

Bankruptcy in Czech Republic – from the perspectives of debtors, creditors, and the judiciary, 2008-2013

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Abstract. The article focuses on the impact of the 2008 Insolvency Act in Czech Republic, which introduced new consumer bankruptcy legislation designed to help debtors become free of unpaid debts. The survey included 664 insolvency proceedings of individuals started in 2008 and ended by 2013. A situation emerges in which we can for the first time evaluate the level of creditors' satisfaction on the basis of concrete data mined from the insolvency register. The aim of article was to identify and compare trends between three key participants of insolvency proceedings – debtors, creditors and judiciary. The survey showed a higher initial debt among males, although they were at the same time able to repay a higher percentage of this debt. For creditors, the survey showed that almost a fifth of receivables are secured, most frequently with real estate. The part focused on the court structure identified differences in time needed for regional courts to pass the rulings.

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1. INTRODUCTION

The Insolvency Act which has been in force in Czech Republic since the start of 2008 changed the existing and established paradigms of bankruptcy law and also introduced the idea of consumer bankruptcy law and the accompanying legal discharge of debt. This act establishes rules by which debtor might be freed

of unpaid debts under specific conditions. The previous manner of addressing indebtedness was significantly demotivating for debtors because their debts might not have been satisfied even after the liquidation of debtor's property. Therefore, debtors often escaped into the area of shadow economy. The main condition of consumer bankruptcy is debtor's ability to repay at least 30% of the receivables to non-secured creditors over the five-year period. The debtor is left with a percentage of income that cannot be forfeited; the remaining income is divided among non-secured creditors by the insolvency administrator. The debtor may ask court to omit paying the rest of the debt after the five-year period and - unlike under the previous legislation - debts might "disappear" completely. If the debtor repays 100% of the receivables, the insolvency proceeding may end early.

The survey included 664 insolvency proceedings which started in 2008. In view of the five-year condition of repayment, it was possible to evaluate the whole process. The data were gained from publically-accessible data in the insolvency register. Debtors, whose debt relief was approved in 2008, have already made 60 installment payments or are close to completing payments. As a result, we can, for the first time, evaluate the degree of creditors' satisfaction on the basis of concrete data gained from the insolvency register.

The data were used to test hypotheses on the amount of debt depending on sex and age, the approach of creditors to secure their receivables, and differences among the judiciary. The main aim of the survey is to identify characteristics and the mutual dependence thereof among the three primary elements of insolvency proceedings – the debtor, the creditor and the court. We compared certain characteristics in each of these categories. In the category of debtors, the survey focused on monitoring the level of debt and the relative level of creditors' satisfaction dependent on gender and age. Among creditors, the level and the manner of securing receivables was surveyed, for the 2008 Insolvency Act has markedly changed the standing of creditors. In the part of the survey devoted to courts, we were especially interested in the length of proceedings among individual insolvency courts.

Act No. 182/2006 Coll. (on bankruptcy and its resolution, the so-called Insolvency Act) came into force in Czech Republic on January 1, 2008, and greatly influenced individual participants of the insolvency processes. The act significantly changed the position of creditors, which consequently could lead to changes in receivables management. In contrast to the previous act on bankruptcy and settlement (No. 328/1991 Coll.), the replacement act has improved the position of banks when enforcing their receivables in the context of bankruptcy.

There are two types of creditors in insolvency proceedings under Czech law – unsecured creditor and secured one. During insolvency proceedings, both groups have different positions, but the new Insolvency Act significantly strengthened the position of the secured creditor. The previous bankruptcy legislation monetizing assets, with the proceeds of the liquidation split 70/30 between secured creditors and unsecured creditors (Steiner 1996). The current act allocates to secured creditors the entire monetization proceeds after the deduction of costs. The secured creditor is not obliged to "share" with other creditors and may take 100% from the sale of debtor's property. Secured creditors (often banks) are therefore in a far better position when enforcing risky receivables than other creditors or employees of a bankrupted subject (Hášová, 2014)

The legal amendment has offered debtors what is known as personal bankruptcy, the purpose of which is to help debtors who wish to settle their adverse situation in an active manner – they thus get a "second chance" and cover their debts at least partially. Personal bankruptcy was originally intended only for non-entrepreneurs; the later amendments opened this possibility also to entrepreneurs. However, debts from business activities cannot be dealt with through personal bankruptcy. Debt relief, or the so-called personal bankruptcy, has become increasingly popular. According to Czech Ministry of Justice, 1,693 insolvency proposals connected with debt relief (which was 32% of the entire number of filed insolvency proposals)

were filed in 2008, i.e., the year the Insolvency Act took effect. In 2013, there were 30,159 personal bankruptcy proposals, which is 80% of the entire number of insolvency proposals.

The enormous growth of personal bankruptcies has had consequences also for another agent in the insolvency process – the court. Prior to the enactment of the 2008 Insolvency Act, the insolvency agenda represented a mere fraction of the entire workload of individual courts. The insolvency agenda has grown markedly thanks to the boom of consumer bankruptcies. As a result, individual sections have even been created at regional courts. Despite these measures, however, courts are still overburdened, which disproportionately lengthens numerous proceedings. Judges play an irreplaceable role during personal bankruptcy – they rule on whether a proposal is to be permitted or denied and supervise the entire proceedings.

After filing an insolvency proposal connected with a proposal for permitting debt relief, the court examines the prerequisites of formality and content, and if the proposal is in order, the court rules on bankruptcy and its settlement method – i.e. it permits debt relief and appoints an insolvency administrator. A public release in the insolvency register then summons creditors to register their receivables within a thirty-day deadline and sets a date for proceeding with a review of claims and a creditors' meeting. At the review of claims, the group of creditors is ascertained and the receivables are scrutinized. At the creditors' meeting, creditors have the possibility to decide on the method by which bankruptcy is to be settled (by fulfilling a payment schedule or by monetizing property). If creditors do not meet, the court decides in their stead. After the creditors' meeting, the court issues a further ruling, in which it approves debt relief. In the event of a ruling on debt relief in the form of a payment schedule, the court issues deadlines. Then, the debtor repays debts according to their percentual proportion from the whole over the period of five years. A non-forfeitable amount remains from the debtor's salary, or as the case may be, another sum determined by the court; the remainder of the salary is divided among non-secured creditors by the insolvency administrator. Debts do not simply disappear; after five years, the debtor has the possibility to request that the court excuse the repayment of the remainder of debts. It is then up to the court to rule on the matter.

2. LITERATURE REVIEW

The theme of insolvency, debt relief and the impact thereof on individuals has gained in significance, especially in connection with the impacts of the world economic crisis, which manifested themselves, among others, in increasing unemployment, more difficult access to financial resources and thereby in a growing number of bankruptcies (Landa, 2009). Bankruptcy and its causes is a timely topic mainly because of the growing number of people struggling with debt. Likewise, the attributes and approaches of owners and managers are important factors for successful business management and the elimination of bankruptcy risk. A study by Kozubíková et al. (2015) which surveyed the relationship between management personalities in SMEs and their approach to business risk, confirmed that knowledge of lending criteria, which represents an important element in the management of SME credit risk, is likely to depend on personal characteristics of entrepreneurs. Similarly, Shepherd and Haynie (2007) point out that besides the financial prospect of company bankruptcies, the emotional perspective (which, according to them, is the reason why entrepreneurs lengthen the agony period of a bankrupting company) also has to be taken into account.

The causes of bankruptcy risk have also been treated by Carter and Van Auken (2006), who focused on an analysis of the main reasons for the rise of insolvency among small firms. Their research pointed towards the three main causes of insolvency: lack of knowledge, the impossibility of debt financing and the economic climate. The necessity of economic knowledge as a safeguard against financial failure is documented, for

instance, also by the older research of Hall (1992), who saw the main cause of insolvency in the inability of a business to foresee the need for capital and, furthermore, in the inefficiency of money markets.

On the other hand, overly benevolent conditions for debtors and bankrupting businesses could lead to individual misuse of the insolvency proceeding process, and in the worst case, to paralysis of the credit market (Richter, 2008). The same danger also lies in the disproportionately long duration of insolvency proceedings. In 2008 (i.e., prior to the implementation of the new Insolvency Act) the Czech Republic led European states at 9.2 years. On the contrary, in neighbouring, Germany, the average duration of proceedings was 1.2 years over the same period (Schelleová, 2008). The task of insolvency law is to increase the efficiency of this process. Furthermore, it prevents all-societal losses, for it removes from separate creditors the individual legal means of enforcement and replaces them with the collective process. A further major goal is to ensure that regardless of the disparateness of the claims on the debtor's property, the assets are to be handled, if possible, in a manner as effective as would be the case if a homogenous proprietor – a single investor – handled them. An equally important function of insolvency law is the impact of its effect on solvency, i.e., non-bankrupting subjects and their investors. In this regard, we speak about *ex ante* effects (Richter, 2008).

A hitherto relatively little-researched theme is the problem of the behaviour of debtors and creditors after completion of personal bankruptcy. Here American studies prove useful, due to the longer American history of bankruptcy law (European insolvency law, especially Council Regulation (EC) no. 1346/2000 is influenced by the American Bankruptcy Law and its amendment in 1978). Cohen-Cole and Montoriol-Garriga (2013) published a study in which they empirically surveyed the possibilities of credit accessibility for individuals immediately after the end of personal bankruptcy. They gathered data from the American credit agency, the goal of which was to ascertain the approach taken by creditors towards individuals who have completed personal bankruptcy, and whether their willingness to loan is influenced by available credit information (in the United States, information on past personal bankruptcy appears in the credit history of individuals for as long as ten years). The survey was conducted in four, 18-month intervals between 2003 and 2007 and concerned more than 2.5 million persons. On the basis of surveyed data, the authors arrived at the conclusion that, in American credit companies, the “debt-cleared” individual represents a better and less risky investment, and thus has a better chance of acquiring a potential credit. A similar trend might be expected in Europe.

3. AIM AND METHODOLOGY

The data for this survey was gained from the publically accessible insolvency register, while data were sought on debtors – individuals among whom debt relief was permitted in 2008 - and it was thus possible to ascertain the final satisfaction of creditors after five years. The year 2008 was chosen because at the time of data processing, five years of debt repayment, as required by the court, had been completed. For these debtors, it makes sense to monitor the degree of satisfaction of creditors.

A selected sample of cases from the publically accessible insolvency register (where all relevant data as of the filing of an insolvency proposal are gathered) was surveyed. The survey included 664 insolvency proceedings of individuals commenced in 2008. This sample included both insolvency proceedings which took place in the form of bankruptcy, personal bankruptcy or other possibilities (adjourned or suspended proceedings, change of personal bankruptcy to bankruptcy etc.). Debtors, whose debt relief was approved in 2008, already have 60 instalments completed or are close to fulfilling the instalments. A situation emerges in which we can for the first time evaluate the success of creditors satisfaction on the basis of concrete data which we gained from the insolvency register. 191 debtors out of the surveyed sample of natural persons

underwent the entire process of personal bankruptcy. When assessing the rate of creditor satisfaction, data on debtors from the category of debtors in and after debt relief and thereafter formed the departure point (i.e. 191 debtors). Among those, who completed the process of debt relief (i.e., they paid 60 instalments), the total paid amount was taken into account. Among debtors who have fewer than 60 instalments paid, the extrapolated total amount of instalments was taken to be the total amount of debt coverage. This extrapolated figure was thus taken as 60 multiples of the amounts of their theretofore average monthly instalment. The extrapolated total amount of debt coverage was, however, limited by the total amount of debt. The main aim of the survey is the survey of defined characteristics and the mutual dependence thereof among the three primary agents of insolvency proceedings – the debtor, the creditor and court. We compared given characteristics in each of these categories. In the category of debtors, the survey focused on monitoring the level of debt and the relative level of creditors' satisfaction in dependence to gender and age. Among creditors, the level and manner of securing receivables was surveyed – the new Insolvency Act has markedly changed the standing of creditors. In the part of the survey devoted to courts, we were especially interested in the length of proceedings among individual insolvency courts.

4. SURVEY RESULTS

4.1. The focus on debtors

In the part of the survey focused on debtors, we divided the set of insolvency proceedings according to gender and surveyed the level of the average amount outstanding and the percentage of repayment for the categories of men and women. We further divided the data into age categories and ascertained how the amount outstanding (i.e. the level of receivables registered in the insolvency proceedings) varied among men and women in the given age categories.

The average level of debt and the average level of satisfaction of creditors were monitored especially in the categories of "female" (which represented 36.1% of the monitored sample) and "male" (63.9%). The average level of debt among women was CZK 537 thousand, while the average level of creditors' satisfaction was 46.2%. Men in the monitored sample had an average level of reported receivables of CZK 652 thousand, while the satisfaction of creditors reached 58.8%.

The hypothesis on the equality of the average debt level of men and women was tested when comparing indebtedness in dependence to debtor gender. The test led to a p-value of 0.0314. At a significance level of 0.05, the test confirmed that the mean debt level for women is lower than the mean debt level for men.

Data on the average amount of debt and average rate of creditor satisfaction was also monitored with a view to the debtors' ages. Debtors were divided into categories from the lowest age of the debtor to the highest (i.e. from 26 to 80 years) and classified into categories according to gender. In every age interval (always in two years), the total level of debt and the percentage of repayment thereof (i.e. creditors' satisfaction) was ascertained.

The results are shown by graphs on Figure 1 and Figure 2.

The statistical value of graphs is weakened by the fact that some of age-intervals contain a very small number of debtors. Thus, for example, the categories "27 years", "from 74-77 years" and "79 years" were not represented in the sample at all.

From the gained and evaluated data on debtors, it seems that debt relief applies to all age categories. The average amount of debt was between CZK 500 – 600 thousand. Men and women of so-called productive age between 35 – 60 years have the highest owed amounts.

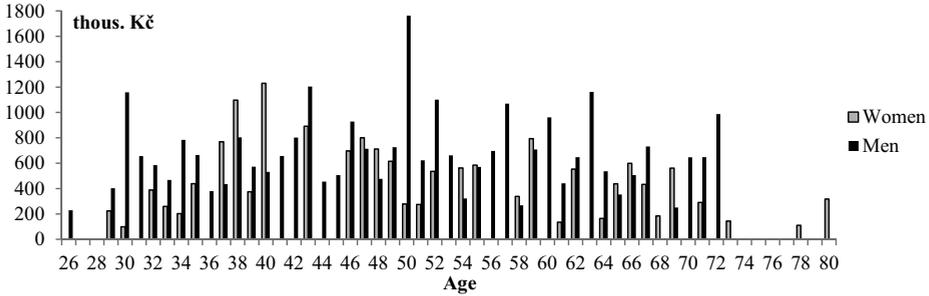


Figure 1. Average amount of debt in CZK thousands according to debtors' ages.
Source: Insolvency register and own calculations

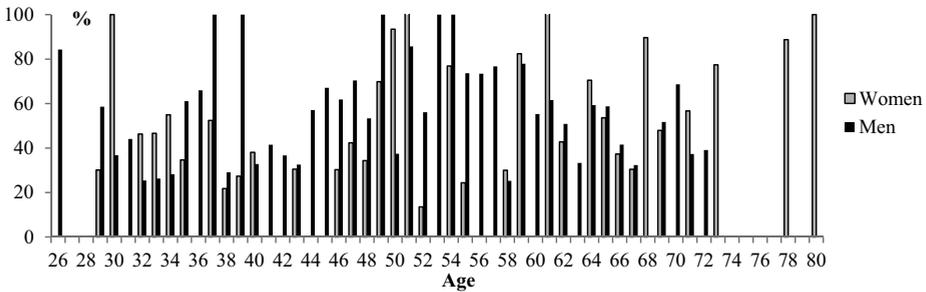


Figure 2. Average rate of creditor satisfaction in % according to debtors' ages.
Source: Insolvency register and own calculations.

When comparing the ability of men and women to repay their debts, there is a slightly lower ability among women between ages 30 – 60 to repay their debts. Experience in practice may offer this explanation: women in their productive years care for children whom they have in their care, and alimented persons, even after divorce, are included in the non-forfeitable minimum. Their economic situation thereby differs from that of divorced men.

4.2. Securing receivables

One of the ways to reduce creditor risks is the securing of loans. A secured creditor has a special position in insolvency proceedings. In insolvency proceedings, the secured creditor is satisfied especially from the sale of the collateral, only under the assumption that it duly reports its receivables to the insolvency proceedings, its receivables are ascertained during review proceedings, and such a creditor requests the insolvency administrator's instructions as to the sale of this collateral. Secured creditors form a group in insolvency proceedings which, given its standing and its interests, markedly differs from the other groups of creditors. Precisely in view of their rights stemming from securities guaranteed prior to the commencement of insolvency proceedings, they are given the possibility to significantly influence the course of the proceedings.

In the event that debt relief is approved and a ruling on the form of debt relief by payment schedule is passed, the secured creditor's receivable is satisfied solely from the proceeds from monetization, which is

reduced by a maximum 4% for administration costs, 5% for monetization expenses and 9% for the insolvent administrator’s fees, and this secured receivable therefore cannot be a part of the payment schedule.

The proportion of secured receivables to the total volume of receivables is 19.62%. The representation of individual methods of securing in the total volume of secured receivables is shown on Figure 3.

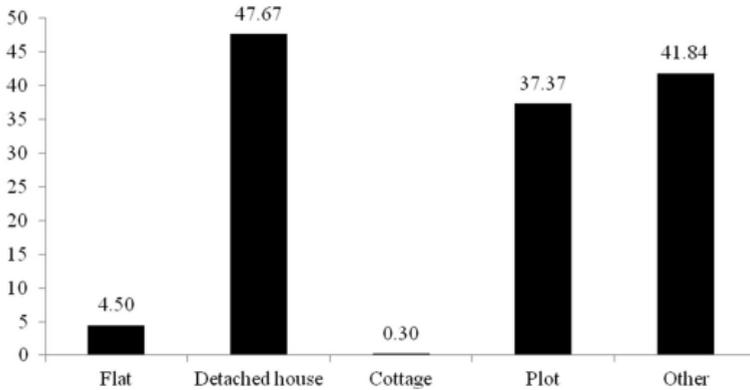


Figure 3. Relative representation of individual types of secured receivables in % with a view to the total volume of secured receivables

Source: Paseková, M. et al. (2015)

The graph on Figure 3 was compiled for assessing individual types of collateral. Let us mark the entire number of debtors that acquired a loan when they provided collateral I . Every such debtor is represented in our set by the pair $\{P_i, K_i\}_{i=1, \dots, P}$ where P_i is the amount of the loan of the i -th debtor and $K_i \in K$ a K is the set of all non-empty sets containing various combinations of one or more considered types of collateral. In view of the fact that the number of considered types of collateral is equal to 5, the cardinality of set K is equal to $2^5 - 1$. Then in the graph, the value

$$r_k = 100 \cdot \frac{\sum_{v_i: k \in K_i} P_i}{\sum_{v_i} P_i}$$

pertains to the k -th type of collateral of relative representation of individual types of secured receivables in %.

The height of the column of type of collateral corresponds to the percentage of the given collateral in total secured receivables. The sum exceeds 100, as the debt is sometimes secured by several types of collateral. The amount of the due receivable always appears in the total for the type of collateral when the debtor stated the given type of collateral in a provided list of collateral types. The relative value is the total level of debt with a type of collateral. When collecting data, especially securing with a flat, detached house, cottage, plot of land or other item was monitored.

Figure 4 shows the proportion of secured receivables for debtors in the categories “in bankruptcy from the beginning” and “in debt relief or debt cleared” is significant. The graph represents the relative proportion of secured and non-secured receivables related to the total sum of receivables in a given category. The subject of collateral is, as a rule, real estate.

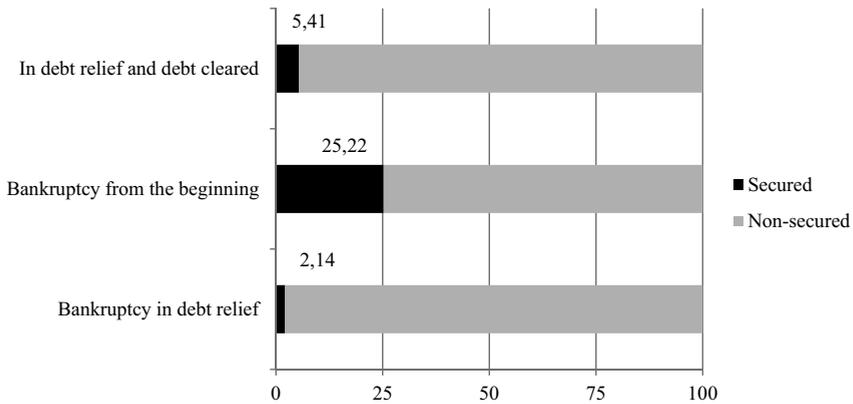


Figure 4. Relative representation in % of amount of secured and non-secured debts in individual debtor

Source: Paseková, M. et al. (2015).

The proportion of secured receivables for debtors in the categories “in bankruptcy from the beginning” and “in debt relief or debt cleared” is significant. In the first category, this represents 25.2% of secured receivables, and 5.4% in the second given category.

The level of securing bank receivables is shown in Figure 5. The number of receivables pertaining to banks is shown in the graph (by the name of the bank). In the case of banks with a low number of receivables, the bars expressing the percentage of secured receivables are illustrated in grey. In the reference sample, there were a number of cases where the debtor owed to more than one bank.

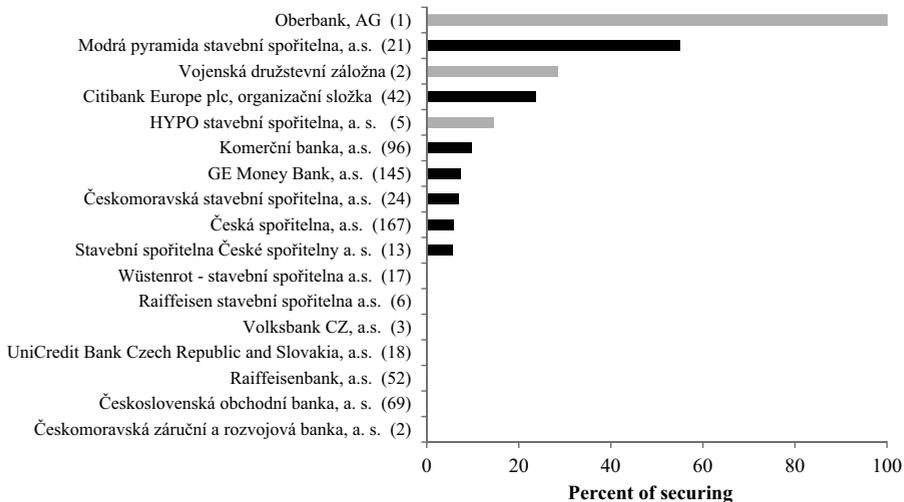


Figure 5. Level of secured receivables

Source: Insolvency register and own calculations.

In graph 5, the grey illustrates the proportion of banks, among which a low number of occurrences was recorded, i.e. the results of these financial institutions are difficult to assess due to low occurrence.

From the graph it is clear that banks secure only a generally small percentage of their receivables. In approximately half the banks, we encountered no securing of receivables whatsoever. Banks “from the centre of the graph” had less than 10% of the volume of receivables secured. With 5.71%, even the bank with the highest proportion of individual loans in the surveyed sample – Česká spořitelna, a creditor of 167 debtors in the monitored sample – falls into this category. In contrast to this, Citibank Europe and Modrá pyramida stavební spořitelna had roughly a quarter of the amount of receivables secured, over half the volume of receivables.

4.3. Duration of proceedings

Figure 6 illustrates the duration of insolvency proceedings, from the issuing of a ruling on bankruptcy through to the approval of the settlement method (or denial of debt relief, after which bankruptcy follows). From the graph it is clear that the length of proceedings differs markedly among individual courts.

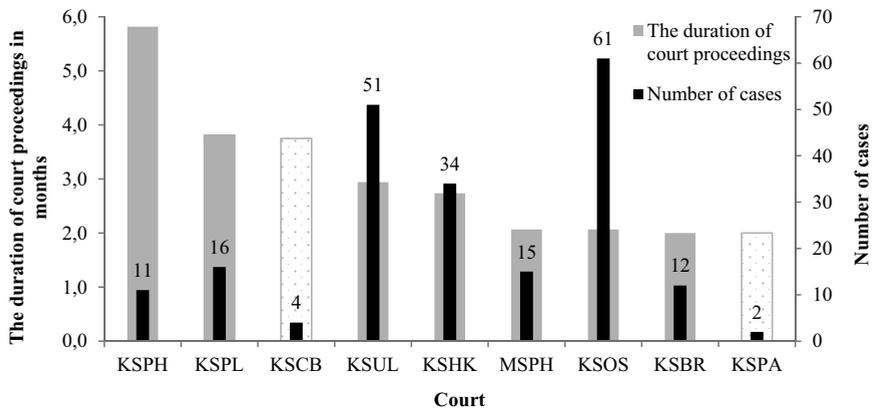


Figure 6. Duration of court proceedings according to individual courts

Source: Insolvency register and own calculations.

Below is a list of all insolvency courts and their abbreviations, which are shown in graph 6 together with the number of occurrences and length of proceedings from the moment the court issues a ruling on bankruptcy connected with permitting debt relief to the issue of a ruling on approval of debt relief or a ruling on the denial of debt relief and declaration of bankruptcy.

Table 1

List of individual courts

Abbreviation	Pertinent court
KSPH	Regional Court in Prague
K SPL	Regional Court in Plzeň
KSCB	Regional Court in České Budějovice
KSUL	Regional Court in Ústí nad Labem
KSHK	Regional Court in Hradec Králové
MSPH	Municipal Court in Prague
KSOS	Regional Court in Ostrava
KSBR	Regional Court in Brno
KSOL	Regional Court in Ostrava – Olomouc branch
KSLB	Regional Court in Ústí nad Labem – Liberec branch
KSPA	Regional Court in Hradec Králové – Pardubice branch

Source: Insolvency Register.

The duration of court proceedings is in the vicinity of two to almost six months. The ruling of the Regional Court in Prague, 5.8 months, was longest on average, although the count of 11 cases of debt relief on which it passed a ruling is less than a fifth compared to Regional Court in Ostrava or Regional Court in Ústí nad Labem. Yet the average time taken by Regional Court in Ostrava, together with Municipal Court in Prague, Regional Court in Brno and Regional Court in Hradec Králové – Pardubice branch, to pass a ruling was 2 months and is the shortest in the monitored set. It can be assumed that Regional Court in Prague was burdened by numerous other cases. Among certain courts, the number of solved cases was very small, the average duration of their ruling is shown in the graph, and for the sake of completeness it is marked by dots.

DISCUSSION

The Czech Insolvency Act of 2008 has recognized secured creditors (which are commercial banks in the majority of cases) as active agents in the bankruptcy process. If a secured creditor is able to secure its receivables appropriately, when it arises, the Insolvency Act affords the creditor the possibility to supervise its monetization (the insolvency administrator reacts to direct instructions from a secured creditor), and after a deduction of monetization costs, it collects the full amount of the monetized sum, up to the total value of the registered receivable.

The conditions for secured loans are markedly unfavourable for the debtor, as the loaned sum does not exceed the estimated price of the real estate, and if the debtor does not cover the owed sum within the fixed term, they lose their immovable property, as the creditor sells the collateralized object.

This corresponds also to the results of similarly- focused foreign surveys. Davydenko and Franks (2008) proved that banks in countries that provide debtors with less protection require higher collateral for their credits and vice versa.

Regarding surveying the problem of the length of insolvency proceedings, the survey results have confirmed that the approval process in insolvency proceedings varies markedly in individual courts. This is connected especially with the amount of filed proposals, the number of which varies markedly according to individual regions. Insolvency proceedings in the Czech Republic are specific in regard to the high administrative demands and the duration of insolvency proceedings. The debtor, moreover, can file an insolvency

proposal repeatedly. At the present time, there is discussion about the necessity of strengthening the personnel structure of the busiest courts, which would bring about a certain improvement.

An interesting finding is the fact that, in terms of length of deciding time, the busiest court (Regional Court in Ostrava) is able to compare with courts with a far lower number of cases. This fact could be connected with the good work organization abilities of the Regional Court in Ostrava, thanks to which it is able to process a large number of insolvency cases. In practice, this court is attempting to implement uniform standards (for settling insolvency proceedings) which transfer obligations especially to the insolvency administrators. This should simplify the whole process from the perspective of the judge and thereby also reduce the court workload. In practice, however, the attempt to accelerate proceedings often leads to the judge having very little time for direct assessment of a case in the courtroom, where he or she is – to put it in a literary way – to decide on the debtor's further fate.

CONCLUSION

The aim of the article was to statistically survey certain characteristics and reciprocal dependences among three fundamental agents of insolvency proceedings – debtors, creditors and the judiciary. We compared selected characteristics in each of these elements. In the category of debtors, the survey focused on monitoring the level of debt and the relative level of creditors' satisfaction in dependence to gender and age. In creditors, the level and manner of securing receivables was surveyed. In the part of the survey devoted to the judiciary, we were especially interested in the length of proceedings among individual insolvency courts.

In the section focused on debtors, the survey demonstrated a higher initial debt among men (CZK 652 thousand), although they were at the same time able to repay a higher percentage of this debt to creditors (58.8%) during debt relief. By contrast, the average level of debt in the category of women was lower by more than CZK 100 thousand (specifically CZK 537 thousand), although the level of creditors' satisfaction in the category of women was only 46.2%. This fact can be explained by the lower income of women. The possibility of higher incomes during the in productive age also explains the increase of debt between ages 35-65.

On the basis of a survey, it was found that individual creditors are satisfied with 50% of their ascertained receivables. The given initial finding is interesting, especially in light of the fact that the law itself prescribes a 30% minimal limit of satisfaction for debtors. From the data up to the present it can only be determined that this is among the first completed debt reliefs in the Czech Republic, and the ascertained fulfilment expresses the debtor's real possibility of satisfying creditors' receivables.

The survey proved marked differences between the lengths of time taken by pertinent insolvency courts to pass a ruling. The duration of court proceedings (as of "Ruling on bankruptcy with permitted debt relief" through to "Ruling on approval of debt relief with a payment schedule" or other solution) differed up to 4 months on average. A direct dependence between lengths of proceedings with the number of solved cases was not proved. It took the Regional court in Ostrava (with the highest number of insolvency proceedings in the monitored sample) an average 2 months to pass a ruling on approval of debt clearance, whereas ruling at the Regional Court in Prague took the longest, which can partially be explained by its being heavily burdened by other cases.

In the part of the survey focused on creditors, it was found that 19.62% of receivables registered in insolvency proceedings consist of receivables secured by a certain form of collateral. Most frequently, a detached house, flat, plot of land or other form of collateral (e.g., an automobile) was at issue. In the course of the survey, it was also found that markedly more secured receivables appear when insolvency proceedings take place from the outset in the form of bankruptcy. This can be explained by the fact that personal bankruptcy has, since its implementation, been conceived of as a solution for debts predominantly from consumer loans, which did not utilize the institute to a high degree. In the survey of the level of securing

bank receivables, it was found that banks secure only a low percentage of their receivables. This percentage is higher in building savings banks which provide credits for purchase of property, than it is in banks.

Czech insolvency law grants the secured creditor a significant position with broad possibilities; its increased usage especially by banks can therefore be expected. Banks (and other creditors that secure their loans with the debtor's property), however, have to devote thorough attention to managing their risky receivables, from the appraisal of assets to the appropriate selection of monetization method and, likewise, preventing the subject of collateral from being excised from the debtor's property, so as to be able to achieve maximum repayment of their secured receivables.

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