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## **The European Union plans to help banks that are in trouble with non-performing loans given to the companies**

From 10 July to 20 October, the European Commission conducted a consultation with interest groups in order to reduce non-performing loans (NPLs) in the European Union. European supervisors generally consider a loan to be non-performing when more than 90 days have passed without the borrower paying the agreed instalments. As of the third quarter of 2016, NPLs of significant institutions in the euro area amounted to €921 billion.

European Commission Vice-President Valdis Dombrovskis has expressed his concerns regarding non-performing loans holding back the economic growth in many member states. According to Dombrovskis banks could use their resources more on evaluating new lending business if they were able to off-load legacy assets from their balance sheet better via secondary markets for credit, they could use their managerial capacity more on evaluating new lending business.

The Commission wanted to seek feedback from the consultation on the idea of improving the ability of creditors to claim secured loans for companies and businesses. In addition, the Commission is seeking interest groups' views on the EU new security right called "accelerated loan security" (ALS). ALS could be a new type of contractual security right over movable and immovable assets that could help transfer the ownership of the assets.

After acquiring the collateral, the bank could foreclose the collateral without cumbersome and time-consuming court proceedings. Considering the social aspects, ALS would not be applicable to households and consumers, if primary family residences were at stake.

It is too soon to draw substantive conclusions from the consultation, but it should nevertheless be borne in mind that the European Commission has set itself the mission to strengthen the national banks in order to avoid the negative consequences of the previous economic downturn in the future.