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## ONCE A DEBTOR, ALWAYS A DEBTOR: LESSONS FROM BULGARIAN DEBT COLLECTION PRACTICES

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### ABSTRACT

The paper aims to prove that, once a debt is in default, individual bankruptcy is in both creditors' and debtors' best interest. The most reasonable solution is individual bankruptcy proceedings and a second chance for the debtor. To persuade the reader, we depict the extreme consequences of household over-indebtedness: the reality of debt collection in Bulgaria - a country where individual bankruptcy is still a myth. We examine the legal framework of the executive proceedings to show that they usually lead to an increase in the debt rather than a decrease, as well as to the unequal distribution of the debtor's assets among the creditors. We present quantitative data regarding household debts and the number of executive proceedings in Bulgaria. We also discuss some of the malicious debt collection practices that develop when debtors are left at the mercy of debt collectors without any legal protection.

**Key Words:** Debt collection, Individual Bankruptcy, Consumer Over-indebtedness

### INTRODUCTION

During the last few decades, most European countries have adopted a legal concept completely new to the civil law tradition on the continent: consumer bankruptcy. Across the Atlantic, individuals in the United States have long been able to benefit from the discharge of their debts and recover after financial difficulties.<sup>2</sup> The differences between consumer bankruptcy statutes in Europe and in USA are substantial. While 11 U.S.C. provides both straight liquidation in no asset cases under Chapter 7, applicable to entities and individuals alike, and debt adjustment without debtors losing all or any of their property under Chapter 13, most EU countries have adopted only the second type of bankruptcy proceedings. Although there are substantial variations from state to state, the EU countries which allow consumer debt discharge require payment plans to be strictly followed, and at least partial payments of the debts must be made before a discharge is granted (McCormack et al., 2016).

Here “[i]t should be noted at this stage that only Bulgaria, Croatia, and Malta do not recognize Consumer Over-indebtedness in that they have no Bankruptcy or Debt Settlement Procedures that cater for Consumers” (McCormack et al., 2016, p. 316). Although a draft bill for individual bankruptcy was proposed to the Bulgarian Parliament in February 2015, legislators have not yet discussed it.<sup>3</sup>

In the light of the by far delayed statutory actions, the paper examines the necessity of the legal institute of consumer bankruptcy and compares the benefits it brings to the alternative. We present the current situation in Bulgaria regarding over-indebtedness, executive proceedings, and debt collection. Our aim is on the one hand to urge legal action in Bulgaria towards debt collection and consumer bankruptcy regulations, and on the other to depict the harsh consequences when consumers are held responsible for their debts without any protection or relief as a lesson for any person or legislative body not in favor of such provisions.

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<sup>2</sup> The US Bankruptcy Act of 1841 granted the right of discharge to every individual debtor, not only merchants, as had been the case before its enactment (Tabb, 1995).

<sup>3</sup> Information and full Bulgarian text is available from <http://www.parliament.bg/bg/bills/ID/15220> [Accessed 7 November 2016].

## LEGAL FRAMEWORK

### Enforcement agents

In Bulgaria, only legal persons can currently declare bankruptcy under Part Four of the Bulgarian Commercial Act. Natural persons do not have any legal recourse when they are in debt. In cases of default, creditors file claims, obtain writs of execution and enforce them through executive proceedings. Debtors' whole property and wages, except for a small, legally defined part,<sup>4</sup> are used to satisfy the debts.

Until 2006, state enforcement agents were the only executive body that existed for the collection of debts. In 2006, the body of private enforcement agents was created to increase the effectiveness of the enforcement proceedings. Now there are 113 state<sup>5</sup> enforcement agents and 193 private enforcement agents (Chamber of Private Enforcement Agents, 2015). Once creditors obtain the writ of execution, they can either initiate executive proceedings or join such proceedings against their debtors, choosing between state and private enforcement agents. The difference is that, in Bulgaria, private enforcement agents are self-employed professionals like attorneys and notaries, while state enforcement agents are state employees and their remuneration is not related to their effectiveness or the number of enforcement actions they initiate. The fact that private enforcement agents collect the fees of the proceedings for themselves was supposed to enhance their motivation and effectiveness, but this has been proven to hamper the debt collection process even more.

### Executive proceedings

The first serious drawback is that there is no automatic stay on debts when an individual becomes insolvent. The enforcement on a debtor's property thus works on the principle of "first come, first served": creditors whose debts become delinquent first have the chance to be the first to obtain writs of execution and begin the execution proceedings, despite the debtor's imminent inability to pay other debts as well.<sup>6</sup>

The second serious problem comes as creditors file separate claims to court to obtain writs of execution for their claims. Usually the result is many separate claims and separate proceedings. One debtor thus could, and often does, end up with multiple enforcement procedures with different enforcement agents at the same time, and multiple creditors. The result is a huge number of open cases and no guarantee that debtors even know about the different pending procedures against them. Bankruptcy proceedings would prevent this complication by imposing an automatic stay on the debts and unifying them all into one single court and enforcement proceeding.

Probably the worse consequence of the lack of individual bankruptcy is the multiplication of costs due to the high number of executive proceedings. Court and attorney fees, as well as fees paid during the enforcement proceedings, are at the expense of the debtor.<sup>7</sup> All the fees for every separate writ of execution, every open case, every enforcement action, therefore exacerbate the already indebted consumer's position. Such proceedings could hardly be called efficient. The usual and logical result is the perpetual impossibility of the debtor to pay back the multiplied debts.

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<sup>4</sup> The list of unseizable income and property is stated in Arts. 444–446 of the Civil Procedure Code.

<sup>5</sup> Art. 264 (1) of the Judiciary System Act.

<sup>6</sup> Secured creditors take priority over unsecured ones for money allocation.

<sup>7</sup> According to Art. 34 of the Tariff of Fees and Costs of Private Enforcement Agents, costs of execution proceedings are paid by the creditor in advance and are at the expense of the debtor. However, it was explicitly recognized in Interpretative Decision 2/2013 of the Supreme Court of Cassation from June 2015 (pp. 25–26) that costs and fees are often directly collected from debtors, leading to an excessive increase of the debt. Although the Supreme Court declared such practices as grounds for disciplinary responsibility of the enforcement agent, we cannot know if this convenient practice exists or not.

To illustrate the gravity of the matter, we would like to give the simplest possible example of how disproportionately high fees increase the whole debt once the executive proceedings begin. For a 1,000 lv. (1 lev = € 1.95) consumer debt, the absolute minimum possible court expenses would be:

- + 25 lv. for the writ of execution;
  - + 20 lv. for the initiation of enforcement proceedings;
  - + 10 lv. to invite the debtor to pay; and
  - + 100 lv. for the enforcement agent fee.<sup>8</sup>
- Total costs: 155 lv.

So, 15.5% of the debt is the minimal debt increase during the enforcement proceedings, possible only if the debtor pays voluntarily and no attorney fees were charged. This hardly happens. Usually what follows is that interest, numerous fees for property investigations, seizures, wage garnishments, etc. increase throughout the whole proceedings. What is more, even a 15% debt increase is significant for an over-indebted person.

Here we should mention that there is no guarantee the creditors and private enforcement agents act in good faith toward the debtor's difficult situation. Usually multiple attorney fees are added to the final balance of the debt. In fact, the actual scale of unfair and encumbering practices in the debt collection and executive proceedings is so big, that the urgent need for change in the statutes governing the enforcement proceedings has been among the priorities of both the current and the former ombudsman.<sup>9</sup> We found another example of the common way a debt increases multiple times during the enforcement proceedings in the current ombudsman M. Manolova's Annual Report (2015):

- 100 lv. initial debt;
  - + 25 lv. for the court fee;
  - + (at least) 300 lv. attorney fee for the court proceedings;
  - + 350 lv. attorney fee for the executive proceedings;
  - + interests or liquidation damages, which could be more than the main debt; and
  - + 108 lv. for the private enforcement agent fee.
- Total: 883 lv. in the best-case scenario.

If, however, we add + 300 lv. for court proceedings in case the debtor makes an objection, and + 2 x 150 lv. for expert witness reports, the total debt equals 1,483 lv.<sup>10</sup>

A stunning example of a real case (Тази сутрин, 2012)<sup>11</sup> concerning debt for an unpaid bill to a mobile provider amounting to 37 lv. involved adding the following costs:

- + Executive order and writ of execution: 25 lv.;
- + Attorney 1's fee: 120 lv.;
- + Attorney 2's fee: 360 lv.;
- + Garnishment costs: 144 lv.;
- + Enforcement Agent fee: ~300 lv.;

In total: debt of 986 lv.

This equals a 2665% increase of the debt.

<sup>8</sup> According to the Tariff of Fees and Costs of Private Enforcement Agents.

<sup>9</sup> Despite their efforts and the actions they have undertaken within their powers, there have not been any changes in the legal framework regarding executive procedure.

<sup>10</sup> The report presents these calculations as the common case with unpaid bills owed to the only Heating Supply Company in Sofia. The ombudsman's annual report reveals a spate of complaints against the company, and presents another case where for a debt of 29 lv. the debtor must pay 794 lv (27 times more), although the due amount has been paid before the beginning of the proceedings and due objections made under Bulgarian legislation (p. 23).

<sup>11</sup> The case was presented in the report of one of the national TV channels and included an explanation of the costs by the private enforcement agent who was responsible for collecting the debt.

To make matters worse, according to Art. 136 of the Obligations and Contracts Act, the costs of the executive proceedings and debts towards the State (such as taxes) must be collected first. Hence, debtors pay for years before they actually start paying their own debts. Once individuals fall into the trap of insolvency, they can hardly cope with it.

The logical question that arises is: until when could the executive proceedings, and consequently the debt increase, be prolonged?

### Statutory limitations

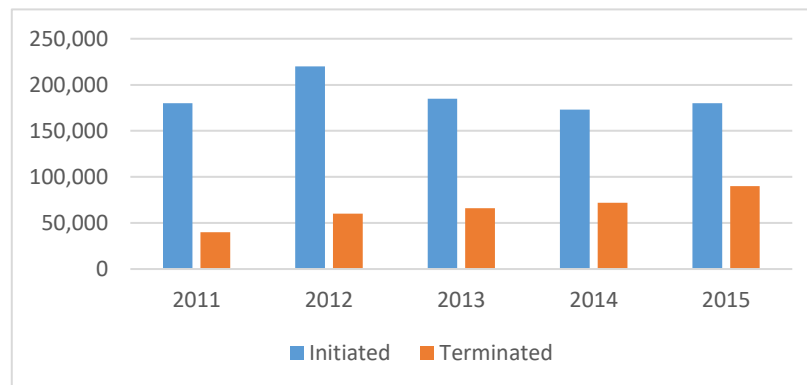
In theory, executive proceedings can continue forever. Statutory limitations for court claims is three years (for default in periodic payments) or five years from the default. The writ of execution's prescription is then five years (Art. 110 and Art. 111 of Obligations and Contracts Act). The enforcement proceedings are terminated, except for payment or the creditor's waiver of claim if no enforcement action is taken for two consecutive years (Art. 433 (1), item 8 of the Civil Procedure Code). This means that the absolute minimum timespan during which the debtor could be asked to pay is at least 10 years. This rough estimation does not include court and enforcement proceedings, which enforcement actions often prolong for years.

Mere logic leads us to the conclusion that executive cases would only increase in number, especially in times of economic crisis like the recent one. Cases would continue for years. This conclusion is supported by the empirical data.

### EMPIRICAL DATA FOR EXECUTIVE PROCEEDINGS IN BULGARIA

As stated above, private enforcement agents are considered a more efficient option for executive proceedings. According to their own data (Chamber of Private Enforcement agents, 2015), their effectiveness is shown in Figure 1 below. Unfortunately, there is no available data to show us the total number of open cases, including the overlapping ones from previous years. Nevertheless, the data demonstrates the increasing number of enforcement proceedings against debtors.

**Figure 1. Private enforcement proceedings**

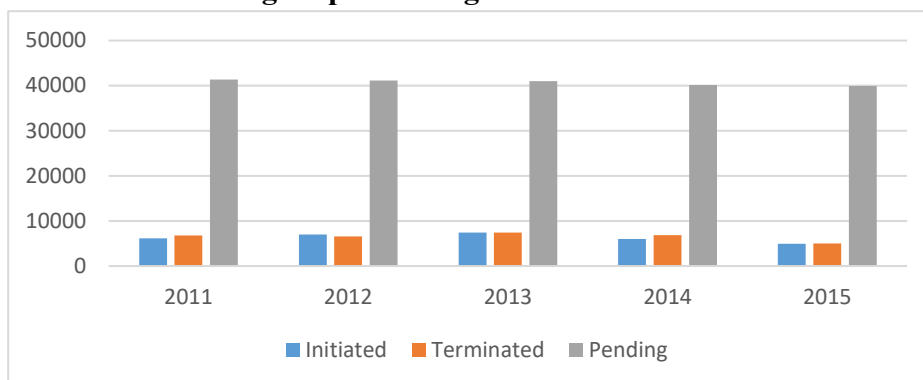


The data above presents only the private enforcement agents' cases. Similar data about state enforcement agents is found only as part of district courts' annual reports. However, most of this data, however, is very limited. Nevertheless, we analyzed the available data for six<sup>12</sup> of the biggest Bulgarian cities. As seen from Figure 2, the decrease in the number of pending cases is insignificant. The slight decrease in open proceedings can be explained by the creditors' preference of private enforcement agents to public ones. Despite that, the number of pending

<sup>12</sup> The cities are Varna, Plovdiv, Burgas, Pleven, Stara Zagora and Shumen (Annual Reports, 2011–2015). Unfortunately, data about Sofia's District Court – the court serving the capital, which is the most populated city in Bulgaria – was not sufficient to be included.

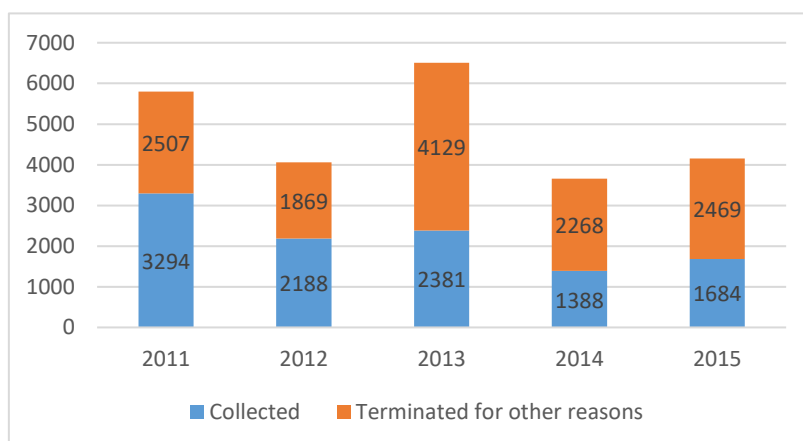
cases is remarkably stable. This, combined with the much higher number of open cases in comparison to the closed ones in the private enforcement agents' statistics, gives us reasonable ground to suspect that the pending cases of private enforcement agents are not decreasing in number either.

**Figure 2. State Enforcement Agent proceedings**



A terminated case does not, however, necessarily mean a collected debt. In fact, the creditor has received the debt in only a small percent of the terminated cases. Figure 3 presents the number of terminated cases in four cities.<sup>13</sup> As we see, at least half the cases are terminated due to the expiration of statutory limitations, amicable settlements between debtors and creditors, the lack of creditor action for more than two years, etc. The data presented includes numbers from only four of the largest cities in Bulgaria due to the lack of more data, but it is enough to depict the current ineffectiveness of the enforcement proceedings.

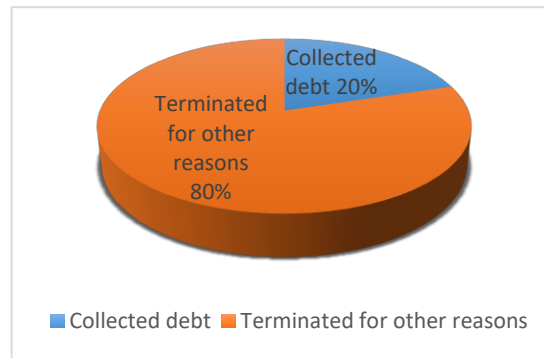
**Figure 3. Terminated state executive proceedings**



*A striking example is the Sofia Regional Court's statistics for 2015 (Annual Report).<sup>14</sup> Out of the 6881 terminated cases, the debt was only collected in 1388 (Figure 4).*

<sup>13</sup> The four cities are Varna, Burgas, Stara Zagora and Shumen (Annual Reports, 2011–2015).

<sup>14</sup> Unfortunately, there is no available data for previous years.

**Figure 4. Terminated executive proceedings in Sofia's District Court**

One of the biggest concerns of individual bankruptcy is that creditors will not receive their claims. As we have seen, even now, when no debt relief is possible, only a small fraction of the enforcement proceedings end with the debtor paying the creditor. Cases usually stay pending for years, leading to the accumulation of higher debts due to fees, and debts eventually become impossible to collect. Debtors end up with no property, no income and increased debts. This prevents them from being viable members of the social and economic world. Moreover, it is an equally unfeasible situation for the creditors. Alternative solutions are thus gaining popularity: debt purchase and debt collection agencies.

### THE DEBT COLLECTION ECOSYSTEM

Jiménez (2015, p. 106) calls creditors, debt buyers, collection agencies, and collection law firms “the entire collection ecosystem.” It is an ecosystem indeed. The debt collection agencies provide easy disposal of non-performing loans for the credit institutions. They can not only charge the debts off their accounts but also receive a price for them. In fact, credit institutions already release their debtors after receiving only whatever proceeds are available at the beginning of the execution process.

Creditors' expectations and attempts to recover debts are over after their assignment. However, debtors' struggles are just beginning. Debt collection agencies may not be the original creditors who extended these loans, but their employees nevertheless pursue the payments as if this were the case. This often leads to unfair or malicious practices and intrusion into debtors' time and life. It is not surprising as the incentives<sup>15</sup> used to encourage the collectors are well chosen to encourage collectors to employ all kinds of measures.

### Examples of common debt collection methods<sup>16</sup>

The easiest and most widely used method of collecting the assigned debts is through phone calls. Debtors are usually called on the phone, and at first informed politely that they must pay immediately. When they pay voluntarily, they are not disturbed more than once a month. If they do not pay, they are disturbed countless times. The polite tone is then replaced by more effective means. Harassment is the very first cruel but extremely effective weapon a debt collector uses. Multiple phone calls, arrogant behavior, all kinds of threats and insults are the usual “arsenal”. “Debt collection companies use extremely aggressive, even coercive methods

<sup>15</sup> As in many other industries, including banks and other credit institutions, the incentive is the target bonus. Collectors are usually given a relatively low salary, but each month a certain target of a collected amount of money is given. If collectors reach their targets, they receive a decent bonus in addition to their salary – a simple and effective method.

<sup>16</sup> The author bases the following exposition on her own professional experience in the field of debt collection, her research on the decisions of the Commission for Personal Data Protection (infra.), the interviews and annual reports of both former and current Bulgarian ombudsman (as they, as representatives of the citizens of the State, have addressed these issues numerous times), and various other media sources.

of debt collection. Citizens complain of psychological harassment and threats for their health and life, or the health and lives of their relatives, even employers” (Penchev, 2013). As a result of the persistent calls and threats many people pay voluntarily, often just to make the calls stop.<sup>17</sup>

Collectors commonly threaten to order immediate wage garnishments or public auctions of debtors’ property. Of course, such action is beyond their capacity.

A trick to obtain more information about a debtor is through disturbing neighbors and relatives. Either because debtors have changed their phone numbers or addresses to prevent collectors to get in touch with them, or just because more information might be helpful, a collector will often call the neighbours to gather more information about the debtor. They ask questions about the debtor’s residence, job, current affairs, etc. Some are quite ingenious, for example, claiming that the debtor has won something so that a neighbor or relative will provide information about them. “Debt collection companies, by unclear and dubious ways, acquire information about mobile phone numbers of relatives, colleagues, employers of debtors, through whom they exercise duress” (Penchev, 2014). Another practice is visiting the debtors’ home addresses to scare or at least disturb them enough to make them pay (Penchev, 2014).

Many times, the information about the initial creditor is provided only if the debtor pays the obligation or signs an agreement with the new one. Sometimes such information is not even available or is incorrect.<sup>18</sup> Sobol (2014) uses a very suitable metaphor: “Aggressive collectors can resurrect ‘dead’ debts into live or zombie debts. Collectors can achieve this transformation when they persuade consumers to pay some amount against their debts, acknowledge the debts, or enter into new agreements.” Usually these amicable agreements have serious legal consequences: acceptance of the debt and renewal of the debt’s statutory limitations. Another common practice is to propose a discount on the debt to lure debtors to sign settlements or pay any amount possible. Debtors are offered to pay only up to 50% less if they pay the other part in one or several instalments. Collectors usually use such tactics when there are no securities and enforcement proceedings have been unsuccessful. In other words, even new creditors are ready to give up a significant amount of their claim to receive whatever payment is possible. When concluding such agreements, it is entirely a matter of bargaining skills and having a better position. It is curious to remark that if the debtor has a wage garnishment or makes voluntary payments, no good agreement conditions will be offered. It is an unfair game where collectors take advantage of conscious and honest debtors and make the most of the unscrupulous ones. It is a world where the more insolent a party is, the better!

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<sup>17</sup> A client of mine was contacted multiple times by debt collectors for a supposedly unpaid bill to a mobile provider. He was threatened that unless he paid by the end of the week, the collector would impose a garnishment on his pension. As the debt collection agency was acting as a representative of the creditor, it had neither the documents, nor the authorization to file a petition for such an enforcement measure. Although the client was paying his bills every month, he was so stressed that he wanted to pay immediately regardless of the fact that he did not owe anything. It took me more time to convince him not to pay than to verify the total lack of legal grounds for such threats.

<sup>18</sup> Although complaints on the Internet and other media abound, court practice on debt collection practices is scarce, as most of the victims of harassment rarely search for legal help. However, one particular case (Decision No. 1913, 5/14/2012, on civil case No. 14576/2011 in Plovdiv’s Regional Court, illustrates the problems victims face quite well. The claimant was alleged to be delinquent in the payment of a debt, which was later assigned to a debt collection agency. The collectors refused to present the contract which was supposed to prove the existence of the debt unless the claimant paid the full amount first despite his objections that he had never signed any contract with the initial creditor. In the course of the trial, it was proven that the initial creditor made a mistake in the personal data of the party and the claimant had been disturbed without any fault on his part. Nevertheless, his claim for indemnity for the caused suffering was dismissed as the legal ground for the claim was not applicable to representation between legal entities.

## Protection from Debt Collection Practices

### *Criminal code*

Difficult conditions for indebted citizens are worsened by the lack of any regulative body to protect them and control debt collection activities. Unlike in the USA, where the Fair Debt Collection Practices Act is in force, there are no administrative regulations to provide legal grounds for state interference and sanctions in Bulgaria. The only possible grounds for sanctions are when the debt collector has committed a crime. Under the Bulgarian Criminal Code the possible crimes could be insult, threat, coercion or blackmail. However, as the disturbing conversations are usually carried out over the phone, without witnesses and without the cooperation of the collection agencies, such complaints are very difficult to investigate. Charges are rarely pressed due to lack of evidence (Penchev, 2013).<sup>19</sup> Moreover, calling someone repeatedly is not considered a crime, nor is it a misdemeanor under Bulgarian laws.

Despite the scale on which these practices are happening, despite the attention of the ombudsmen and the media, there is still no legal ground on which a debtor can be protected from the harassment they endure. So far, the only successful claims have been on the grounds of protection of personal data.

### *Commission for Personal Data Protection*

The only control exercised over debt collectors is with regard to the protection of individual personal data.<sup>20</sup> Debt collection agencies register as personal data controllers<sup>21</sup> in the register<sup>22</sup> kept by the Commission. Except for the police, this Commission is the only state authority where people can file their complaints against debt collection practices. We thus analyzed all its available decisions<sup>23</sup> concerning debt collection practices.

We identified 198 decisions on individual complaints claiming personal data infringements, committed either by creditors or debt collectors when transferring personal data in debt assignments. Our analysis (Figure 5) shows that only 31 complaints (16%) were upheld. 109 (55%) of all the complaints were rejected. In 15 cases (7.5%), the Commission issued a stay of proceedings due to the concurrent investigation on a related matter by another administrative body. In fact, in all of these cases the individual who filed the complaint also filed one to the police claiming that he or she had never signed any agreement with the creditor and that his/her signature must have been forged or his/her data stolen. In 13 cases (6.5%) the appellants came to amicable settlements with the creditors and withdrew the complaints. The proceedings were thus terminated. In these cases, the creditor admitted there had been a mistake and the debt had been discharged. This is the easier escape for the creditor as otherwise they would most probably have been sanctioned by the Commission. Faults in 30 complaints (15%) led to their termination and they were never investigated.

Only 16% of all claims were well-founded because debt assignments and debt collection by third parties are mentioned neither in the text of the agreement, nor during the negotiations. Only a reference to the application of the General Terms and Condition of the creditors is made in the agreements. The creditors' right to distribute personal data is explicitly stated only in the General Terms and Conditions. Debtors hardly even know about the existence

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<sup>19</sup> Despite making efforts to do so, the author was not able to identify a single case where an indictment was brought to court in any of the available legal databases.

<sup>20</sup> According to Art. 2 of the Law for the Protection of Personal Data, personal data is defined as "any information relating to an individual who is identified or identifiable, directly or indirectly, by reference to an identification number or to one or more specific features".

<sup>21</sup> In compliance with Art 17.

<sup>22</sup> Art. 10, para. 1, item 2.

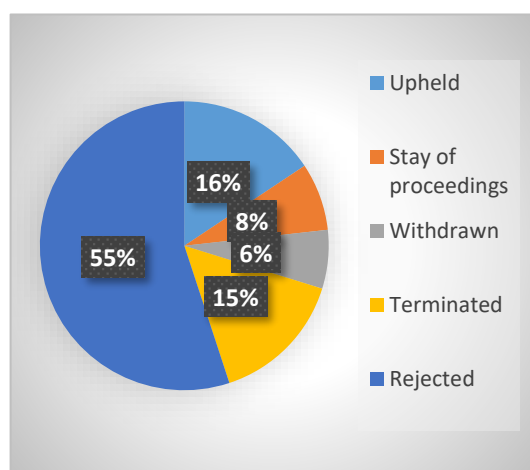
<sup>23</sup> The decisions of the Commission are available at <https://www.cpdp.bg/?p=search> [Accessed 6 November 2016].



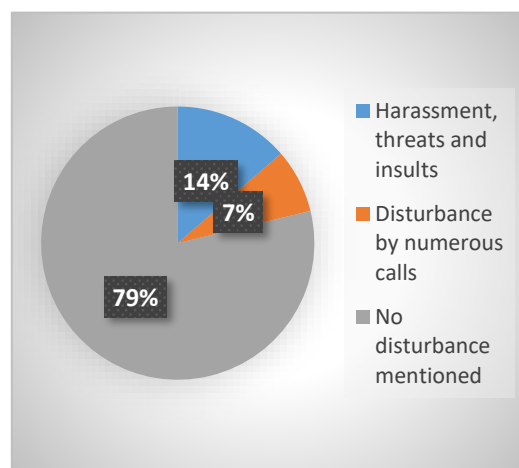
of such terms. This common practice was observed in the cases of our study. Fair or not, this is a perfectly legal practice from a legal standpoint.

Our analysis also confirmed that debtors not only express concerns about their personal data, but also complain of the debt collection practices of the creditors. In 25 of all the claims (13%), the claimants explicitly stated that they were threatened, harassed or both. Insults and rude behaviour by the debt collections were mentioned in two of the complaints, and 15 more claimants stated they were disturbed multiple times or even constantly. Together, the cases where claimants reported being disturbed numbered 42 (21%), which is more than the ones upheld by the Commission (Figure 6).

**Figure 5. Commission for Personal Data Protection: Decisions**



**Figure 6. Commission for Personal Data Protection: Decisions**



This happens because the Commission's competency is limited to, among few other things, protecting individuals' data protection rights<sup>24</sup>, executing control over personal data controllers,<sup>25</sup> and investigating complaints by individuals.<sup>26</sup> However, the Commission only has the authority to investigate infringements regarding the use and distribution of personal data. Every other infringement is beyond its scope and power. This limit obliges the Commission to ignore every other complaint that does not directly concern the distribution of personal data. Weak as this protection may be, people still file their complaints to the Commission, seeking protection from the relentless debt collectors.

### ***Sub-conclusion***

There is no legal ground for this Commission, or for any other state body, to intervene in debt collection methods. We must therefore insist that, along with new regulations to limit debt collection malpractices, a state body must be appointed to monitor the debt collection industry and investigate every complaint filed by a consumer. As the creation of a new state body may be difficult, the Consumer Protection Agency may assume these functions, since in most cases the victims are consumers.

### **CURRENT TRENDS**

In conclusion, we would like to give the reader a more general perspective of the reason we have focused on individual debts. At present, only legal entities in Bulgaria can turn to court when they are over-indebted. In contrast, most of the extended loans are household loans. Consequently, most of the non-performing loans are also household. Diagram 7 (Bulgarian

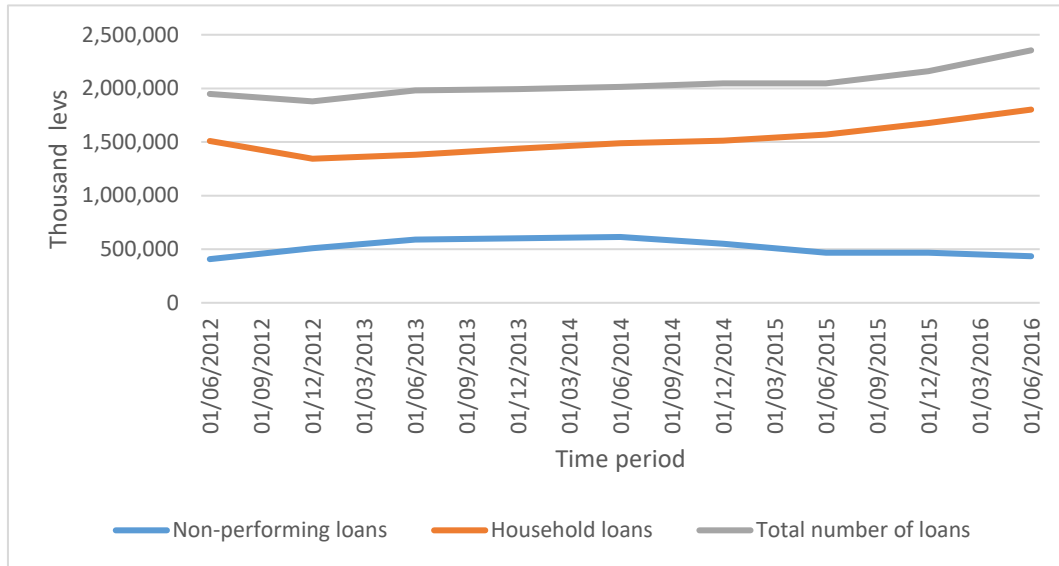
<sup>24</sup> Art. 5, para. 1, item 1 of the Rules on the activity of the commission for personal data protection and its administration.

<sup>25</sup> Art. 10, para. 1, item 3; and Art. 5, para. 1, item 12.

<sup>26</sup> Art. 10, para. 2, item 7; Art. 38 of the Act; and Art. 5, para. 1, item 11.

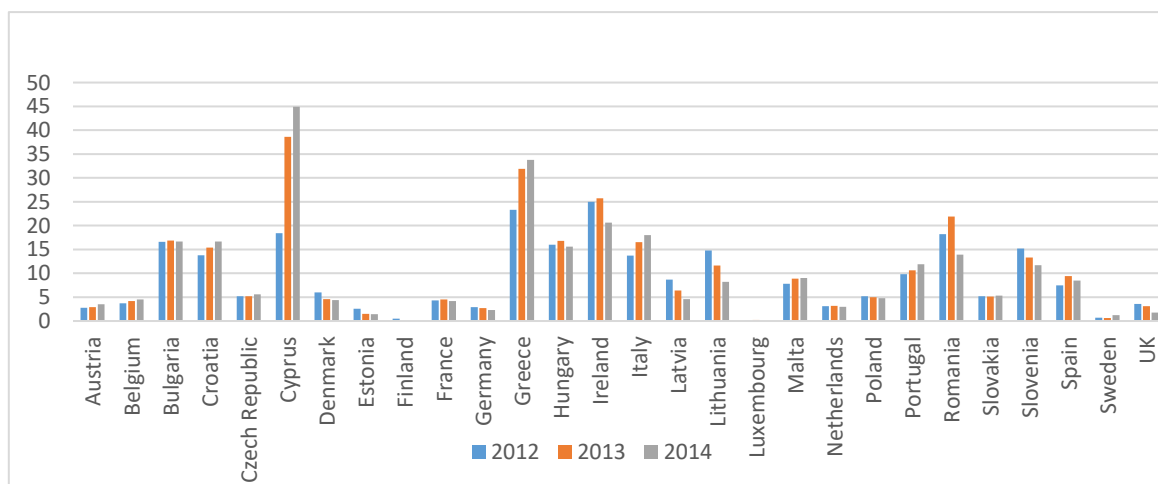
National Bank, 2016) shows us that the steady level of non-performing loans, most of which belong to households, are approximately 25% of all loans. This is a very significant amount. Also, the increase in loans in 2016 can only indicate that an increase in delinquent debts should be expected.

**Figure 7. Loans in Bulgaria**



The picture does not improve in comparison with the other member states in the EU. Figure 8 (International Monetary Fund, 2015) indicates that Bulgaria is among the countries with the highest percentage of nonperforming loans to total gross loans in the EU. As seen from both Figures 7 and 8, non-performing loans and over-indebtedness is not a temporary difficulty, but rather a constant state for many Bulgarian citizens.

**Figure 8. Bank Non-Performing Loans to Total Gross loans (%)**



## CONCLUSION

We could provide more examples and statistics, but we believe our point is clear: the current statutory regulation, or more precisely the lack of it, results in permanent consumer over-indebtedness. Debtors reach an impasse: they end up without any remaining assets, with wage garnishments and constantly increasing debts which “haunt” them for years through constant phone calls, harassment and threats.

In conclusion, we remind our readers that individual bankruptcy was introduced with the aim of serving justice for creditors rather than for debtors, ensuring the equal and fair distribution of debtors’ property. Since at present neither creditors nor debtors are satisfied with the legal framework, it is high time Bulgarian legislators adopted individual bankruptcy law and finally brought the country into line with other European nations.

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