



## DEBT RELIEF OF NATURAL PERSONS AND THE RATE OF SATISFACTION OF THEIR CREDITORS IN THE CZECH REPUBLIC

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**Abstract.** The purpose of this contribution is to ascertain the rate of creditors' satisfaction in debt relief. The aim of the paper is to set an approximation functions which guarantee a value of 100% of satisfaction of creditors' receivables for a zero rate of debt and asymptotically nears a level of 30% with an increasing rate of debt.

There are two methods used in this paper. Method of analysis was used to analyse of collected data on the course of debt relief of natural person. The method of the ordinary least squares method was used for setting the approximation functions. On the basis of a survey, it was found that individual creditors are satisfied to 50% of their ascertained receivables.

**Keywords:** debt relief, over-indebtedness, personal bankruptcy, insolvency, creditors' satisfaction.

**JEL Classification:** G30.

### Introduction

Debt relief as a means of settling citizens' inability to repay is a possibility provided by the state for the debtor to free itself of its theretofore unpaid debts after 5 years (if it pays 100% of the debts, then before) and start with a so-called clean slate. The point of debt relief is to help citizens who wish to settle their adverse situation in an active manner and would like to cover their debts at least partially. Personal bankruptcy is meant to give a second chance especially to debtors who would otherwise be forced to a lifetime of repaying debts, and avoid a situation where the debtor begins to move in the zone of shadow economy. Subsequently, the debtor, having fulfilled the conditions for debt relief, is obliged to act for another three years in a way that would preclude the emergence of further debts, or it would forfeit the advantages stemming from debt relief in the form of liberation from unpaid debts.

Generally, two manners of relieving debts for non-entrepreneurial subjects are distinguished. One is the monetization of the debtor's property. The second possibility is debt relief by fulfilling a payment schedule over a period of five years. A condition is the debtor's ability to repay at least 30% of receivables to non-secured creditors. After fulfilling the conditions of debt relief, the debtor can request that the court free it from repaying the remainder of the debts, and its obligation to repay debts from which it was freed ceases completely.

Debt clearance of a non-entrepreneurial subject is a possible opening for a process imposed by law. After filing an insolvency proposal connected with a proposal for permitting debt relief, the court examines the prerequisites of form and content, and if the proposal is in order, the court rules on bankruptcy and its settlement. One of the possibilities is that it permits debt relief and appoints an

insolvency administrator. By making public the ruling for permitting debt relief of the debtor in the insolvency register, the creditors are summoned to report their receivables within a thirty-day deadline. The court then sets a date for a creditors' meeting with the purpose of a review hearing. At the review hearing, the group of creditors and a list of found receivables are ascertained. At the creditors' meeting, the creditors have the possibility to decide on the method to settle the bankruptcy – either by fulfilling a payment schedule or by monetizing property. If the creditors do not attend the negotiations, the creditors' rights are transferred to the court. After the creditors' meeting, the court issues a further ruling, in which it approves debt relief. If debt relief in the form of completing a payment schedule is approved, the ruling likewise contains the term for the first instalment. As of that time, the debtor repays its debts over a period of five years according to a payment schedule, at a proportional amount according to individual creditor reports. The debtor is left with an amount from its income that cannot be forfeited, or with a court-ordered higher amount; the remaining income is divided among the non-secured creditors by the insolvency administrator. The debts do not cease automatically after the completion of the instalments prescribed by the court (Maršíková 2011).

As of 2014, debt relief is also accessible to natural persons, who have previous debts from entrepreneurial activities, under the assumption that the creditor agrees thereto. The insolvency act previously did not enable this. However, it still generally applies that debt relief cannot be used to restructure debts originating from business activity. Under certain specific conditions, however, even this is possible and one can expect a development of judicature and legislation moving in this direction.

## 1. Literature review

According to Kilborn and Walters (2013), bankruptcy could be defined as a collective manner of creditors' satisfaction when the individual debtor is unable to pay his/her claims. Huls (2012) states that personal bankruptcy contains many activities which should help to solve debtor's adverse situation.

Personal bankruptcy and its causes are at the present time a very current theme, especially due to the ever-growing number of persons fighting debts. For instance, personal bankruptcy has concerned about 4 million debtors in the USA in 2001. Roughly half of the bankruptcies were commenced by debtor health problems and their subsequent inability to duly repay their loans (Himmelstein *et al.* 2005). Mathur (2012) also claims that personal bankruptcy should be caused by losing work days due to illness. Macroeconomics conditions are also linked to number of insolvency proposal filled.

According to statistics, the indebtedness of Czech households shows a growing tendency, especially since 2000, while it was especially the reduction of interest rates, the expansion of offers by the financial sector, the growing living standard, credit financing of housing, the tendency to favour a consumer way of life and utilization of consumer loans that contributed to the growing volume of credits. A fundamental growth of credits to households occurred especially in 2008, when credits grew by 143.9 bn. inter-annually as a result of the financial crisis. The tempo of growth decelerated in 2009, when an inter-annual increase of provided credits by CZK 53.9 bn. occurred. The deceleration of the tempo of debt relief is given by the reduced ability of households to take on further credits, but also by higher circumspection on the parts of credit providers (Mejstřík, Teplý 2013).

The absence of reasonable financial planning, in combination with the economic crisis in 2008 and 2009, thus swept many debtors into the so-called debt spiral, i.e. a situation where the inability to pay an existing debt is solved by arranging another loan. One can also notice the different character of credits from the perspective of the social standing of the given income. While credits for housing are utilized and gained primarily by households with higher incomes in view of their solvency, consumer credits (often provided by non-banking institutions) are utilized more frequently by families with lower incomes (Dubská 2011).

The necessity of economic knowledge as a safeguard against financial failure is documented, for instance, also by the older research of Hall (1992), who statistically processed data which British businesses in insolvency have to provide to the court by law. He found the main cause of insolvency is the inability of businesses to predict the need for capital and, furthermore, in the inefficiency of money markets, which is confirmed also by Carter and Van Auken (2006). Their research, which focused on small firms, drew attention to three main causes of insolvency – lack of knowledge, impossibility of debt financing and the economic climate.

The institute of debt relief has in numerous countries become one of the instruments for settling natural persons' inability to pay. European law (especially Council Regulation (EC) no. 1346/2000 from 29 May 2000 on bankruptcy proceedings) is influenced by American bankruptcy law and its amendment, the Bankruptcy Reform Act from 1978. The American law distinguishes three types of bankruptcy – so called "direct bankruptcy" with liquidation of the debtor's property, with reorganization of debts of natural persons and with reorganization of a business. Yet the process of debt relief does not concern certain specific receivables, such as alimony, receivables for state or student credits. The American amendment has become the model for the reform of bankruptcy law practically in all European countries, including Germany, whose new amendment of

insolvency from 1999 became the template for our (and that of Slovakia's) legal amendment of insolvency proceedings. The German insolvency code recognizes two specific forms of insolvency proceedings. These are consumer bankruptcy, which can be declared by a natural person (if the debtor did not have independent entrepreneurial activity or only to a small extent). This is a simplified form of insolvency proceeding, which enables in its final phase the debtor's complete debt relief (Schelleová 2008). The second specific form of proceedings is so-called complete debt relief, which can be requested also by a debtor – natural person – engaging in independent entrepreneurial activity. The German amendment of debt relief differs from that of the Czech Republic, especially in the amounts of monthly sums which the debtor has at its disposal. In contrast to the minimal, non-forfeitable sums in the Czech legal amendment, the German debtor is left with a sum depending on the amount of earned income, which is more motivating for it (the debtor).

Amended insolvency acts were enacted also in Hungary, Estonia, Latvia, Poland, Russia, Lithuania, Rumania, Slovenia, and Slovakia, for instance. The Slovakian amendment of the act on bankruptcy and restructuring, effective as of 1.1.2012 enables (unlike the Czech amendment) personal bankruptcy only to natural persons (i.e. not to legal and likewise non-entrepreneurial subjects as per the Czech insolvency act). According to the Slovakian act, the debtor can propose to the court cancellation of unpaid receivables only after the bankruptcy ends; if this is permitted, it is then obliged, over a period of three trial years after the bankruptcy ends, to return to the administrator 70% of net income; the funds are divided among the creditors. After this period, the court rules on the dissolution of the remainder of the receivables. From the perspective of the Czech insolvency act, this is a combination of bankruptcy and debt relief, and in comparison to the Czech amendment, the Slovakian version is far stricter towards the debtor.

The point of debt relief is to help citizens who wish to settle their adverse situation in an active manner and would like to cover their debts at least partially. Personal bankruptcy is meant to provide a second chance especially to the debtor “condemned” to a lifetime of repaying debts, and prevent the debtor from beginning to circulate in the zone of shadow economy (Landa 2009). This approach has been applied roughly in the past two decades. In the past, creditors' interests were prioritized. The main direction in the change of approach was given by the USA, but also by reforms of regulations; for instance, Germany (1999), Great Britain (2003) and Spain (2004) went in the direction of greater emphasis on continuity and preservation of economic subjects at the expense of reducing protection of creditors (Gutiérrez *et al.* 2012). On the following Figure 1, the development of the number of filed insolvency proposals with a proposal for permission of debt relief and also the number of approved debt reliefs in the CR is plotted. At present, Smrčka (2011) holds that this is the most frequent manner of settling bankruptcy among natural persons. Tamosiuniene *et al.* (2013) claim that debt relief should be effective only for good-faith natural persons and should not occur again in several years.

On the other hand, there are also negative voices which have cast the institute of debt relief into doubt. For instance, in a study of the development of personal bankruptcies in the USA, point out that the growing social acceptability of bankruptcy does not lead individuals to financial moderation, but justifies their further consumption. Debt is then *de facto* transferred to society as a whole; debtors do not view bankruptcy as a certain privilege, but as their right. The approach of individual states to insolvency then influences the behaviour of all subjects in the economy, not only those who have found themselves in bankruptcy (Friesner *et al.* 2011). For instance, authors (Davydenko, Franks 2008), in their study of approaches of banks towards unpaid credits by

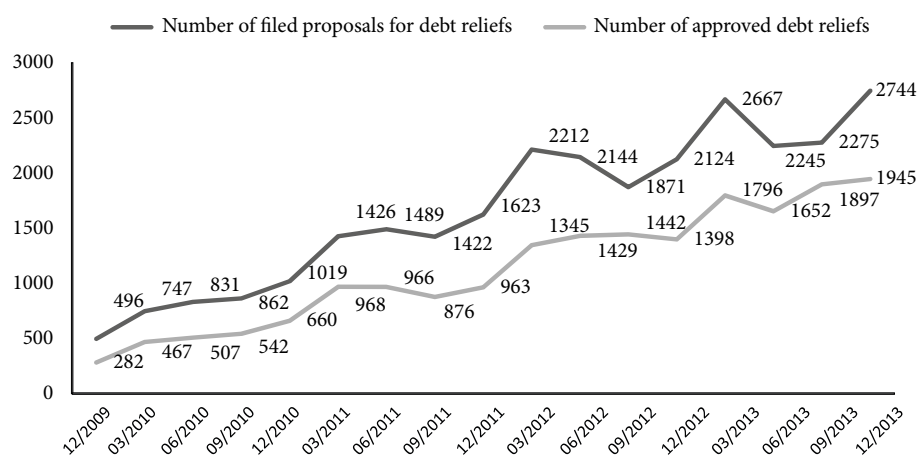


Fig. 1. Development of debt relief in the CR in 2009–2013 (Osvaldová *et al.* 2013)

small firms in France, Germany, and Great Britain show that banks require higher collateral for their credits in countries which provide creditors with less protection. For instance, preservation of employment is the primary interest in France; the role of creditors is limited to a mere advisory body and courts have the main say here. Therefore, when providing credits to these firms, banks require higher collateral than, for instance, in Great Britain, where the creditor has greater power, including the right of veto. The form of securing credits also differs. In Great Britain and Germany, property is adequate security, but not in France, as the highest offer is not decisive in the event of sale, and the creditor cannot influence the sale.

## 2. Methodology design

The presented survey was based on the evaluation of publicly accessible data from the insolvency register. The aim of the investigation was primarily to ascertain the rate of satisfaction of creditors by debtors in debt relief, overall and in dependence to the amount of ascertained debt, or to the creditor category. Secondly, the survey focused on monitoring the proportion of registered and ascertained amount of debt, the structure of the average debtor's debt and also monitoring the proportion of secured creditors' receivables. A fundamental criterion for the collection of data was the factor of time. Insolvency matters which were filed at the pertinent regional court in the CR in the first 2/3 of 2008 were selected. This selection enabled the ascertainment of debt relief results, in which the five-year deadline had run its course or where this deadline will be reached within a few months.

Students of the fifth year of the Economic Faculty of VŠB – Technical University of Ostrava helped to collect data, within the scope of the subject Insolvency and Liquidation Proceedings, and the assignment was part of the tutorial. The students learned how to utilize information that is made public in the insolvency register practically. In a time series of duly filed insolvency proposals, debtors whose birth certificate numbers were stated were selected. These debtors are natural persons and their debts can thus be settled by debt relief. After compiling the database, the consistency of the data was checked and detected errors were corrected according to data in the insolvency register.

For every debtor, data identifying its insolvency proceedings (name, surname, debtor number, year of commencement of proceedings, "court abbreviation" – according to the competency of the court), senate number and type of matter were ascertained. The debtor in the data set is further characterized by age and sex. The course of every debtor's debt relief is given in terms of time, by the year and month of permission and the year and month of debt relief approval. Every debtor is classified into one of

the following categories: "not recorded", "in bankruptcy from the beginning", "bankruptcy in debt relief, "halted or overruled, "died" and "in the process of debt relief or debt cleared". The objective significance of the categories is as follows.

The debtor was classified into the category "not recorded" when it was not registered in the insolvency register under the given document number. The reason is/could be that the petition was delivered to the court after more than five years and the debtor had already been erased from the insolvency register. This, however, does not prove that debt relief took place in the specific proceedings, as certain debtors file proposals for insolvency proceedings repeatedly and each filing has a separate document number.

Those debtors among whom permission for debt relief was not granted, as the debtor did not fulfil all of the legally prescribed conditions, or whose proceedings were halted due to the fact that missing materials were not substantiated within the prescribed deadline, were classified in the category "halted or overruled".

If the debtor, against whom an insolvency proposal is filed, does not file a proposal for debt relief within a deadline of 30 days, or does not fulfil the conditions for debt relief, the failure is settled by bankruptcy. In such a case, it is classified in the category of "in bankruptcy from the beginning" in our survey.

The category "bankruptcy in debt relief" includes cases where the debtor filed a proposal for debt relief, but does not fulfil the conditions for debt relief, e.g. debts from business activity, and the creditor does not agree to debt relief; the court then settles the failure by bankruptcy. Furthermore, cases where the debtor fulfils conditions for permitting debt relief and debt relief is approved, but who contravenes one of the conditions for continuation of debt relief over a longer time (emergence of new debts, conviction of a felony, marked reduction of income, the debtor has been unemployed for a long time) fall into this category.

In the monitored group of debtors there were several cases where the debtor died during the course of approved debt relief. Debt relief is then ended, and inheritance proceedings follow. These debtors were classified into the category of "died".

The numbers of debtors in individual categories according to whether the structure of their debts is known and whether the amount of repaid sums is known is given in Table 1. The total number of monitored debtors was 664.

The monitored group of debtors is comprised of those of them among whom the structure of their debts is known and debt relief is underway among them or has successfully been completed and their amount of instalments is known (191), or debtors who are in bankruptcy since ascertainment of bankruptcy (82) or in bankruptcy after cancellation of debt relief (18). These conditions are fulfilled by 291 debtors

in the set of collected data; in Table 1, the number of debtors is highlighted in bold print.

In every monitored receivable in the group, the amount which was reported by the creditor and the amount which was ascertained were monitored. The sum of reported and ascertained receivables differs by the receivable traversed by the insolvency administrator or debtor.

### 3. Results

Fundamental conclusions can be drawn by monitoring the dependence of the relative rate of debtors' creditor satisfaction according to the ascertained amount of their debts. The ascertained data are given in Table 2.

Data are graphically represented in Figure 2.

Most debtors fall into the category of total owed sums from approx. CZK 200 – 500 thousand. There are 77 debtors in this category, which is more than 30% of the evaluated

sample of debtors. Their average relative rate of debt repayment reached up to seventy percent. Registered receivables relate to creditors whose receivables are made up not only from the principal, but also accessories (interests, fees and vindicatory fines), which often represent a significant proportion of the total reported receivable. From this it follows

Table 2. Rate of relative debtors' creditor satisfaction in categories according to the ascertained amount of their debts (source: own analysis)

Amount of debt in CZK million	Number of debtors	Average relative rate
to 0.10	3	100.0
from 0.10 to 0.15	9	74.6
from 0.15 to 0.20	6	81.2
from 0.20 to 0.25	14	64.0
from 0.25 to 0.30	14	47.4
from 0.30 to 0.35	12	60.4
from 0.35 to 0.40	11	55.7
from 0.40 to 0.45	13	51.8
from 0.45 to 0.50	13	70.1
from 0.50 to 0.55	12	55.1
from 0.55 to 0.60	9	48.0
from 0.60 to 0.67	12	65.6
from 0.67 to 0.80	11	56.6
from 0.80 to 0.87	11	51.1
from 0.87 to 1.00	12	53.9
from 1.00 to 1.20.	11	34.8
from 1.20 to 1.50.	9	44.1
over 1.5	9	30.9

Table 1. Numbers of debtors in individual categories (source: own analysis)

	Repaid sum known			
	YES	NO	YES	NO
Debtor category	Debt structure known		NO	
	YES	NO	YES	NO
In bankruptcy from the beginning	0	82	0	0
Bankruptcy in debt relief	0	18	0	0
Died	0	2	0	0
Not recorded	0	1	0	246
In debt relief or debt cleared	191	18	0	22
Halted or overruled	0	0	0	84

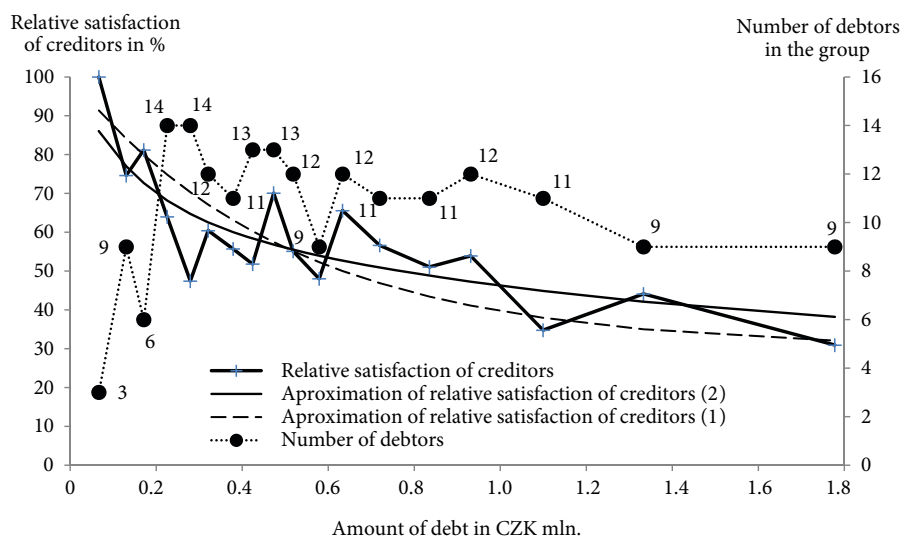


Fig. 2. Graph of dependence of the relative rate of creditor satisfaction in dependence to the amount of debt (source: own analysis)

that debtors could repay providers of credits not only the principal, but also a part of the accessories. Even if the debtor does not repay the entire amount of the ascertained receivable, the creditor has the whole or the decisive part of the principal (of the loaned amount) covered. In proportion to the amount of debt, general creditor satisfaction decreases.

In the graph in Figure 3, the course of approximation functions and the number of debtors in groups according

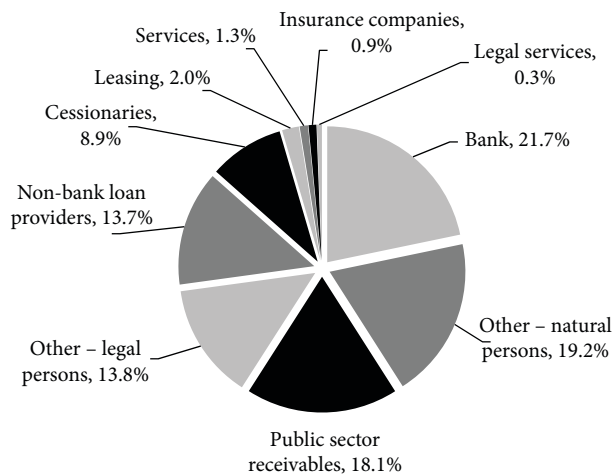


Fig. 3. Structure of the average debtor according to creditor categories (own analysis)

Table 3. List of monitored creditor categories (source: own analysis)

Creditor category	Characteristic
Bank	Bank institute subject to supervision by the Czech National Bank
Non-bank loan provider	Other lenders regardless of the Czech National Bank
Public sector receivables	Courts, The Czech Administration for Social Security, health insurance companies, cities, financial authorities, customs office etc.
Services	Energy distributors, providers of telecommunication services and the internet, concessioners' fees, postal services, societies of housing unit owners etc.
Insurance companies	E.g. damage/accident liability
Cessionaries	Acquirers of receivables focusing on the enforcement thereof (e.g. debt collection company)
Legal services	Receivable accessories (distrainers, attorneys)
Leasing	
Other natural persons	
Other legal persons	

to the amount of debt are also represented. Approximation functions were considered in the forms:

$$s(d) = 30 + 70e^{-\frac{d}{d_0}}; \quad (1)$$

$$s(d) = 30 + 70[\xi e^{-\frac{d}{d_1}} + (1-\xi)e^{-\frac{d}{d_2}}], \quad (2)$$

which guarantee a value of 100% of satisfaction of creditors' receivables for a zero rate of debt and asymptotically nears a level of 30% with an increasing rate of debt. In the relations,  $s$  marks the rate of creditor satisfaction in %,  $d$  the rate of debt in CZK millions, and  $\xi$ ,  $d_0$ ,  $d_1$  and  $d_2$  are coefficients. The coefficients were found using the ordinary least squares method. Their values are  $d_0 = 0.506$ ;  $\xi = 0.443$ ;  $d_1 = 0.140$ ;  $d_2 = 1.141$ . The resultant correlation coefficient gains a value of 0.8162 for form (1) of the approximation function and 0.8569 for the form of function (2). For the given forms, the coefficients  $d_0$ ,  $d_1$  and  $d_2$  represent approximation functions of critical values of the amount of debt, and coefficient  $\xi$  in function (2) characterises the distribution of weight of the influence of values  $d_1$  and  $d_2$ . It appears that the approximation function (2) gives a markedly higher correlation coefficient value.

For assessing the structure of debts/receivables from the perspective of creditors, the creditors of the monitored debtors (i.e. 291 debtor with a known debt structure) are divided into several categories. An overview and brief characteristic of creditors are given in Table 3.

The structure of the average debtor according to creditor categories is represented in Figure 3.

In the model created on the basis of data from the stated survey, the debtor repays over a fifth of its liabilities to the bank, and a further 20% of its liabilities represent debts to non-banking institutions and cessionaries, i.e. lenders and companies trading on the basis of lending at a high interest rate. It can be judged that the debtor initially borrows money at a bank, and at the moment when it is no longer unacceptable as a client of the bank (which is subject to the supervision of the Czech National Bank), it seeks other possibilities. It uses especially the offers of private financial companies. It is confronted by the consequences of the rule that, the riskier the credit, the higher the interest. In this connection, one often speaks of the so-called debt trap. For entrepreneurs and natural persons, however, the above mentioned rule need not always apply, e.g. when a credit from someone from among their circle of acquaintances is in question.

More than 40% of the debt is comprised of institutions, whose main field of activity is lending money, and among whom one can assume that they are well aware of the risks they undertake when providing credits and are able to implement these risks into their costs. Likewise, one can assume (and the practice of insolvency administrators proves this), that these companies have adequate instruments

with which to enforce their receivables. On the other hand, a marked component of debt (over a third) is formed by receivables of natural persons and entrepreneurs who are, by contrast, the category of creditors who could feel more markedly damaged by the establishment of personal bankruptcy.

Furthermore, the relative amount of reported and ascertained debt for the category of debtors according to Table 1 and the category of debtors according to Table 3 were also monitored. By a relative value, the total sum of ascertained debts was represented by the sum CZK 507,120,075.47. The result is given in Table 4.

For each debtor category, the table has been augmented by a column with the heading “A/R”, expressing the

proportion of ascertained and reported amount of debt or, more precisely, receivable.

The data contained in Table 4 are graphically represented in Figs 4–7.

An interesting datum is the comparison of the amount of denied and ascertained (i.e. court approved) owed sums. We see that there is a very small percentage of denied receivables, which therefore means that banks have their receivables well prepared, substantiated and corresponding to the real state; on the contrary, the percentage of denials increases where cessionaries are concerned.

One of the reasons for the low proportion of denied receivables could also be the fact that, until the end of 2009, persons without examinations could perform the activities

Table 4. Relative amount of reported and ascertained debt in % for the category of debtors and creditors (source: own analysis)

Creditor category	Debtor category											
	All			Bankruptcy from the beginning			Bankruptcy in debt relief			In debt relief or debt cleared		
	Reported	Ascertained	A/R	Reported	Ascertained	A/R	Reported	Ascertained	A/R	Reported	Ascertained	A/R
Bank	21.798	21.745	1.00	9.743	9.715	1.00	1.060	1.059	1.00	10.957	10.939	1.00
Non-bank loan provider	13.932	13.702	0.98	5.455	5.391	0.99	0.344	0.334	0.97	8.084	7.930	0.98
Public sector receivables	18.326	18.112	0.99	17.300	17.093	0.99	0.545	0.540	0.99	0.481	0.479	1.00
Services	0.946	0.941	0.99	0.542	0.538	0.99	0.044	0.044	1.00	0.359	0.358	1.00
Insurance companies	0.597	0.597	1.00	0.154	0.154	1.00	0.006	0.006	1.00	0.437	0.437	1.00
Cessionaries	9.276	8.930	0.96	7.792	7.525	0.97	0.251	0.251	1.00	1.218	1.141	0.94
Legal services	1.300	0.987	0.76	1.207	0.897	0.74	0.005	0.005	1.00	0.088	0.086	0.98
Leasing	2.429	2.007	0.83	1.944	1.533	0.79	0.212	0.200	0.95	0.273	0.273	1.00
Other natural persons	20.293	19.211	0.95	18.124	17.227	0.95	0.285	0.279	0.98	1.884	1.705	0.91
Other legal persons	14.587	13.768	0.94	13.007	12.188	0.94	0.130	0.130	1.00	1.446	1.446	1.00

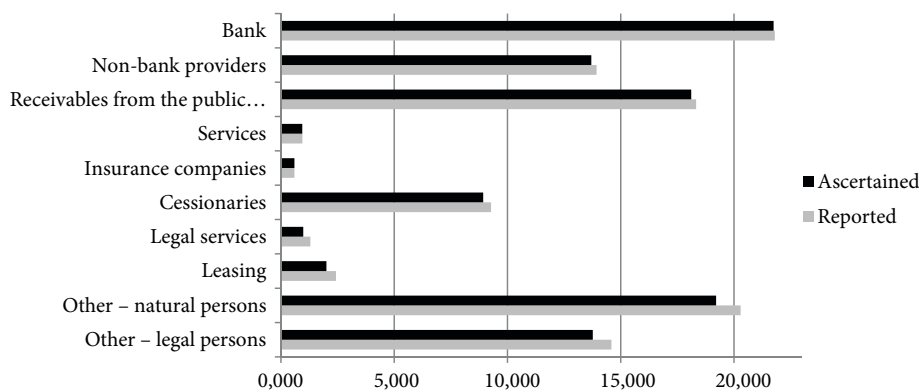


Fig. 4. Aggregate of relative amount of creditors' receivables in % in individual categories (source: own analysis)



of insolvency administrators. This state of affairs changed in 2010, as of which candidates for the position of insolvency administrators have had to sit an insolvency administrator's exam successfully and acquire a certificate of having so done. The prerequisite of the professional capability of the insolvency administrator increased thereby, including the usage of disclaimers on reported receivables showing flaws.

Table 4 and Figs 4–7 show that a large part of owed sums in debt reliefs settled by bankruptcy comprises of debts of the public sector, cessionaries and other natural and legal persons, whereas debts settled by an instalment calendar comprise especially of bank receivables, non-bank providers of consumer and loan credit loans and possibly also insurance companies.

The proportion of secured receivables to the total volume of receivables is 19.62%.

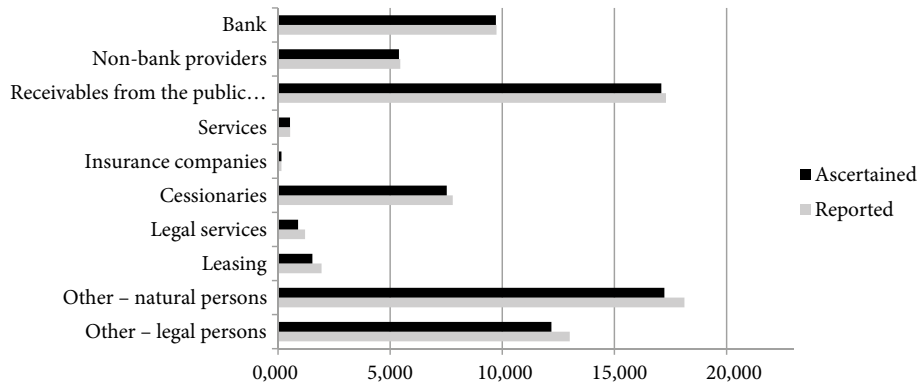


Fig. 5. Relative amount of creditors' receivables in % for debtors in bankruptcy from the beginning (source: own analysis)

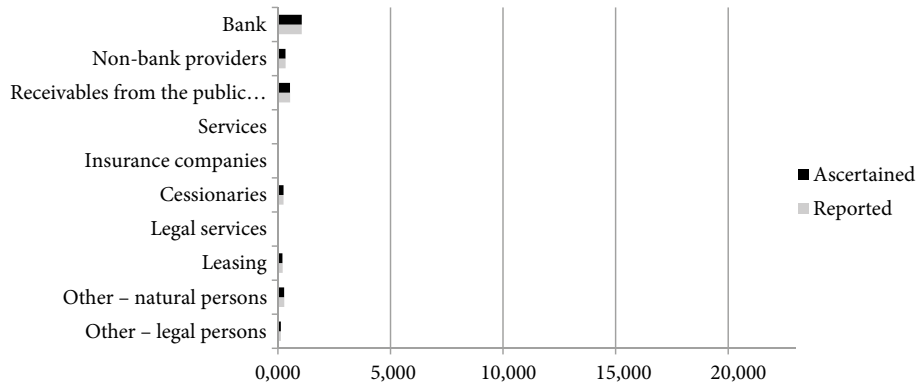


Fig. 6. Relative amount of creditors' receivables in % for debtors in bankruptcy from the beginning (source: own analysis)

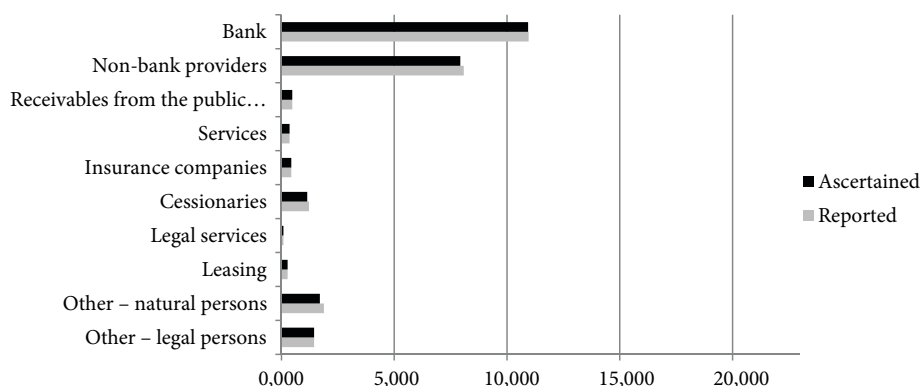


Fig. 7. Relative amount of creditors' receivables in % for debtors in debt relief and after its completion (source: own analysis)



#### 4. Discussion

From the survey and especially from the growing number of proposals for permitting debt relief, it is clear that indebtedness of natural persons is a theme with ever-growing significance. Debt relief has undergone several changes brought about by the amendment of the insolvency act effective as of 1. 1. 2014. Until this year, the institute of debt relief could not be used for the rehabilitation of debts from entrepreneurship, which complicated the possibility to utilize debt relief among, for instance, sole traders with unfinished business activities. This problematic has already required the ruling of the Supreme Court, according to whose interpretation the courts can, under certain circumstances, excuse this condition. As of this date, natural persons with a registered TIN can also request rehabilitation of their debts in the form of personal bankruptcy, and it will thus be interesting to compare how the portfolio of liabilities will change and whether this situation will influence the approach of creditors to the securing of their receivables.

In the future, it would be appropriate to expand the set of data fundamentally and subsequently use it for a comparison of individual creditors from the group of banks and non-bank subjects, or to compare the approach of bank and non-bank subjects with the public sector's attitude.

From the data gained, a model approximating the dependence of the relative rate of creditor satisfaction to the amount of debtor's debt was formed. This should be monitored further, and the possibility of its refinement on the basis of data gained presents itself.

It will also be interesting to evaluate the fulfilment of debt relief in the coming years in view of the fact that, on the basis of an insolvency administrator's practice with approx. 200 debt reliefs, we can assert that debtors have begun to explain the insolvency act thus – that they pay 30% and they have fulfilled their obligations, i.e. fulfilment is nearing 30% ever more frequently. Yet the fundamental rule for the course of debt relief is that the debtor is to cover 30–100% of its debt from all available incomes. Experience from practice likewise speaks of the growing usage of institutional donations, or contributions towards debt relief, which the donor promises to pay the debtor regularly throughout the debt relief period. Precisely by taking into consideration the promised donation, the court can permit debt relief even to a debtor whose incomes from employment do not enable 30% repayment to creditors for their non-secured receivables, or even permit debt relief to a debtor who is unemployed. It is a question as to whether the institute of donation does not ultimately damage the creditor, as it can reduce the utilization percentage of their receivables if the donor ceases to contribute to the debtor in the course of debt relief.

#### Conclusions

The aim of the investigation was primarily to ascertain the level of satisfaction of creditors by debtors in debt relief, overall and in dependence to the amount of ascertained debt and to the creditor category. In our survey, we have shown that the rate of creditor satisfaction drops with the amount of aggregate debtor receivables, while close to a third of debtors in the scope of the analysed sample owed a sum between CZK 200–500 thousand; in the scope of debt relief, the creditors of this debtor category gained satisfaction for 70% of their receivables and it will be interesting to monitor the development in further years. From this perspective, therefore, the institute of debt relief could provide a favourable instrument for settling the debts of a debtor which has the only this possibility to rid itself of its debts after fulfilling the conditions for debt relief.

With natural persons in bankruptcy, the high proportion of public sector receivables can be explained by debts from the debtor's business activity and thus by owed returns for health and social insurance, penalties, tax arrears and so on. The debtor may be a natural person, but at the same time, its debts have emerged from business activity and therefore it cannot settle them by debt relief at that time. As is, moreover, apparent from the portfolio of creditors, this direction would enable the maximization of possible satisfaction of receivables of the institutions of public sectors and natural persons (who could themselves be threatened by the risk of bankruptcy if they were unable to enforce back their receivable).

The presented survey is a primary self-contained survey in the area of fulfilling conditions for debt relief and stems from data from the very beginning of the establishment of the institution of debt relief, when there was not such broad awareness about it as at the present time. Likewise, not even insolvency administrators themselves had experience as to how to proceed, and the surveyed sample is from the period when insolvency administrators performed their duties even without professional examinations.

It is the authors' interest to continue with the begun research in the future and monitor development in the forthcoming years, when debt relief will have become a more intensive method of debt settlement. Just for comparison, we should like to state that 1,936 proposals for debt relief were filed in 2008 and 25,640 proposals in 2013.

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