

## THE END OF THE INSOLVENCY MORATORIUM IN SPAIN

It is expected that there will be numerous bankruptcy proceedings this summer.

Last Thursday, June 30, 2022, the so-called 'bankruptcy moratorium' ended.

This measure was introduced by the Spanish Royal Decree-Law 8/2020, of 17 March, as a response to the solvency difficulties and suspended the obligation of the debtor who was in a situation of insolvency to request the declaration of insolvency until June 30, 2022.

While this measure has been in force, the debtor's duty to file for insolvency -within two months of the starting of insolvency situation- has remained suspended, and the processing of applications for insolvency filed by creditors has been forbidden.

This measure could be reasonable while most of the economic activity was paralyzed and the Courts and Tribunals closed because of the confinement, however the maintenance of that measure for a period longer than strictly necessary could imply that a lot of unviable companies were working in the market.

Insolvency proceeding is in theory, a procedure whose aim is to help companies in crisis to continue working so it requires that the right decisions to be taken at the right time and not let the situation get worse, so nowadays it has just become a legal mechanism for the liquidation of companies.

In short, we will find that this summer there will be no bankruptcy moratorium, nor will the new bankruptcy regulations be in force yet finding ourselves in a situation where companies in insolvency situation will have to ask for the bankruptcy proceedings in accordance with to current law.

In any case, we will have to wait until the second half of 2022 to see the effects of lifting this measure.

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