, technical set-up of national network meetings, uploading of presentations, dissemination of invitations and post-meeting resources, creation of a documentation repository, content review, and troubleshooting technical issues.

In the meantime, continuous information gathering and stakeholder engagement took place. Five national network meetings were held with relevant stakeholders attending, including Caritas Malta, Mental Health Community Services, the Ministries of Health and Social Policy and Children's Rights, St. Jean Antide Foundation, Office of the Permanent Secretary (MSPC), and the Foundation for Social Welfare Services. These meetings further informed stakeholders of the key information disseminated during the PEPPI webinars and helped prepare institutions that will work in the area in the near future.

The involvement in the project and work on the debt advice service had begun independently out of the interest of the NGO Jeanne Antide and

the Gemma Team leader who became the coordinator of the project. The enthusiasm, interest and commitment were also shown by the Ministerial Upper Management once the concepts and gap in service provision were initially explained. This was demonstrated by the opening of the conference of the 23rd March 2023 and by regular meetings for updates held throughout by the upper Ministerial management for feedback about the webinars and network meetings.

Development of the PEPPI website

With regard to the website this was already set-up and contained existing resources in financial capability including some information and resources on debt. The portal was re-configured to include an easily identified and specific debt section with resources included on the left. New content and resources were drafted, and all relevant content was shifted to this section. The reason why a new web site was not set-up, is that a dedicated web site is to be launched once the advisory is in its final stage. This is also why no additional expenditure was made for the site as it was planned to be an organic evolution of the existing financial capability site which would give a more visible and accessible space for debt management resources. There was also a legal issue which through new legislation may be resolved whereby naming something as an advisory in financial terms meant it would necessitate a license as the term advisory is intended to be that of financial advisory and thus would need to be registered in the financial services register of MFSA. This was something discussed with legal experts by the project coordinator and thus the section was termed debt management to avoid any legal issues.

Results of PEPPI

The PEPPI Project significantly raised awareness of the New Consumer Credit Directive, particularly Article 36, which obliges Member States to ensure the availability of debt advisory services. Initially, no information had been provided by the national contact points, but through the project, the Ministry and relevant authorities, including MCCA and MFSA, were informed of their responsibilities.

Participation in PEPPI also enabled Maltese coordinators and stakeholders to visit Irish debt advice services, gaining practical insights into service provision that complemented theoretical knowledge from reports. This experience acted as a catalyst for establishing debt advisory services in Malta, providing preliminary resources and groundwork that would otherwise have been less informed.

The project further strengthened networking and collaboration among stakeholders, fostering interest in financial capability and paving the way for future partnerships, such as MFSA's collaboration with GEMMA, while also informing potential legislative updates and actions related to debt advisory services.

References

- National Statistics Office (2024) Population and Migration: 2012–2022 (including intercensal revisions). Nr. 015/2024. nso.gov.mt/population/intercensal-population-revisions-2012–2021/
- National Statistics Office (2023) EU-SILC 2022: Estimates of Material Deprivation and Housing Problems. Nr. 070/2023. nso.gov.mt/living-conditions/eu-silc-2022-estimates-of-material-deprivation-and-housing-problems/
- Vella M. G., Mintoff Y. (2022) Debt and Domination: Malta's Usurious Economy. Occasional Paper 02/2022. Islands and Small States Institute. Malta: University of Malta.

B.10 Romania

Author: Rodica Diana Apan

B.10.1 General Information

When we started the project, the indebtedness and financial education were as follows:

1. The highest values for the share of people exposed to the risk of poverty or social exclusion among the Member States were reported in Romania (34 % / Eurostat);
2. A maximum of 10 % of Romanians have financial skills (Institute of World Economy);
3. 30 % of Romanians are financially illiterate (Quality of Life Research Institute).

For this reason, we focused on a lot of activities in order to improve this situation.

Individual Insolvency Proceedings

Legislation regarding individual insolvency proceedings entered into force on January 1, 2018, and regulates insolvency proceedings based on a debt repayment plan, as well as insolvency judicial proceedings through liquidation of assets. The main objective of advising the individual regarding the insolvency proceedings is to have the debtor make use of it to recover their financial situation, the coverage of their liabilities to the greatest extent possible, and the discharge of debts.

The financial situation of the debtor who can appeal to the proceedings is characterized by insufficient funds available for the payment of debts as they become due. Being considered a procedure of the second chance, the insolvency of the individual responds to social reasons, giving the debtor, who has no other way, the right to free themselves from residual debts.

B.10.2 Organization, Participation, and Results of the PEPPi Project Activities

The National Coordinator for Romania is Associate Professor Ph.D. *Apan Rodica Diana*. Four national conferences were organized in Romania, which finally led to the establishment of a national community for advising consumers on financial services. We had over 100 participants online at these conferences. At the beginning of the project, we made a mapping of the relevant stakeholders.

After several months and many meetings and discussions, we managed to create a community with diverse relevant partners from various areas of expertise. We work together with partners to develop and improve debt counselling in Romania. We founded ProConsFin, the first national coalition of consumer associations in Romania specializing in the protection of financial services consumers.

National Conferences

As part of the project, four national conferences were organized to build a national network and promote debt advice, gathering the relevant stakeholders:

- The National Consumer Protection Authority (ANPC),
- Local and national public administrative bodies,
- Authorities that provide social services,
- Consumer associations, credit providers and intermediaries, debt collectors,
- Social and SME development organizations,
- Professional organizations.

The first conference, establishing the national network and mapping stakeholders, introduced and launched the PEPPI Project, and we presented highlighted an analysis regarding the national context about counselling for (over)indebted people in Romania.

Categories of (over)indebted people / vulnerable target groups needing debt counselling

- consumers affected by the increase in the ROBOR and IRCC indices and those who changed from ROBOR to IRCC;
- consumers affected by unfair terms in credit agreements and incorrect commercial practices of banks towards consumers;
- consumers who have contracted a loan in exotic currency;
- consumers affected by the consequences of foreign currency credit agreements;
- consumers (over)indebted as a result of non-bank lending, assignment, and repossession;
- individuals (over)indebted, vulnerable due to age, health status, social exclusion, addictions, being socially assisted / deinstitutionalized, migrants;
- individuals (over)indebted as a result of entrepreneurial activity and/or co-debtor status;
- high interest rates as a result of resorting to non-bank lending in cases where bank loans were not accessible to consumers;
- incorrect practices in the assignment and recovery of debts;
- people with addictions, disabilities, elderly people, people from rural areas, refugees, migrants, stateless people by expatriation, people at risk of social exclusion and poverty, marginalized people.

Legislative gaps

A legislative gap exists at the national level, consisting of the lack of express regulation of debt advice, and this needs to be filled by a *lege ferenda* proposal through the transposition of Directive (EU) 2023/2225 as a consumer

protection measure with relevance to the standard of living and quality of life of the population.

Second Conference

The second conference, held with Slovak coordinators in March 2023, presented the Slovak debt advice system, because this system has regulation on debt counselling, and we intended to deepen these good practices. We mention the participation of representatives of ANPC, local and national public administrative bodies, practitioners and experts in social work, experts from psychology and psychiatric institutes, and staff of ECDN, with over 60 participants.

Meetings with social assistance, psychology, and psychiatry experts

During the initial meetings with experts in social assistance, psychology, and psychiatry, we analyzed in a working meeting the need for a holistic approach to debt counselling activities. Subsequent meetings focused on analyzing national data on individuals facing repayment difficulties and identifying vulnerable groups to target, such as people with disabilities, the elderly, and those struggling with addictions.

In the field of social assistance, the activity carried out within public administrative bodies and authorities at the local and national level (e.g., social assistance departments) that provide social services does not include debt advice. Social assistance professionals enter into a constant relationship with socially assisted persons and/or individuals in various situations of vulnerability, and debt advice can be a component of their social assistance activities.

Third & Fourth Conferences

At the third conference, the project launched the website www.consiliereconsumatori.ro, presenting the platform and the community supporting debt counselling.

The fourth conference was dedicated to analyzing the development stage of the national community involved in the development of consumer counselling in Romania and the way forward for continuing the dissemination of information in the field, as well as maintaining and developing the connections established in the project.

Between the conferences, we held a series of working meetings and established a series of Memorandums of Understanding with partners.

Working Meetings & MoUs

A total of 20 working meetings were held with stakeholders, leading to the signing of 20 Memorandums of Understanding with partner organizations. These meetings also provided opportunities to engage with partners on the content of the Memorandums and outline future collaborative activities in the field of debt counselling.

ProConsFin – the First Coalition of Consumer Associations specialized in the protection of financial services consumers

Working on the project led to the establishment of ProConsFin, the first national coalition of consumer associations in Romania specialized in the protection of financial services consumers, uniting ARD, AURSF, and Consumers United.

The coalition responds to a pressing need for cooperation. Consumers in Romania face heavy obligations when dealing with financial service providers, and failure to meet these often results in severe financial, social, and psychological consequences affecting entire families. Over-indebtedness has been a key driver of poverty and social exclusion, and specialized consumer associations play an increasingly important role in addressing this issue. In line with European practice, their objective is to provide free and independent debt counselling services, a need made even more urgent by the health and economic crises. To achieve this, they require the support of ANPC.

Steps towards establishing the coalition included a preparatory meeting with AURSF and Consumers United, followed by an online session where the decision was taken to set up the coalition and agree on the name – Pro-ConsFin. A Memorandum of Understanding between the three founding associations was then drafted, defining objectives and a work plan. On 6 June 2023 in Bucharest, the “birth certificate” of ProConsFin was formally signed.

The consumer associations involved in the coalition resolved to advocate for amendments to the Romanian Consumer Protection Law. Among its first activities, consumer associations from ProConsFin participated in a meeting at the Romanian Parliament’s Committee on Industry and Services, supporting legislative proposals for improving consumer protection legislation.

This initiative, facilitated by AURSF, was carried out jointly by ARD and Consumers United. A follow-up joint meeting on the role of con-

sumer associations is planned, and the coalition expressed its appreciation through a formal letter of thanks to the Committee for its support.

Beyond its creation, the coalition engaged in important discussions on the implementation of Directive (EU) 2023/2225. The coalition aims to become a proactive partner of ANPC in the transposition of this directive at national level. Inspired by the ECDN Statement on the adoption of the Directive, ProConsFin is preparing its own Statement of Intent, with a focus on Article 36 concerning debt advisory services. Another key topic of discussion was funding opportunities for consumer associations to operate debt counselling centers.

In general, consumer associations in Romania have initiated and developed projects related to consumer information and advice, mostly carried out online, either having a general informational character regarding consumer rights or a specialized character, namely information on various products and services. For vulnerable consumers who intend to take out a (new) loan, the need for debt advice is based on the purpose of preventing (over)indebtedness. They need advice throughout the life cycle of the loan, starting prior to its granting, to make an informed credit decision and understand the risk and consequences of non-repayment of the credit. Debt advice is also needed if they are already over-indebted.

Therefore, an option for developing debt advice within consumer associations is the establishment / organization / development of specialized centers for this purpose.

In the absence of concrete legislation, the associations cannot finance and provide the provision of professional debt advice services. The transposition of Directive (EU) 2023/2225 should bring solutions to this problem.

Creating the first website at the national level in the field of consumer advice

Finally, the project launched, at the third conference, the website www.consiliereconsumatori.ro, presenting the platform and the community supporting debt counselling. A significant activity in the PEPPi project was to create the website dedicated to debt counselling in Romania.

In order to achieve this goal, the following activities were carried out: securing a qualified IT specialized partner to discuss the objectives of the website; preliminary analysis of the handbook with the website specifications, estimated costs and possible subscriptions; analysis and discussions of the website's content; elaborating, checking, and implementing the first articles for the website.

The most challenging task was to adapt the content of the website to the knowledge level of people in Romania regarding debt counselling, a large volume of work for the team.

Also, for easy and quick access and dissemination of the website, we developed a QR code which enables users to access the website by scanning on mobile phones. The first post on the website represented a milestone for the team. In addition, we ensured that all materials on the website are interactive, accessible, and user-friendly in a way that enables better dissemination and ease of access for our target group.

We continued to upload material to the website in stages, as the website will require regular updates to stay relevant and accurate.

To increase accessibility of the website to minorities, refugees, and diverse groups in Romania, we implemented a translation function for the website content in 10 languages: Danish, Dutch, English, French, German, Italian, Slovak, Hungarian, Ukrainian, and Spanish.

Because this is only the beginning of our work on the website, we agreed on frequent team meetings to discuss better strategies and analyze trends for promoting the website www.consiliereconsumatori.ro.

B.10.3 Challenges and obstacles

The development of debt counselling in Romania still faces significant challenges. One of the key barriers is the absence of clear regulations, structures, and financial support for consumer associations to provide such services. Integrating debt counselling into social services for vulnerable groups remains a priority but is yet to be achieved. At the same time, there is a pressing need to professionalize debt counselling both within consumer associations and social assistance services, and to ensure their involvement in national strategies on financial education.

Another obstacle lies in the limited understanding and acceptance of debt counselling among consumers themselves. Many people do not see its necessity, lack financial education, or do not trust those offering such services. Building trust requires high professionalism, while accessibility must be ensured not only in large cities but also in smaller localities and through digital means.

The holistic approach that combines legal, financial, social, psychological, and psychiatric perspectives is still new and relatively unknown in Romania. Although the PEPPI project has already advanced the field and

laid important foundations, further work is needed to ensure sustainable development.

We consider that only by legislating and implementing debt counselling, and by involving public and private institutions in its promotion and development, as we initiated in the project, will people who are at risk of over-indebtedness or who are already over-indebted benefit from real and effective protection.

References

- Apan R. D. (2024) The concept of ‘debt advisory’ under Directive 2023/2025. Status of national regulations and perspectives on transposition, in: *Perspectives of Law and Public Administration*, Vol. 13, Issue 2, 310–319. <https://www.adjuris.ro/revista/an13nr2.html>
- Apan R. D. (2023) Vulnerables and Vulnerabilities Face to Face with Over-indebtedness. *Journal of Law and Public Administration*, No. 18, Vol. IX, 50–61. https://sjea-dj.spiruharet.ro/images/secretariat/sjdea/-2016/JoLPA_VolumeIX_Issues_18_2023.pdf
- Apan R. D. (2022) Public vs. Private in the matter of protecting the elderly in the field of credit and (over)indebtedness, in: *ISAM Scientific Notebook*, No. 7/2022. Public administration at 30 years of independence of the Republic of Moldova. Achievements and perspectives of the rule of law, good governance and European integration. Bucharest University Publishing House. <https://www.isam.md/>
- Apan R. D. (2017) A new perspective on insolvency – The procedure applicable to the debtor natural person, in: *Curentul Juridic*, No. 1, 116–130. https://revcurentjur.ro/old/arhiva/attachments_201701/recjurid171_9F.pdf
- ECDN (2023) ECDN Statement: Article 36 Of The Consumer Credit Directive. Long Needed - Now Adopted: The Obligatory Provision Of Debt Advice Services. European Consumer Debt Network Newsletter, Autumn 2023. <https://usercontent.one/wp/ecdn.eu/wp-content/uploads/2023/10/ECDN-Newsletter-Autumn-2023.pdf?media=1673368772>

B.11 Slovakia

Authors: Ladislav Šutý, Peter Daniel, Jozef Hudák, Lea Steele

B.11.1 General information**The over-indebtedness in Slovakia in 2022 and 2023**

In Slovakia, there is no systematic research on the level of household over-indebtedness, although individual statistical data reflect various segments of over-indebtedness and the inability to repay debts.

The National Bank of Slovakia publishes monthly statistics on classified loans. The overall situation regarding classified loans has gradually improved over the years 2022 and 2023, with the total volume of classified loans declining from approximately EUR 1.1 billion to EUR 0.9 billion. A similar trend can be observed in the percentage share of classified household loans, which fell from about 3 % to below 2 % during this period. Significant differences are evident across loan types – mortgage repayment remains considerably more successful (with fewer than 1 % of loans classified), whereas credit cards, overdrafts, and consumer loans represent a much higher risk both for borrowers and creditors (7 to 10 % of loans classified).

The effects of the COVID crisis led to an increase in the number of new enforcement proceedings in 2021, when nearly 289,000 new cases were initiated, primarily as a result of accelerated enforcement activity by health insurance companies.

The number of personal bankruptcies in Slovakia varies from year to year, depending mostly on changes in insolvency legislation. The strict insolvency regime between 2006 and 2016 discouraged many individuals from filing for bankruptcy. However, a substantial simplification of conditions in April 2017 triggered a boom in personal bankruptcies, which lasted until the end of 2019, when a requirement was introduced that an enforcement proceeding must have existed for at least one year prior to the filing. The initial phase of the COVID crisis also contributed to a decline in bankruptcy filings (as a result of the possibility to defer loan, tax, and contribution payments), but once the protective period ended, both enforcement proceedings and bankruptcies increased again. A peak is expected in 2023, with the impact of the war in Ukraine, rising energy prices, and the level of inflation potentially prolonging this upward trend into 2024 and beyond.

Another statistic indirectly indicating the level of over-indebtedness is the annual Eurostat report (SILC – Statistics on Income and Living Conditions). The 2021 edition shows that 12.3 % of Slovak households (approximately 660,000 people) lived below the poverty threshold. The poverty income threshold for a single-person household was EUR 424 per month (60 % of the national median income). If the measure includes persons at risk of poverty (70 % of the national median income), the percentage rises from 12.3 % to 19.9 %. Further SILC data on material deprivation report that 6.3 % of the Slovak population was in arrears on mortgage payments, other loans, rent, and utilities, and 27 % of households declared that they could not cope with an unexpected expense exceeding the poverty threshold amount. Even in 2021 (before the energy price increases), 5.8 % of households reported being unable to ensure adequate heating in their homes. The levels of poverty and material deprivation are distributed evenly across Slovakia.

Main causes of over-indebtedness

To date, within the framework of free debt counseling, we have handled only a few thousand cases (clients), and therefore we currently do not have a systematic analysis based on our own internal data. Likewise, in Slovakia there is no systematic and regular research on the levels and causes of indebtedness. However, our initial experience shows some major trends.

One of the most significant causes of over-indebtedness in Slovakia is the very low level of financial literacy among our clients. This is a nationwide issue, which is particularly pronounced within marginalized minorities in the eastern and southern regions of Slovakia, where generational poverty prevails. Inadequate financial literacy is, however, also common among the lower middle class, which manifests itself in a susceptibility to become victims of financial fraud or financial products with unfavorable terms.

Closely linked to financial illiteracy is the very low level of legal awareness, which results in individuals signing risky contracts under disadvantageous conditions.

The capacity for building financial reserves is very limited, and some previous research indicates that approximately two-thirds of Slovak households do not create sufficient financial reserves.

A large group of clients coming to our free counseling centers are individuals with obligations towards banks. In many cases, only a few specific banks are repeatedly involved, providing loans to individuals without adequately assessing their creditworthiness (including through refinancing of loans). This creates the risk of the debtor falling into a “debt trap” (repaying

a loan with another loan from the same bank without creditworthiness assessment).

Another sizeable group of clients consists of individuals with peer-to-peer loans, which are unregulated (neither by the central bank nor by consumer protection legislation). These loans are easily accessible, with consumer protection laws rarely applicable against such providers.

A significant factor contributing to indebtedness is also debt owed to the public sector, most notably to the state-run Social Insurance Agency, which acts as a creditor to approximately 280,000 individuals (including self-employed persons) with outstanding obligations arising from various causes.

Main creditors

There is no systematic overview of creditors in Slovakia; however, based on our experience, the majority of our clients are indebted to the following groups of creditors:

- Commercial banks
- Social Insurance Agency
- Health insurance companies
- Non-banking loan providers, including peer-to-peer loans
- Utilities providers, including energy providers

Legal conditions (insolvency law, social services law)

There are two types of personal debt relief available: (1) bankruptcy, and (2) repayment schedule. The overwhelming majority of applicants choose bankruptcy rather than a repayment schedule. Generally, the repayment schedule enables the debtor to repay the debt over a period of five years. In the case of bankruptcy, there is no probationary period, and the applicant's debts are immediately discharged following a court decision on personal bankruptcy. The applicant's honest intent must be assessed by the court. There are categories of debt that are not subject to discharge through personal bankruptcy. An individual's residence is protected up to a value of EUR 10,000. In more than 90 % of cases, when the debtor's assets are sold and the proceeds are used to satisfy creditor claims, the creditors do not receive any actual payment.

The idea of the Free Debt Advisory in Slovakia was brought by two independent groups:

- (a) Minister of Labour, Social Affairs and Family, and
- (b) three independent external experts.

Both ideas were put together after the elections in 2020, and the large team of numerous internal and external experts started to work on the preparation of the National Project of Free Debt Advisory in May 2020. That's why we welcomed very much the idea to take part in the PEPPI Project presented by ECDN, as we were only in the beginning of our National Project and were about to start our daily operations in the first pilot locations of the country. When the project started, there were still only a few debt advisory offices open in Slovakia, and we had a chance to learn a lot from our more experienced partners in 14 EU countries associated with ECDN.

Current approaches to addressing personal over-indebtedness and debt management

If the inquiry concerns the government's response, the answer is the establishment of a network of free debt counseling centers across Slovakia. If the question is more about individual responses, far too many seek remedies in the form of personal bankruptcy. Therefore, cooperation was established with so-called Legal Aid Centers (operating under the Ministry of Justice), which are the institutions through which all applicants must submit their applications. These centers advise their clients to avoid personal bankruptcy if there is no compelling reason and redirect them to our free debt counseling centers.

Another major group of debtors, in order to avoid wage garnishment by bailiffs, prefer to seek employment without an official work contract (or only under a contract with the minimum legal wage), with salaries paid in cash (or partly in cash).

Provision of debt advisory services in Slovakia

The Slovak government has established a network of 46 free debt counseling centers, where more than 180 employees provide financial, legal, and psychological counseling to over-indebted individuals. Free debt counseling in Slovakia is organized within the structure of the Central Office of Labour, Social Affairs and Family of the Slovak Republic (a state organization). These centers cover all districts of Slovakia. Each local office employs four staff members (a financial counselor, a legal counselor, a psychological counselor, and an administrative worker responsible for back- and front-

office duties). All staff are full-time employees working as “employees in the public interest.” As of 15 December 2023, approximately 16,000 individuals have visited the free debt counseling centers, with over 14,000 registering as clients.

B.11.2 Organization, Participation, and Results of the PEPPI Project Activities

The Slovakian national coordinator was *Ladislav Šutý* and the project expert was *Peter Daniel*.

The first National Network Meeting (NNM) was held on 30 November 2022, with twelve organizations invited. Most of these organizations had already been cooperating with us since the very beginning of our free debt counseling initiative and represented a highly diverse spectrum (state institutions, non-governmental organizations, creditors such as banks and debt collection agencies, public legal advisory entities, etc.). It was therefore challenging to involve all of them in the same thematic groups – for the future, they preferred bilateral meetings and/or multilateral meetings involving only a few organizations.

The main reasons for preferring bilateral cooperation instead of broad network meetings were:

- Free Debt Advisory services in Slovakia were already operating (providing free debt counselling), therefore we needed more specific set-up of collaboration details with each partner instead of broad multilateral meetings with the aim of convincing potential supporters of the need for free debt advisory.
- Most of the bilateral relations were established even before the first NNM.
- Either before or after the first NNM, we achieved the signing of several formal agreements, giving a legal basis for the broad cooperation of our Free Debt Advisory services with the main partners (Memorandums of Understanding with eight different organizations).

During the PEPPI project, we organized a visit by the ECDN President, *Dieter Korczak*, to Slovakia in September 2022. During this visit, he toured our debt counseling centers in Bratislava and Trnava and met with a group of our partner organizations (the National Bank of Slovakia – Department of Financial Consumer Protection, the Association of Slovak Collection

Agencies, the Slovak Chamber of Psychologists, selected NGOs, and others) to discuss the establishment of a national participant network in the field of debt counseling. He also delivered a statement at a press conference for the media (together with the Minister of Labour, Social Affairs and Family).

There were a total of forty bilateral and/or multilateral national meetings organized during the period of the PEPPI project.

Development, set-up, and launch of the Slovak PEPPI website

The Slovak national debt counseling website (pomahamedlznikom.sk) was created and tailored to the environment of 46 operational debt counseling centers. It was officially launched and presented to the media on 11 July 2023.

As part of the project, a series of educational articles aimed at supporting debt prevention and management was prepared and published on the national website serving as a consumer guide. The articles, available in Slovak, addressed topics such as reading and understanding contracts, managing a family budget, planning expenditures, and choosing between employment and self-employment.

Additional posts, published exclusively in Slovak, focused on practical issues faced by vulnerable consumers – for example, child support, inherited debts, personal bankruptcy, enforcement proceedings, loan refinancing, budget planning, savings strategies, and coping with rising living costs.

Together, these articles provide comprehensive guidance to consumers at risk of debt or already over-indebted, integrating financial, legal, and social perspectives in a practical, applicable, and accessible format.

B.11.3 Challenges and obstacles

During the preparation of various reports within the PEPPI project, it was necessary to gather data on over-indebtedness in Slovakia. Obtaining such data proved challenging, as there are no relevant statistics on indebtedness. We had to combine data from the SILC survey (Eurostat), monthly reports from the National Bank of Slovakia (non-performing household loans), the Slovak Chamber of Bailiffs (newly initiated enforcement proceedings arising from court decisions), CRIF agency data on personal bankruptcies, collection agency data, and others.

The existing Slovak organization for free debt counseling (under the Ministry of Labour, Social Affairs and Family) covers all individuals

(households and self-employed persons), thus having a broader scope than just consumer debt. Consumer-related topics constitute only a part of our agenda. Therefore, the redesign of our website during the PEPPI project included topics far wider than merely consumer issues.

Although the Consumer Credit Directive II (CCD II) is an important document for us, our ministry (the Ministry of Labour, Social Affairs and Family) will not be the executive authority responsible for the implementation of this directive in Slovakia (the Ministry of Finance will be responsible for CCD II transposition). Broad interdepartmental cooperation will therefore be required.

The Slovak organization for free debt counseling consists of 46 local offices (with more than 180 staff), making the unification of processes (adopted from our more experienced foreign partners within the PEPPI project) more difficult and time-consuming. Practice shows that particularly the lower social strata (those below the poverty threshold) seek our counseling services most frequently. There is a need to focus more on making these services attractive to the broader society (including all consumers, the indebted middle class, etc.).

The PEPPI project contributed to greater recognition of our work at the national level – the existing free debt counseling organization in Slovakia was newly established.

ECDN, through the PEPPI project, helped to promote the concept of free debt counseling as an internationally respected and recognized service (by presenting successful examples from abroad).

During 2024, more than 17,000 clients requested our assistance and, of these, approximately 10,500 cases were positively resolved and closed. We helped clients eliminate more than 10,000 enforcement proceedings. Our ongoing activities are aimed at expanding counseling and support in the social and psychological fields, with a broader scope for individuals, couples, families, and the wider community.

References

- DANIEL P (2024): How Debt and Scarcity Change Human Behaviour. In: *Money Matters*, No. 20/2024, issued by ECDN (European Consumer Debt Network), pp. 17–23.
- DANIEL P, KLIMOVÁ E (2022): Bezplatné dlhové poradenstvo ako sociálna služba štátu (Free Debt Advisory as a Social Service of the Government). In: *Sociálna prevencia* (Social Prevention), journal of the Slovak National Enlightenment Center, vol. 17, Issue 2/2022, December 2022, pp. 27–28, ISSN 1336–9679.

- DANIEL P, KLIMOVÁ E (2022): Starostlivosť o dlhy zamestnancov je úlohou finančného riadenia (Taking Care of the Debt of Employees Is the Task of Financial Management). In: *Finančný manažér*, vol. 3, Autumn-Winter 2022, pp. 18–22, ISSN 2729–7705.
- DANIEL P (2019) Sociálne hrozby z nadmerného zadlženia – ako pomôcť dlžníkom? Pre veriteľov je výhodné financovať dlhové poradenstvo (Social Threats of Over-indebtedness – How to Help Debtors? It's Advantageous for Creditors to Pay for Debt Advisory). In: *Finančný manažér*, vol. 2, Spring 2019, pp. 7–21, ISSN 1335–5813.
- DANIEL P (2018) Dlh mení osobnosť človeka a je zdrojom duševných porúch – vybrané poznámky k psychológii a sociológii dlhu (Debt Changes Human Personality and Causes Mental Disorders – Selected Notes on Debt Psychology and Sociology). In: *Finančný manažér*, vol. 1, Spring 2018, pp. 6–20, ISSN 1335–5813
- FUSEK R (2023): Neregulované pôžičky a ich riziká s dôrazom na peer-to-peer pôžičky (Non-regulated Loans and Their Risks with the Focus on Peer-to-Peer Loans). In: *Management pohľadávok* (Receivables Management), proceedings of the international conference, Bratislava, Slovakia, Nov 14–15, 2023, pp. 154–160.
- GAŽIOVÁ K (2023) Oddlženie – poznatky Centra právnej pomoci z praxe (Personal bankruptcy – experience of the Legal Aid Centre daily operations). In: *Management pohľadávok* (Receivables Management), proceedings of the international conference, Bratislava, Slovakia, Nov 14–15, 2023, pp. 33–41.
- MUSIL M (2023) Vplyv oneskorených platieb na slovenské podniky a spotrebiteľov (Impact of Late Payments on Slovak Businesses and Consumers). In: *Management pohľadávok* (Receivables Management), proceedings of the international conference, Bratislava, Slovakia, Nov 14–15, 2023, pp. 48–65.
- ŠEBEJOVÁ K (2024) Nadmerný dlh príliš obmedzuje (Over-indebtedness Puts Too Many Limits). In: *Hospodárske noviny* (HN online), Bratislava, 23.10.2024, ISSN: 1335–4701.
- ŠUTÝ L, DANIEL P (2023) Free Debt Counselling in Slovakia. In: *Money Matters*, No. 19/2023, issued by ECDN (European Consumer Debt Network), pp. 27–29

B.12 Slovenia

Authors: Alenka Hebar Lavrič, Andrej Lavrič

B.12.1 General information

In Slovenia, the Ministry of Economic Development and Technology is responsible for consumer protection. This is regulated and governed by several laws, covering consumer disputes arising from contractual relationships between the trader (supplier of goods or services) and the consumer.

Out-of-court dispute settlement has been implemented in Slovenia through the Out-of-Court Resolution of Consumer Disputes Act. There are several registered organizations in the field of consumer protection. The public service concession for the provision of information and education for consumers was awarded to the Slovenian Consumers' Association (ZPS) on May 2023. This public service includes activities relating to consumer information and education to ensure greater consumer protection and greater selection, accessibility, and higher quality of goods and services, as well as informing consumers about exercising their rights.

The debt advice situation in Slovenia is defined as sporadic (Eurofound 2020). Debt advice services are very uncommon and considerably under-developed in Slovenia. Consumer organizations reportedly provide some debt advice, but their capacities are not focused on these services and are rather limited. A large share of debt advice relies on private lawyers and consultants, and the most common procedure used is personal bankruptcy.

Two exceptions in this field are the organizations “Prelomi” and “Kralji Ulice.” “Prelomi” is a non-profit private law institute offering psychological support to address social distress caused by over-indebtedness and other financial difficulties. The Prelomi Institute also supports indebted individuals and households in finding practical solutions to their financial problems. “Kralji Ulice” provides support to individuals experiencing difficulties in covering the cost of renting social housing.

B.12.2 Organization, Participation, and Results of the PEPPi Project Activities

The coordination was carried out by the staff members of the Institute for Family Therapy, Coaching and Education (“Prelomi”).

The first Slovenian conference on preventing over-indebtedness

Our next major result within the PEPPi project was our national conference titled “Living in debt and enhancing debt advice,” held on 14 November 2023 in Ljubljana – the first such conference in Slovenia. The event was conceptualized by the Prelomi Institute, which also issued personal invitations to key stakeholders. Due to limited financial resources, participation was restricted to fifty attendees, representing ministries (Justice; Education; Economy, Tourism and Sport), consumer associations, trade unions, social chambers, social work centers, municipalities, the ombudsman, lawyer organizations, the Slovenian Bank, and others. The conference opened with an address by the Head of the Consumer and Competition Protection Division of the Ministry of Economy, Tourism and Sport.

The program focused on preventing over-indebtedness and strengthening debt counselling. Experts, including Dr. *Alenka Hebar Lavrič*, Dr. *Dušana Findeisen*, and Dr. *Dieter Korczak*, discussed emotional and knowledge-based factors in money management, causes of over-indebtedness in Europe, and practical counselling solutions. The conference concluded with reflections on the new EU Consumer Credit Directive for Slovenia and an open discussion.

Development of a consumer website

For the development of the website, “Prelomi” started by collecting scientific and professional literature, good practices, case studies, and relevant models. The collected literature included the fields of sociology, andragogy, economics, and psychology. The literature was published in different languages: Slovenian, English, German, Italian, and French. This allowed the authors to get a broader insight into the issues. Additionally, the national coordinators participated in all ECDN webinars from June 2023 onward.

The national coordinators wrote and translated the following analytical papers:

- The state of the art concerning debt advice in Slovenia, an overview describing the existing models and adopted measures.
- The personal bankruptcy procedures in Slovenia.

The national coordinators rebuilt and created a new website, which became operational on the 28th of October 2023. The national coordinators further developed a self-evaluation questionnaire based on a publication by Dr. *Dieter Korczak* and other studies as well as their own experiential findings.

The “Questionnaire on the causes, triggers and management of over-indebtedness” is available on the PRELOMI webpage in Slovenian.

The platform builds on existing informative content but was redefined with new functions and a wider target audience, including clients facing over-indebtedness, public authorities, professionals, journalists, and the general public. Its role has expanded to include a pedagogical dimension, aimed at increasing financial literacy and supporting public campaigns. Practical tools, such as a living expenditure calculator, were introduced to help users better manage their money.

Beyond financial education, the site also serves as a hub for uniting stakeholders around up-to-date information. It is available in both Slovene and English and highlights the international cooperation with ECDN, to which it is directly linked.

Dissemination

We started public campaigning with a national radio program after the conference and another radio program dealing with debt just before the beginning of the conference. It was broadcast one day before the conference began.

The Prelomi Institute invited relevant national, regional, and local media to be present at the conference in Ljubljana. They received a positive response from National Radio. Slovenian national television responded to the invitation but was prevented from coming due to the illness of the journalist on the day of the conference. On 16/11/2023, the conference was presented on the radio. Two days after the conference, an interview with Dr. *Dieter Korczak* was conducted by a national radio journalist. He focused on issues of lending money on the black market and the exploitation of people in debt by creditors. He also highlighted the problems of sole traders lacking the knowledge and skills needed.

On 27/11/2023, on Slovenia 1 national radio, a feature was broadcast (“Counselling Service,” 30 minutes), where the conference and the need for counsellors for the over-indebted were presented – a solution for a systemic measure in the country. On 09/01/2024, *Alenka Hebar Lavrič* was interviewed for the very popular live morning program on National TV. She presented counselling for the over-indebted as a systemic measure and highlighted the role of the PEPPI project and the conference in Ljubljana. She also mentioned the calculator on the website and other available information. Also on 09/01/2024, an article was published in *Jana*, a popular national magazine.

The website www.prelomi.si saw an increase in the number of visitors. The number of callers or help-seekers increased in the short time from 26.10.2023 (the day it was uploaded) until 31.12.2023 to 423 different users and more than 4,400 views of the website. Two spikes were observed: the first occurred right before the conference and the second one followed an appearance on the radio show by Dr. *Alenka Lavrič*.

B.12.3 Challenges and obstacles

Due to the under-developed state of free debt advisory services and the very limited resources of the existing NGOs and consumer protection organizations in Slovenia the search for a national coordinator was very difficult. Finally, on June 14th, 2023, “Prelomi” accepted ECDN’s offer to become the reference organization to spread information, promote and improve financial literacy adults and offer debt advice together with coaching.

One of the problems is that each time the Prelomi Institute appears in public many new potential clients contact the Institute. Being overloaded with work, the Institute cannot meet their expectations. Therefore, the Institute has to appear in public highly selectively so as not to produce false hope.

Slovenia and the Slovenian Government have been mostly dealing with the consequences of flooding. Right now, they do not seem to prioritize citizens’ indebtedness or any other major issue.

On the other hand the problem of indebtedness is often non-existent in the eyes of the concerned parties. Slovenia has many forms of social transfers, which are considered sufficient and covering most needs.

Presently, increasing financial literacy and spreading a network of debt advice services are not a priority. According to the Prelomi Institute’s experience changing attitudes and mindsets are processes that must be built carefully over years and it would not be reasonable to expect immediate visible results from single endeavours or events.

The PEPPI project encouraged and enabled us to achieve a number of results:

- The greatest interest and impact have been recorded at the level of local government and its officials. As a result the level of funding from their side has increased which is probably due to the successful conference in Ljubljana as well.

- There are visible changes in attitudes within public centers of social work and NGOs.
- NGOs in Slovenia are aware of the problem of over-indebtedness and are the first in line to meet the needs of the over-indebted. The conference has prompted a leap in recognizing that immediate action is needed to help the over-indebted. As a result, the amount of work in NGOs has increased due to those seeking help to sort out their debts.
- Following the launch of the new website and the conference, the work of the Prelomi Institute has increased considerably. Centers of social work redirect many of their clients to the Institute.
- The over-indebted are also finding information on PRELOMI's new website on their own.
- The Institute has seen an increase in the number of professionals from different sectors referring to them (health, social care, business, etc.).
- There is an increased interest in financial literacy education at the Slovenian Third Age University network spread across Slovenia, where the topic has been included in the public program and study circles.
- The PRELOMI Institute has been invited to provide training for social workers in the field and to act as a consulting service for the network of social work centers, to the best of their abilities. Moreover, Prelomi has been organizing its own consultative workshops and lectures, mainly intended for social workers, lawyers, NGO staff, staff of ministries and other professionals dealing with the problems of individual insolvency, economic violence, psychological manipulation etc.

References

- Anon (2024) Poročilo o upravljanju z javnim dolgom Republike Slovenije za leto 2023. Ljubljana: Ministrstvo za finance RS. <https://www.gov.si/assets/ministrstva/MF/Zakladnistvo/Dolg-RS/Porocilo-o-dolgu/Porocilo-o-o-upravljanju-z-javnim-dolgom-Republike-Slovenije-za-leto-2023.pdf>
- Anon (2018) Težave z odplačevanjem kreditov. Ljubljana: Zveza potrošnikov Slovenije. https://issuu.com/ursa_smid/docs/brosurakrediti
- Božič K (2020) Preživetje je postalo sistemski problem. *Mešanec*. Ljubljana <https://mesanec.si/prezivetje-je-postalo-sistemski-problem/>
- Krebelj J, Lavrič A H (n.d.) "Ne moreš si privoščiti kredita, če ga ne moreš vrniti! Konec!" <https://primorske.svet24.si/slovenija/alenska-hebar-lavric-ne-mores-si-privosciti-kredita/>

- Krebelj J, Lavrič A H (n.d.) Ljubezen gre, dolg pa ostane. *Ona Plus*. <https://onaplus.delo.si/intervju/alenska-hebar-lavric-ljubezen-gre-dolg-p-a-ostane/>
- Krebelj J (n.d.) Avto na lizing lahko “povozi” številne Slovence. *Primorske novice*, Svet 24. <https://primorske.svet24.si/slovenija/avto-na-lizing-lahko-povozi-stevilne-slovence/>
- Lavrič A (2018) Vpliv osebnih in družbenih dejavnikov na individualno in družinsko prezadolženost. Ljubljana: Pedagoška fakulteta v Ljubljani. <https://www.prelomi.si/o-institutu/objave/>
- Železnik N (2024) Ravnanja z denarjem se učimo vse življenje. Ljubljana: *Jana*. <https://www.prelomi.si/wp-content/uploads/2021/06/Ravnanje-z-denarjem-revija-Jana-januarj-2024.pdf>

B.13 Spain

Author: Carlos Javier Zarco Pleguezuelos

Introductory remarks

In the Eurofound study (2020), it is mentioned that Spain was regarded as a country with a particularly weak tradition of debt advice. The actual landscape is shaped by different providers of debt advice and financial education services:

- Publicly funded services are provided by the Central Bank of Spain (financial education website) and by social workers.
- Semi-public services (as they are partly supported by the state or regional/local governments) are offered mainly by membership-funded consumer organizations like Adicae, Asumin and Fundación Isadora Duncan, and by charities like Caritas or Cruz Roja.
- Special cooperation agreements between public and private sector: Bar Associations of Lawyers and town halls, local administration consumer protection boards such as OMICs (in Catalonia: OFIDEUTE). Provincial bars of lawyers give legal support to over-indebted people, provided that they are entitled to receive free legal support under the Justice Gratuita scheme (people earning less than the minimum monthly salary of 1,080 €/month).
- Private services by lawyers, economists, bankruptcy/insolvency/debt-restructuring practitioners.

The consumer protection policy is a shared competence between the State (the Central Government) and the regional governments of the Autonomous Communities. According to Article 51 of the Constitution of Spain, the public powers guarantee the defense of consumers and users, protecting, through effective procedures, their safety, health and legitimate economic interests. The Spanish Agency for Consumer Affairs, Food Safety and Nutrition (AECOSAN) is the statewide public agency in coordination with the Autonomous Communities that holds full enforcement competences within their respective regions. AECOSAN is also the overall responsible institution in Spain for the coordination and cooperation in EU consumers' policy and the relation with DG JUSTICE.

Common missions and aims of all consumer organizations in Spain are the defense of consumers' legitimate economic interests and rights. The latter include the rights to education and information in relation to products and services.

The work of debt counselling/advice centers became more difficult to provide during the years 2020 and 2021, due to the economic and social restrictions derived from lockdowns; familiar work processes no longer functioned in many places. As a result of the municipal responsibility for debt counselling through social assistance and Public Offices for Consumer Information ("OMICS"), there were no uniform concepts and guidelines for the challenges that arose.

Bar Associations (Official Lawyers' Corporations) constantly make remarkable efforts to update their members on consumer bankruptcy and "second opportunity" (ever-changing) legislation and case law, and have free legal debt advice services (subsidized by the state and autonomous communities) for people with low income (according to the Free Legal Advice Law – the Justice Gratuita scheme).

Individuals suffocated by debts can apply for bankruptcy and take advantage of the so-called "second chance" scheme, allowing the forgiveness of most of their unpaid credits and to start a new life from scratch. It is a procedure (enacted by the Law on Entrepreneurs in 2015 and revamped by Act 16/2022) that has been widely used in Europe but is still little known in Spain. However, its last reform has raised criticism from several legal stakeholders, mainly due to the fact that public debts (tax and social security debts) can be condoned but only to a reduced extent (maximum 10,000.00 €).

The over-indebtedness situation in Spain

Once Spaniards thought the devastating effects of the Covid-19 pandemic on the economy were going to fade away, surprisingly, in mid-2021, there was a sharp rise in the prices of basic products (electricity, fuel, food, etc.), allegedly due to distribution chain restrictions. The Spanish Government assured citizens that it was only a temporary post-pandemic effect, to be solved in a quarter period. Nothing like the reality, which has been a continuous increase that has not yet ceased.

The economist Arthur Okun created, during the 1970s, the “Misery Index” (calculated by summing up unemployment and inflation indexes), which currently (2023) are – respectively – 13 % and 7.5 % (food inflation index is 15 %). According to IMF data, Spain is placed in first position – in a negative sense – with a 19.83 mark (2023) within the industrialized country range. The index decreased to 14,4 in 2024 but was still the highest in EU Member States.

The “Second Chance” Spanish Law Reform

| EU Member State | Unemployment rate (M07/24) | Consumer Price Index (M07/24) | Misery Index July 2024 |
|-----------------|----------------------------|-------------------------------|------------------------|
| Spain | 11.5 | 2.9 | 14.4 |
| Greece | 9.9 | 3.0 | 12.9 |
| Romania | 5.4 | 5.8 | 11.2 |
| Estonia | 7.5 | 3.5 | 11.0 |
| Belgium | 5.4 | 5.4 | 10.8 |
| Sweden | 8.6 | 1.7 | 10.3 |
| France | 7.5 | 2.7 | 10.2 |
| Lithuania | 8.0 | 1.1 | 9.1 |
| Eurozone | 6.4 | 2.6 | 9.0 |
| Finland | 8.5 | 0.5 | 9.0 |
| Portugal | 6.2 | 2.7 | 8.9 |
| EU-27 | 6.0 | 2.8 | 8.8 |
| Luxembourg | 5.8 | 2.7 | 8.5 |
| Hungary | 4.3 | 4.1 | 8.4 |
| Croatia | 5.0 | 3.3 | 8.3 |
| Slovakia | 5.3 | 3.0 | 8.3 |
| Italy | 6.5 | 1.6 | 8.1 |

| EU Member State | Unemployment rate (M07/24) | Consumer Price Index (M07/24) | Misery Index July 2024 |
|-----------------|----------------------------|-------------------------------|------------------------|
| Austria | 5.0 | 2.9 | 7.9 |
| Cyprus | 5.4 | 2.4 | 7.8 |
| Latvia | 6.9 | 0.8 | 7.7 |
| Netherlands | 3.6 | 3.5 | 7.1 |
| Poland | 2.9 | 4.0 | 6.9 |
| Bulgaria | 4.0 | 2.8 | 6.8 |
| Denmark | 5.8 | 1.0 | 6.8 |
| Ireland | 4.7 | 1.5 | 6.2 |
| Germany | 3.4 | 2.6 | 6.0 |
| Malta | 3.0 | 2.3 | 5.3 |
| Czechia | 2.7 | 2.5 | 5.2 |
| Slovenia | 3.3 | 1.4 | 4.7 |

Spain Leads in the European Misery Index, Data source: Diego Sánchez de la Cruz, 26 November 2024 <https://www.epicenternetwork.eu/blog/spain-leads-in-the-european-misery-index/>

After the recent adaptation (by Act 16/2022) of the Spanish Insolvency Act to the European Insolvency Directive, it is now enshrined as a true right (whereas it was previously considered a mere “legal benefit”).

- Article 486: The debtor in good faith may request the exoneration of debts through one of the two itineraries established by the Insolvency Law.
- Article 487: Lists situations where the debtor will not be entitled to obtain the exemption.

The main problem is that the Spanish legislator “forgot” that the directive requires it to determine who is a debtor acting in good faith and who is acting in bad faith. The European directive establishes the principle of total debt relief, according to which insolvent persons must have access to at least one procedure leading to total debt relief. Therefore, the adaptation of the directive (DIR 2019/1023) introduced in Spain, although recognizing this right for entrepreneurs and individuals, does not respect this principle, precisely because of the large number of requirements the new regulation introduces for debt relief.

Similarly, the list of loans excluded from debt relief in the new consolidated text is so extensive that even if relief were granted, it would in some

cases become unenforceable due to the large number of loans not covered by the relief. In short, if Spanish law aims to give insolvent entrepreneurs and consumers acting in good faith a second chance, it is incomprehensible why they are penalized with access restrictions and limitations on debt relief that are not provided for in the directive.

For example, access restrictions on relief are as striking as the imposition of severe tax, social security, or court fines exceeding five thousand euros. Those subject to such sanctions will not be able to apply for relief unless they are paid, showing the true purpose of such restrictions: securing payment of these fines at all costs. This payment requirement takes precedence over the directive, which only establishes a limitation on relief (not a limitation on access) in relation to criminal sanctions (Article 23.4(b) of the directive).

Other restrictions arising from transposition include:

- The person seeking relief having been involved in another insolvency proceeding where guilt was declared, imposing a double penalty.
- The inability to benefit from acquittal due to lack of cooperation with the bankruptcy administration, even though this is already considered a cause of guilt.

Similarly, non-dischargeable loans have increased significantly: previously limited to public and food loans, but now expanded, for example:

- Public loans: although the reform allows exemption of 10,000 € for taxes and another 10,000 € for social security contributions, the rest cannot be discharged. The Directive does not provide for such exclusion.
- The debtor's home: even if discharged in bankruptcy proceedings, it may still be seized by creditors holding non-dischargeable loans.

B.13.2 Organization, Participation, and Results of the PEPPI Project Activities

The PEPPI project in Spain was coordinated *by Carlos Javier Zarco Pleguezuelos*, Lawyer.

During the project, four national stakeholder meetings were held, bringing together 108 participants from a wide range of sectors, including the Ministerio de Consumo, Ministerio de Economía, Ministerio de Inclusión, lawyers, Adicae, Asufin, Caritas, Ceca (Spanish Confederation of Savings

Banks), Cecu (Consumer Organisation), various Consejo Generals, Dirección General de Comercio y Consumo, foundations, OMICs, Sección de Consumo, and Servicio Territorial.

The fourth stakeholder meeting was held in person at the Representation of the European Commission in Madrid. Attendees included representatives from Asufin, Isadora Duncan, the Castilla La Mancha region, and the Dirección General del Gobierno de Navarra, invited by the national PEPPI coordinator. The lead coordinator, Mr. *Korczak*, personally attended the meeting. During the session, the group emphasized the importance of closer cooperation in preparation for the upcoming Consumer Credit Directive.

Development, set-up and launch of the Spanish PEPPI website

In August 2023, ASUFIN started building a specialized new website, delivering quality content and guidance on debt advice and over-indebtedness to consumers, and also assuming leadership as an “umbrella organization” with a view to the medium-term setting-up and consolidation of the Spanish debt-advice stakeholder network. This network will share methods and best practices, act as a directory, and provide useful resources and tools for over-indebted people and debt advisors.

The site can be accessed in Spanish, English, Catalan, and Basque. The content is organized into four pillars:

- videos (on financial planning, financial health checks, financial decisions, etc.),
- infographics (about flexible budgeting, target groups of debt, risky financial products, etc.),
- blogs (e.g. insurance adviser, household financial management, consumer bankruptcy),
- over-indebtedness calculator.

The website was launched on 25 November 2023. Until 28 December 2023, the PEPPI consumer website received 4,359 visits during its first operational month, which is a significant starting figure.

B.13.3 Challenges and obstacles

The implementation of the Spain PEPPI project was confronted with two major obstacles:

- Lack of involvement not only from some relevant consumer associations, but also from local/regional and national institutions (only the Regional Governments of Navarra and Castilla La Mancha attended the in-person meeting in Madrid). Furthermore, the banking industry did not respond to any of the invitations to attend stakeholder meetings or the seven webinars.
- Reluctance to work together and to share resources; excess individualism and misplaced competitiveness shown by some consumer associations. This made it challenging for the Spanish coordinator to unify stakeholders.

These difficulties were especially visible during the first meeting, when few stakeholders joined online. This required multiplying efforts (emails, LinkedIn networking, personal phone calls, and even an in-person meeting in Madrid in June 2023). Working in this systematic way eventually led stakeholders—especially ASUFIN and Duncan associations and some regional governments—to better understand the project and support the deliverables (network meetings, webinars, Spanish PEPPI website).

Although the initial landscape of debt-advice stakeholders in Spain was fragmented, one remarkable outcome stands out: the PEPPI Project has provided an opportunity to learn best practices from more advanced EU debt-advice models and has pushed Spanish stakeholders toward stronger cooperation.

ASUFIN not only created a specialized website on over-indebtedness and debt advice (<https://www.asufin.com/proyecto-peppi-sobreendeudamiento/>), delivering high-quality content, but is also willing to take leadership as an umbrella organization for the emerging Spanish debt-advice network. This role is strengthened by ASUFIN's participation in other consumer-related projects and cooperation with organizations involved in PEPPI.

The Spanish project coordinator has been in close contact with ASUFIN's Chair and technical departments to finalize the agreement and launch the umbrella association to continue fostering synergies derived from the PEPPI project. It is expected that this cooperation will grow stronger because the PEPPI project has made clear the need for a mature debt-advice system capable of addressing Spain's increasing demand for

support. The umbrella organization could also act as a lobby to promote legislative improvements and ensure a high-quality transposition of CCD II.

References

- Becedas M, Nieves V, Barriocanal J (2022) España lidera el índice de la miseria en el mundo desarrollado: así funciona el termómetro de la estanflación. *El Economista* March 23, 2022
- Belén Japaze M (2015) Sobreendeudamiento del consumidor. Remedios preventivos y de saneamiento. Ámbitos y procedimientos de actuación. Thesis doctoral. Universidad Salamanca
- Cuenca Casas M, Alcaniz Minano V (2017) La prevención del sobreendeudamiento privado. Hacia un préstamo y consumo responsables. Thomson Reuters Aranzadi
- Cuenca Casas M (2014) El sobreendeudamiento privado como causa de la crisis financiera y su necesario enfoque multidisciplinar, in: Prats Albertosa et al. Préstamo responsable y ficheros de solvencia, Thomson Reuters Aranzadi
- Font Gorgorio N I (2023) El sobreendeudamiento del consumidor: prevención y reacción en el ordenamiento español. Universitat Ramon Llull. <https://hdl.handle.net/10803/688876>
- Granell V B (2020) Sobreendeudamiento y protección de los consumidores. Análisis comparado de los modelos francés y español. Madrid: Editorial Reus

