

Corona: Regulation on the suspension of the obligation to file for insolvency until 30 September 2020 for aggrieved companies in preparation

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For companies that have got into financial difficulties because of the corona epidemic, the Federal Ministry of Justice and Consumer Protection is preparing a legal regulation to suspend the obligation to file for insolvency.

Christine Lambrecht, Federal Minister of Justice and Consumer Protection, explains "We want to prevent companies from having to file for insolvency only because the aid decided by the Federal Government does not reach them in time. The regular three-week period of the Insolvency Code is too short for such cases. We are therefore flanking the aid package already adopted by the German government with a suspension of the obligation to file for insolvency until 30 September 2020 for the companies affected. With this step we are helping to cushion the consequences of the outbreak for the real economy."

Announcements by the German government include the provision of various instruments to support liquidity for companies that have run into payment difficulties due to the corona epidemic. However, the state aid is unlikely to reach the affected companies in time - within the three-week period for filing for insolvency - because delays caused by organizational and administrative factors are to be expected.

To ensure that there is sufficient time to process applications for public support or funding or restructuring negotiations, the duty to file for insolvency is to be suspended by means of a statutory regulation for a period up to 30 September 2020. The suspension requirement is to be met if the reason for insolvency is based on the effects of the corona epidemic and if there are reasonable prospects of restructuring following an application for public support or serious funding or restructuring negotiations. In addition, it is proposed that the BMJV be authorized to extend the suspension of the obligation to file for insolvency until 31 March 2021.

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