

# No adverse effect of prevalence of Covid - 19 infection on insolvency field so far

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[Press release](#)



The Ministry of Justice, in co-operation with the Insolvency Control Service, has prepared a report concluding that the spread of Covid - 19 infection has not adversely affected the insolvency field so far and that no significant risks have been identified in the insolvency field since the beginning of the third emergency situation.

The Deputy Prime Minister and Minister of Justice J.Bordāns states: "The report on the impact of the spread of Covid - 19 infection on the insolvency field was designed to assess the impact of the spread of Covid - 19 on the basis of sound data, as well as to address potential negative risks. Analyzing the current situation, we can say that the spread of Covid - 19 infection has not negatively affected the insolvency field, at least at present, but at the same time, taking into account the declared state of emergency until 11 January 2022, it is necessary to actively follow the changes and repeat the analysis in December."

The Ministry of Justice, in co-operation with the State Revenue Service and the Ministry of Economics, as well as engaging the Bank of Latvia, where necessary, will continue to carefully assess the current situation, including in the context of declaring a state of emergency, annual report data and other current issues in the field of insolvency.

In general, the analysis of the insolvency situation in shadow of the spread of Covid - 19 infection and its mitigation, including the assessment of insolvency indicators since March 2020, and thus the insolvency data of previous emergencies, shows that the available state support mechanisms undoubtedly contribute to maintaining or renewing solvency, thus reducing the number of insolvent merchants. For example, during the pandemic, a benefit for employee downtime was introduced, another benefit that was also introduced were wage subsidies, as well as working capital grants that are available to entrepreneurs, and so on.

At the same time, it should be noted that the number of legal protection cases [1] and the number of legal entity insolvency cases [2] have decreased due to the support mechanisms available. However, discussions with organizations representing businesses and creditors show that the overall situation with regard to insolvency as a whole, at the onset of the third emergency situation, is relatively stable, and it is therefore too early to talk about renewing or extending previous or existing temporary regulations.

As in legal entity insolvency proceedings, the reduction in the number of natural person insolvency proceedings compared to pre-Covid-19 infection is significant. [3] This could be due to various support mechanisms, mainly those related to the suspension of certain activities, as well as the impossibility of submitting an insolvency application of a natural person in person.

The report is available on the website of the Ministry of Justice.

[1] The number of lawsuits filed during the first year of the spread of Covid-19 infection has decreased by 19.85% compared to the previous year, and the trend during the second year of the spread of Covid-19 infection, i.e., since March 2021, has remained stable.

[2] A year before the pandemic, a total of 566 insolvency proceedings were opened against legal entities. However, at the start of the pandemic, there were only 329 cases in its first 12 months. Since March 2021, the number of initiated cases has dropped even more significantly.

[3] While an average of 102 cases were initiated per month in the year before Covid-19 pandemic, the number fell to 82 in the first year, and has fallen further since March this year, to an average of 77 cases per month.

<https://www.tm.gov.lv/en/article/no-adverse-effect-prevalence-covid-19-infection-insolvency-field-so-far>