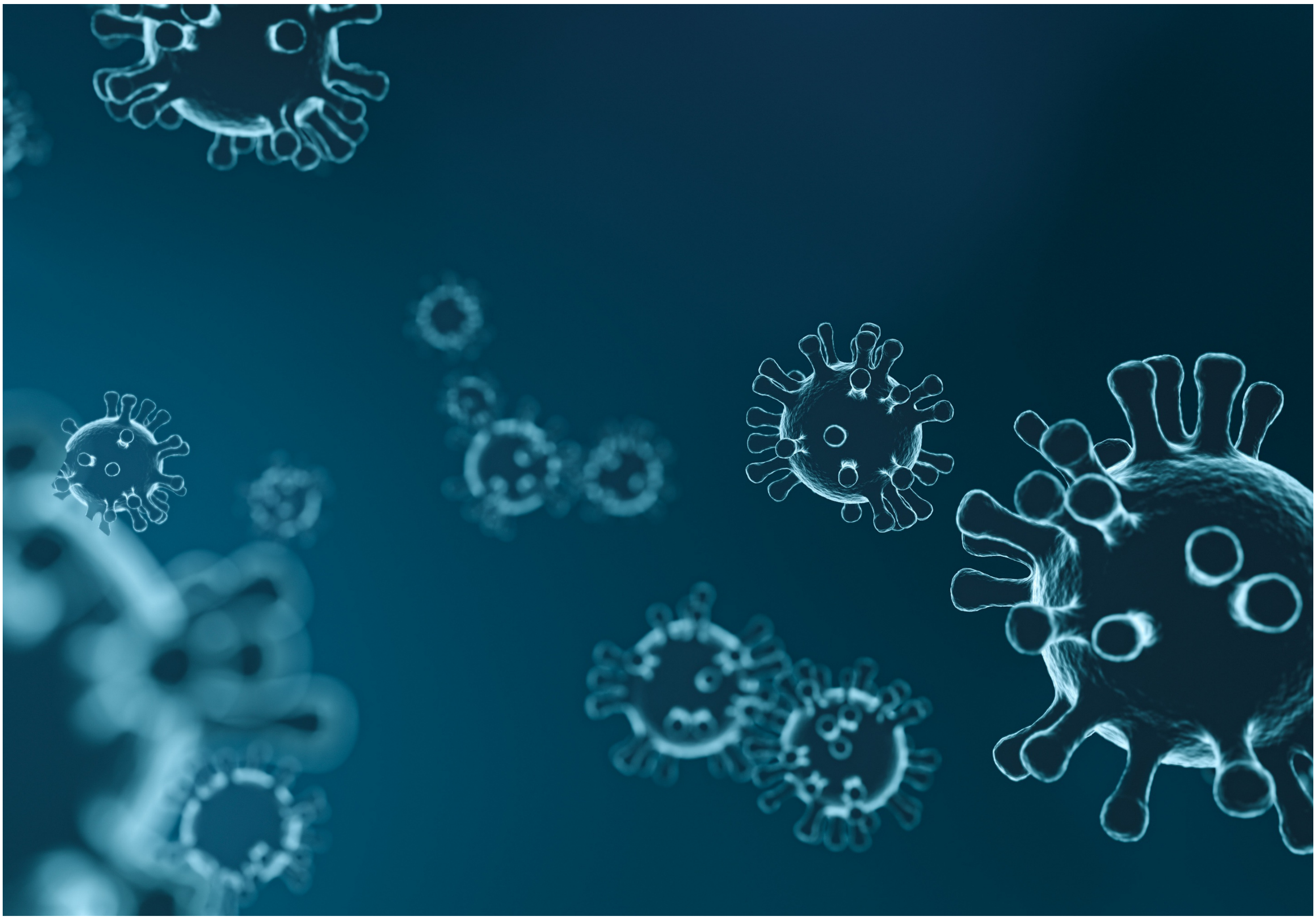
CRIF BUERGEL STUDY: NUMBER OF PRIVATE INSOLVENCIES IN GERMANY DOWN AGAIN IN 2020

Private insolvencies in Germany fell again in 2020 despite the Corona pandemic. There were a total of 56,324 private insolvencies last year, 35.1 percent fewer than in 2019, according to the key findings from the "Debt Barometer 2020" by information service provider CRIFBÜRGEL. Private insolvencies in 2020 fell for the tenth time in a row to the lowest level since 2004 (39,213 private insolvencies). Compared with the insolvency record year of 2010, when 139,110 private individuals had to file for insolvency within a year, private bankruptcies more than halved last year (down 59.5 percent).



There are three main reasons why private insolvencies in Germany fell so sharply during the Corona pandemic.

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For example, short-time work and also personal savings have partially mitigated the financial woes of German citizens. In addition, there was a marked reluctance to make purchases in 2020 and a curtailment of consumption among private individuals. Second, the availability of debt counseling services was severely limited, as reported by the debt counseling service in Schleswig-Holstein, among others, with the result that many over-indebted consumers decided not to seek counseling last year or deliberately postponed it. In the event of insolvency or overindebtedness, private individuals are not directly obliged to file for insolvency. The fact that the number of private insolvencies is so low is also due to the fact that many private individuals held back corresponding applications last year. They wanted to benefit from a legal reform that in future will allow those affected by private insolvencies to obtain residual debt discharge after just three years, instead of the previous six years. Since this reform is a major advantage for indebted private individuals, many petitioners have been waiting for the corresponding resolution of the Bundestag. The reduction of the residual debt discharge procedure to three years will also apply retroactively to all insolvency proceedings filed from October 1, 2020. This will also help those debtors who have fallen into insolvency as a result of the Covid 19 pandemic to make a fresh economic start.

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"The declining personal insolvencies should not be interpreted as a sign of relief, but as the beginning of a wave of insolvencies. The numbers obscure the real financial situation of many private individuals. The Corona crisis is an example of how an external event can exacerbate the situation of many people," comments CRIFBÜRGEL Managing Director Dr. Frank Schlein on the current figures.

"Without the Corona pandemic, there would have been up to 25,000 more private insolvency proceedings in Germany last year," Schlein said. "These will be added downstream to this year's insolvencies. Therefore, based on our model calculations, we are currently assuming up to 90,000 private insolvencies for 2021. The insolvency statistics refer to a situation in the past. Therefore, the economic consequences due to the Corona crisis will not have an impact on insolvency figures until 2021 and also 2022," Schlein explains. "In 2022, there could then be 100,000 private insolvencies in Germany."

The economic consequences of the Corona pandemic are not only existence-threatening for employees in the low-wage sector, but also clearly noticeable in the middle-income sector, e.g. through short-time work. In addition, higher unemployment will again lead to more private insolvencies, as the consumers affected will have less money at their disposal while costs remain high. This leaves people with less money to meet their obligations such as loan payments, rents or financing. In the long run, less income leads first to overindebtedness and then to personal insolvency.

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The northern German states are also more affected by private insolvencies in 2020 than the south of Germany. Bremen, for example, leads the statistics with 112 private insolvencies per 100,000 inhabitants. It is followed by Lower Saxony with 104 insolvency cases per 100,000 inhabitants. The national average last year was 68 private bankruptcies per 100,000 inhabitants. Also above this average are the states of Saxony-Anhalt (95), Schleswig-Holstein (87), Brandenburg (79), Saarland (78), North Rhine-Westphalia and Hamburg (74 each) and Mecklenburg-Western Pomerania (73). The fewest private insolvencies in 2020 were in Bavaria (44 cases per 100,000 inhabitants), Baden-Württemberg (50) and Thuringia (54).

In the statistics for absolute private insolvency figures, North Rhine-Westphalia (13,322), Lower Saxony (8,346) and Bavaria (5,769) lead the way.