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Strengthening competences in financial
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Analysis of the Czech legislative environment

T2.3 Analysis of the Czech legislative environment (WP2)

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Project call: **SMP-CONS-2024-DA**



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List of abbreviations

Abbreviation	Meaning
IZ	Insolvency Act (Act No. 182/2006 Coll.)
OSŘ	Civil Procedure Code (Act No. 99/1963 Coll.)
EŘ	Enforcement Code (Act No. 120/2001 Coll.)
Government Regulation	Government Regulation
KMB	Contact point for housing
CEE	Central Register of Enforcement Proceedings
EKČR	Chamber of Enforcement Officers of the Czech Republic
IPŘP	Institute for the Prevention and Resolution of Over-Indebtedness
MS	Ministry of Justice
ČNB	Czech National Bank
MPSV	Ministry of Labour and Social Affairs
PAQ Research	PAQ Research Agency – DataPAQ platform



1. Introduction

This analysis provides a comprehensive overview of the current state of the Czech legislative environment in the area of over-indebtedness, insolvency proceedings and enforcement practices. It links the conditions set out in legislation with the objectives of the HELP project, which focuses on financial literacy and household stabilisation.

Between 2019 and 2025, the debt resolution system in the Czech Republic underwent a significant transformation. Amendments to key laws brought about fundamental changes that have a direct impact on the daily lives of citizens and the functioning of advisory services. After the first "debt relief" amendments, which, among other things, simplified the debt relief process, the cessation of futile enforcement proceedings began in earnest in 2023, and the methodology for wage deductions and the calculation of non-seizable amounts was repeatedly adjusted. The protection of basic income has been strengthened. On 1 October 2024, a comprehensive amendment came into force, introducing, among other things, a regime of increased deductions in the event of multiple enforcement proceedings. Another key development is the new affordable housing support framework, effective from 2026, which aims to strengthen the prevention of housing loss and contribute to the sustainability of debt repayment.

In practice, these changes mean a shorter and more targeted path to debt relief, stronger protection of basic income and an increased need for coordination between judicial authorities, the social sphere, employers and municipalities. Debt relief services form a complex ecosystem, with accessibility and quality being key factors. However, there are regional differences. Although there has been a significant shift, some systemic problems remain that need to be further addressed.

For these reasons, this report focuses on the practical implications of legislative changes and offers recommendations on how to use them to the benefit of clients and the system as a whole. The aim is to use data and findings to support effective debt resolution, increase the availability of professional assistance and contribute to the stabilisation of households in the Czech Republic.



2. Characteristics of debt resolution services

The services that help people with debts in Czechia form an interconnected and constantly evolving ecosystem of legal, social and community actors. Legal and insolvency advice plays a key role here, with lawyers, notaries, insolvency administrators and accredited persons preparing and submitting proposals for debt relief, communicating with the courts and supervising the fulfilment of debtors' obligations. In parallel, debt and social counselling is provided both on an outpatient and field basis. These services focus on stabilising household budgets, reviewing liabilities, negotiating with creditors and securing social benefits or housing support.

Citizens' advice centres and specialised non-governmental organisations play an important role in providing systematic case management, accompanying clients in proceedings and developing financial literacy. In recent years, there has been a growing emphasis on services to prevent loss of housing; after 2026, housing contact points (KMB) will be systematically integrated into the system to link social work with affordable rental housing tools.

However, the availability of these services varies significantly by region. In large cities, the range of legal aid is wider, but higher housing costs increase the pressure on the budgets of households in debt relief. In smaller municipalities, legal aid is often less accessible, which increases the importance of field teams and digital tools – from online consultations and deduction calculators to electronic filings.

Social services are financed by a combination of state, regional and municipal subsidies, which are usually supplemented by project funds. Legal services are governed by tariffs and rules for exemption from court fees or free legal aid. All services are based on quality standards, personal data protection and clear communication with clients.

From the clients' point of view, the most common immediate needs include rapid mapping of liabilities and enforcement, stabilisation of income and housing, and setting up protective mechanisms such as protected accounts and control of deductions. Support for digital literacy is also becoming increasingly important so that clients can safely work with banking, data boxes and justice portals.

Over-indebtedness has long been a significant social problem in the Czech Republic, with a direct impact on individuals, families and the wider community. The high number of people facing debt enforcement, the lack of financial literacy among part of the population and the complexity of the legal framework have led to the gradual development of a network of services focused on helping people resolve their debts. These services combine state-regulated professional activities (in particular accredited debt relief services) with the activities of the non-profit sector, civic counselling centres and lawyers.

The entire system is based on cooperation between various professions and institutions, which should work together to ensure that assistance is accessible, professional and effective.



2.1. Legal framework for debt counselling services

Debt resolution assistance services do not have a uniform, separate legal regulation in the Czech legal system. The rules and conditions for the provision of these services are scattered across multiple legal regulations and forms of activity. The key framework consists mainly of the following laws:

- **The Insolvency Act (Act No. 182/2006 Coll.)**, which defines the rules for debt relief and sets out the conditions for providing professional assistance to debtors when filing for insolvency in conjunction with an application for debt relief. Amendments to this Act have gradually expanded the possibilities for entering into debt relief, including the 2024 amendment, which simplified the process for seniors and persons of retirement age.
- **The Consumer Credit Act (Act No. 257/2016 Coll.)**, which strengthens consumer protection and sets out obligations for credit providers, has a direct impact on the prevention of over-indebtedness.

The Social Services Act (Act No. 108/2006 Coll.) establishes, among other things, professional social counselling, which is the main tool for helping people in difficult life situations and assists clients in resolving their financial situation in a broader social context. The provision of this service is governed by social service quality standards, which set rules for maintaining dignity, protecting rights and supporting the independence of users. At the same time, the Act defines the professional competence requirements for workers, who must meet the qualifications set out in Section 110 et seq. of the Act (e.g. higher vocational or university education in social work or social policy). These standards and qualification requirements ensure that professional social counselling is provided in a professional manner and in accordance with ethical principles, with an emphasis on the individual needs of the client.

An important element of the legislative environment is also the accreditation system of the Ministry of Justice, which, under the Insolvency Act (Act No. 182/2006 Coll.), grants authorisation to certain entities to provide services in drafting debt relief proposals. Accredited organisations thus act as a bridge between the debtor and the court and ensure that the proposals meet the legal requirements and are submitted in accordance with the law. In addition to these entities, lawyers who perform this activity in accordance with the Act on Advocacy (Act No. 85/1996 Coll.) are also authorised to provide legal assistance in drafting and submitting debt relief proposals. Lawyers thus form another important pillar of the legal aid system for debtors, as their activities are guaranteed by their professional competence, confidentiality and the ethical rules of the legal profession.

2.2 Typology of services provided

Debt resolution assistance services can be divided into several categories according to their nature and target group:

Note: Each of these services is regulated and subject to a number of conditions. This chapter provides information closely related to the topic at hand – debt counselling.



1. **Debt counselling within social services:** Counselling centres and other non-profit organisations provide information on the rights and obligations of debtors through their social workers and other experts, assist in communication with creditors and bailiffs, and support clients in drawing up a realistic budget or completing a preliminary proposal for debt relief. These services are free of charge by law and available to the general public, especially to people at risk of social exclusion as a result of debt or debt enforcement. The service itself must be accredited to file a proposal for debt relief (see below). Many social services therefore also have this accreditation. However, civic counselling centres do not replace the services of law firms and do not represent clients in court disputes. These services mainly include civic counselling centres belonging to the Association of Civic Counselling Centres network.
2. **Accredited entities for drafting debt relief proposals:** Since 2018, only accredited persons, i.e. solicitors, notaries, bailiffs, insolvency administrators and non-profit organisations or municipalities accredited by the Ministry of Justice, may draft proposals. These services are free of charge for the debtor and guarantee the professional and formal correctness of the submission. A list of accredited persons is available here: https://sako.justice.cz/?utm_source=chatgpt.com. An accredited person may not charge clients any fee for drafting a debt relief proposal. In addition to accredited non-profit organisations, lawyers, notaries, bailiffs and insolvency administrators may also draft debt relief proposals, but their services are usually subject to a fee.
3. **Commercial legal services and solicitors:** Solicitors often provide debt counselling as part of their practice. The advantage is comprehensive legal representation and the possibility of follow-up steps, while the disadvantage is the financial cost of the service, which may be unaffordable for over-indebted individuals.
4. **Debt programmes of non-profit organisations** A number of non-profit organisations implement projects financed from public sources or European funds that focus on the prevention of over-indebtedness, education and support for clients throughout the debt relief process. An important element is individual work with clients, including support in other areas, such as employment or housing.
5. **Some local authorities** (municipalities and regions) set up their own counselling centres or finance the services of non-governmental organisations. Municipalities can also provide social housing or emergency assistance in crisis situations. **Employment offices** also provide advice on non-insurance social benefits, material assistance benefits and housing allowances. As of 1 October 2025, some state benefits have been merged into a so-called super benefit, or state social assistance benefit, from both the state social support system and the material need system. Specifically, these include housing allowances, housing supplements, living allowances and child allowances. In practice, municipalities and regions, including employment offices, primarily help clients navigate the options for state support that can mitigate the effects of debt.



2.3. Quality standards and regulation

Debt assistance services in the Czech Republic are governed by several standards and rules designed to ensure their professional level, transparency and client protection:

- **Quality standards for social services** under the Social Services Act, which set requirements for the availability of services, the professional competence of staff and the protection of clients' rights. These standards emphasise the professional provision of services, with an emphasis on the individual needs of the client, respect for their rights and the protection of their dignity.
- **Accreditation conditions of the Ministry of Justice**, which assess the professional competence of the organisation and individual staff, the obligation of regular training and supervision of activities.
- **Codes of ethics** for individual professions (lawyers, insolvency administrators, social workers), which emphasise the protection of clients' rights, confidentiality, transparent conduct and the prevention of conflicts of interest.

An important aspect is the protection of consumers from the dishonest intentions of entities that offer paid services without the appropriate accreditation. The legislation therefore prohibits the unauthorised provision of draft proposals and allows for the sanctioning of violations of these rules. This ensures that clients have access only to qualified and safe assistance.



3. The debt resolution process and the role of stakeholders

3.1. The institution of debt relief and its conditions

Debt relief, or personal bankruptcy, is a possible solution to a debtor's insolvency in the event of bankruptcy. Bankruptcy is a situation where the debtor's liabilities exceed their financial resources and they are therefore unable to continue to meet their obligations. As a result of insolvency, all debts are consolidated and paid in a single monthly instalment (applies to debt relief).

3.1.1. Legal framework for debt relief

The primary tool regulated by Czech law for the long-term resolution of the insolvency of natural persons and natural persons engaged in business who have multiple liabilities that they are unable to meet is insolvency proceedings. The debtor's bankruptcy is usually resolved through so-called debt relief (with an emphasis on fulfilment in the form of a repayment schedule with the liquidation of assets).

The institution of debt relief was adopted into our legal system from abroad as a result of the requirement to implement a consensual European solution. It was introduced into Czech law by the adoption of Act No. 182/2006 Coll., on bankruptcy and methods of its resolution, as amended (hereinafter referred to as the "Insolvency Act"). The legal regulation of debt relief is contained primarily in Sections 390–418 of the Insolvency Act.

Since its implementation, the legislative regulation of the institution of debt relief has undergone relatively dynamic development (through several legislative amendments), with the aim of the legislative amendments being primarily to make this legal institution accessible to a wider range of natural persons, mainly through parametric adjustment of the expected duration of debt relief (the duration of debt relief was reduced from 5 years to 3) and by reducing or removing other barriers to entering insolvency, particularly in the area of the threshold for the expected minimum satisfaction of creditors (the lowest expected yield of 30% of registered claims was abolished).

The latest major changes to the debt relief institution were made through an amendment effective from October 2024. These changes mainly include the following:

- the debt relief period was shortened from 5 years to 3 years,
- the period for removing a debtor from the insolvency register has been shortened to 3 years (previously 5 years),
- it is only possible to re-enter debt relief 12 years after the successful completion of the previous insolvency proceedings (previously the period was 10 years),



- in the case of repeated debt relief, the duration of debt relief is now 5 years,
- the determination of the limit for the satisfaction of claims is at the discretion of the insolvency court, which sets it individually with regard to the debtor's income potential (it may be higher than the current flat limit of 30%),
- During the debt relief process, the debtor must make full use of their income potential and may not deliberately reduce their income, otherwise they face a penalty extension of the debt relief period by up to 12 months (in cases worthy of special consideration, this is an additional 6 months).
- the debtor submits an income statement to the insolvency administrator every 3 months,
- In some cases, debt relief may be suspended repeatedly for a total period of up to one year.
- Employers and credit providers are obliged to cooperate with the insolvency administrator.
- maintenance is paid before the debt relief is approved.

Debt relief, sometimes referred to as personal bankruptcy, is based on the principle of consolidating all of the debtor's liabilities into a single liability, which is paid in a single instalment. The advantage of debt relief is that the debts stop growing and no enforcement/judicial enforcement of the decision can be carried out on the debtor's property. Debt relief is intended for natural persons and self-employed natural persons.

3.1.2. Commencement of insolvency proceedings

Only the debtor can file a petition for debt relief, in which they also propose a specific method of debt relief. This petition must be part of the insolvency petition initiating insolvency proceedings. The debtor therefore files only one petition (for debt relief) on the prescribed form, which also contains a petition for the commencement of insolvency proceedings.

If the debtor has no legal or economic education, they must have the petition drafted and filed by a professional. Professionals are primarily persons providing qualified legal services (lawyers, notaries, bailiffs, insolvency administrators) or *accredited persons (from the non-profit sector), in which case the petition is free of charge ex lege (by law).*

After the petition has been filed and delivered to the court, insolvency proceedings are commenced by a notice published in the insolvency register within two hours (or, if the petition is filed outside office hours, within two hours of the start of office hours on the next working day). The entire course of the proceedings can be monitored in the insolvency register, where the court publishes all documents, including any notices to creditors to join the proceedings, within the statutory limitation period, which is two months in the case of debt relief. After the expiry of the limitation period, the creditor's claim is no longer taken into account. This means that if the insolvency proceedings are successfully completed, the creditor can no longer claim the debt from the debtor.



(the debt becomes unenforceable). The opposite situation is unsuccessful insolvency proceedings – in such a case, the debt can be enforced again. However, the legislator has provided for exceptions to which the extinction of the creditor's claim does not apply. These are:

- child or spousal support,
- compensation for damage caused by an intentional criminal offence,
- monetary penalties imposed in criminal proceedings,
- liabilities incurred after the commencement of insolvency proceedings.

When filing a proposal for debt relief, it is necessary to provide the mandatory information listed below, on the basis of which the court will decide whether the proposal for debt relief is feasible and in accordance with the law.

The mandatory information in the debt relief proposal is as follows:

- identification of the debtor (name and surname, date and place of birth, personal identification number + permanent address, and contact address, if applicable)
- identification of the person authorised to act on behalf of the debtor (same information as for the debtor),
- a description of the decisive facts proving that the debtor is insolvent (stating the reason for the origin of individual liabilities, changes in the financial situation and proof of the debtor's income and expenses),
- justification of the amounts that unsecured creditors will receive during the debt relief process (i.e. information on the debtor's salary/other income and the expected satisfaction of unsecured creditors),
- information on the debtor's expected income over the next 12 months,
- information on the debtor's income for the last 12 months,
- the proposed method of debt relief (fulfilment of the repayment schedule with liquidation of assets / liquidation of assets),
- number of dependents (spouse and children),
- a reasoned proposal if the debtor requests a monthly repayment amount other than the statutory amount,
- a list of all the debtor's assets (secured and unsecured),
- affidavit that the debtor was informed of their obligations in the insolvency proceedings when the proposal was drawn up.

3.1.3. Conditions for the authorisation of insolvency proceedings and their course

In addition to filing a proposal due to the debtor's financial insolvency, several conditions must be met for debt relief to be granted. The feasibility of fulfilment should be possible to deduce from the information provided in the proposal:



- 1) honest intention,
- 2) the debtor's ability to pay the monthly remuneration and cash expenses of the insolvency administrator (CZK 1,089 if the debtor is a VAT payer) and at least the same amount to other creditors; i.e. a total of at least CZK 2,178 per month,
- 3) the assumption of a responsible approach to fulfilling the obligations arising from the debt relief.

The court will not grant debt relief if:

- in the last 12 years prior to the filing of the petition, it granted the debtor exemption from the payment of claims included in the debt relief, or
- the court has rejected the debtor's application for debt relief in the last 5 years prior to the filing of the application because it was pursuing a dishonest intention.

If the court approves the debt relief, it will publish the debt relief approval in the insolvency register and on the court's official notice board.

A fundamental change in favour of debtors is the waiver of the condition that the debtor must pay at least 30% of all their claims during the insolvency proceedings. A so-called 1 + 1 system is being introduced, meaning that the debtor must only prove their ability to pay both the remuneration and cash expenses of the insolvency administrator and the same amount to the creditor. The debtor must therefore be able to pay creditors at least the amount of the insolvency administrator's remuneration and out-of-pocket expenses throughout the entire debt relief period.

If a person duly fulfils the conditions for debt relief for a specified period (three years under the amended Insolvency Act), they are exempt from paying any outstanding claims at the end of that period (unlike in bankruptcy). This means that creditors, whether registered or not, are not entitled to payment of the remaining or total amount of their claims. Their claims thus become permanently unenforceable, and no other forms of enforcement, such as enforcement proceedings or judicial enforcement of decisions, can be applied against the debtor.

Debt relief (in the form of a repayment schedule with liquidation of assets) will therefore be successfully completed in a situation where:

- a) the debtor has repaid their unsecured creditors in full, or
- b) for a period of 3 years from the approval of the debt relief, the debtor's debt relief has not been revoked and the debtor has fulfilled all essential obligations arising from the debt relief during this period. Specifically, through proper payment of the repayment schedule with liquidation of assets. The debtor is deemed to have fulfilled the obligations referred to in the previous sentences if they have achieved the expected level of satisfaction of unsecured creditors' claims determined by the insolvency court in its decision approving the discharge.



Another condition for the debtor's exemption from paying the claims included in the debt relief to the extent that they have not yet been satisfied is that the insolvency court has received a report from the insolvency administrator on the fulfilment of the distribution resolution and the debtor has duly fulfilled all the essential obligations set out in the decision approving the debt relief, or has not received a report from the insolvency administrator on the fulfilment of the distribution resolution and a period of 3 years has elapsed since the approval of the debt relief, provided that the debtor has fulfilled all the essential obligations set out in the decision approving the debt relief during that period and the debtor's debt relief has not been revoked during that period.

In the context of repeated debt relief processes, which are not very desirable from a social perspective due to frequent abuse of this institution, the period during which the conditions of approved debt relief must be fulfilled in the form of a repayment schedule is five years instead of three. In practice, a problem sometimes arises when the debtor does not have the funds to cover even the minimum mandatory expenses during the debt relief process, even though they should be available to them as part of the debt relief process. If this is not the result of the debtor's unwillingness, but of unforeseeable circumstances that the debtor could not have anticipated in advance, the debtor may request an extension or interruption of the debt relief, even repeatedly, normally for a total period of 12 months (exceptionally 18 months).

3.2. Individuals and their roles in insolvency proceedings

A certain group of persons participates in the debt relief process (primarily in the form of fulfilling a repayment schedule with the liquidation of assets), and the role of these persons is irreplaceable for the proceedings themselves and their course. These are:

- a) the debtor,
- b) the insolvency administrator,
- c) the insolvency court,
- d) the person through whom the insolvency petition is filed (accredited person, solicitor, etc.),
- e) other persons (social services, creditors, co-debtors, etc.).

3.2.1. Debtor

The key person in the debt relief process is primarily the debtor himself, because without his active cooperation and effort, combined with the need to resolve the bankruptcy on his part, specifically by fulfilling the conditions for debt relief, the proceedings cannot be carried out at all.

In general, the legislator's efforts to make insolvency proceedings (in the form of debt relief through a repayment schedule with the liquidation of assets) accessible to as many individuals as possible can be seen. However, this is only on condition of their active cooperation and efforts to fulfil the legal conditions.

The basic conditions that the debtor must meet and whose fulfilment is monitored are:



- the performance of reasonable gainful activity according to the debtor's abilities and possibilities,
- not concealing income from gainful activity, i.e. honesty,
- surrendering assets acquired through inheritance and gifts to the insolvency administrator, with the expectation that they will be used for extraordinary repayments beyond the scope of the repayment schedule – the same applies to other extraordinary income,
- proper and prompt notification of any change of residence of the debtor to the court and the insolvency administrator,
- submitting to the court an overview of income for the previous month after every three calendar months, unless the insolvency court specifies a different interval for proving income not exceeding 12 calendar months; the court may also stipulate that the debtor shall submit the income statement to the administrator, who shall attach it to the next report on the status of the insolvency proceedings and comment on its content,
- not granting special advantages to any creditor at the expense of another creditor,
- not to assume new obligations that the debtor would be unable to fulfil when they fall due,
- making every effort that can reasonably be expected of the debtor to fully satisfy the creditors' claims.

If the debtor fails to fulfil their obligations properly, or if circumstances come to light on the basis of which it can be assumed that the debt relief was sought with dishonest intent, the court may revoke the approved debt relief and decide to resolve the bankruptcy through liquidation! In that case, all of the debtor's assets would be sold, and the unpaid debts would not be extinguished (unlike in the case of debt relief), i.e. it would be possible to continue to enforce them, for example through execution.

As can be seen from the debtor's obligations listed above, the debtor's main obligation is to direct all their activities and efforts towards the maximum satisfaction of claims and, at the same time, to lead a reasonably socially responsible life. It should be noted that the legislator's efforts to create circumstances that lead the debtor to utilise their economic potential are the right way forward.

3.2.2. Insolvency court

The insolvency court plays a key role in the debt relief process. It decides on fundamental issues in the debt relief proceedings, from the very beginning of the proceedings, through supervision of the process, to the granting of debt relief. [The regional court](#) in whose district the debtor resides has jurisdiction over insolvency proceedings and debt relief. This is the place where the debtor actually resides, not necessarily their permanent residence. Permanent residence is only subsidiary to the debtor's actual place of residence in terms of the local jurisdiction of the court deciding on debt relief.



The main task of the insolvency court is to decide on the approval of debt relief. The court assesses the debt relief proposal and its annexes and then decides whether the legal conditions for its approval are met. The insolvency court also approves the method of debt relief, whether it is the fulfilment of a repayment schedule with the liquidation of assets or only the liquidation of assets.

Following the decision to grant debt relief, the court appoints an insolvency administrator, who is then responsible for administering the estate and properly supervising the debtor's fulfilment of their obligations. The court decides on the possible cancellation of debt relief if the debtor breaches their obligations or if their dishonest intent is proven. The court may also decide to suspend or extend the debt relief process in justified cases and for important reasons.

It is desirable that the insolvency administrator be more motivated to verify that the debtor is paying as much as they can during the debt relief process, i.e. that they are not concealing any income or making unnecessary expenditures. If it is found that the debtor is not acting honestly, the debt relief should be stopped. When this condition is met and the insolvency administrator finds no major problem, there is no reason to burden the court with a formal assessment of whether the debtor can be relieved of their debts even though they have not reached the 30% repayment threshold.

The insolvency court also supervises the legality of the proceedings. It checks whether the debtor is fulfilling their obligations, such as concealing income or negligent conduct, and deals with situations where debt relief could be revoked. It also assesses, approves and, if necessary, rejects debt relief on the basis of a report received from the insolvency administrator.

3.2.3. Insolvency administrator

The insolvency administrator is a person who accompanies the debtor throughout the entire debt relief process. They draw up a list of the debtor's assets, review claims, satisfy creditors and perform other activities related to debt relief.

[The Insolvency Act](#) requires that in order to perform the function of insolvency administrator, a person must have a master's degree in law or economics, three years of experience in the field (legal, accounting, tax or economics), a clean criminal record, legal capacity and have passed relatively demanding administrator exams. The list of administrators includes persons who have met the legal conditions set out in the previous sentence and have submitted an application for entry in the list of insolvency administrators. [The list of insolvency administrators](#) is part of the insolvency register.

An insolvency administrator is not a representative of the debtor or creditors – they are not a lawyer!

Recent legislative changes have placed greater emphasis on new obligations for insolvency administrators. One of the most important of these is the obligation to monitor and assess whether the debtor is making every effort to satisfy their creditors. The insolvency administrator will therefore have to exercise greater



control over the debtor to ensure that they are performing work that is commensurate with their potential. Alternatively, that the debtor does not give unreasonable notice at work without securing new employment in a timely and proper manner.

However, experience shows that this obligation (including the obligation to lead a proper life) is supervised sporadically or rather very mildly in practice. We personally believe that it would be appropriate to regulate in more detail (probably at the methodological level) what type of behaviour should be required (including monitoring possible offences, mainly in the field of civil coexistence, etc.).

The main duties of an insolvency administrator include, in particular:

- Administration of the estate and realisation of the debtor's assets: The insolvency administrator compiles and maintains a list of all the debtor's assets. The debtor must provide the administrator with all necessary cooperation and allow him access to his assets. The insolvency administrator also realises the debtor's assets for the purpose and in the manner of satisfying the creditors to the greatest extent possible.
- Reviewing and verifying registered creditor claims and deciding whether to accept or reject them.
- Distribution of monthly payments from the debtor's repayment schedule among creditors and keeping them informed of the status of the debt relief.
- Submitting regular reports to the insolvency court (creditors' committee) on the progress of the debt relief, including its opinion – assessment of the fulfilment of the conditions for debt relief, including the repayment schedule, and recommendations on how to proceed.
- Together with the insolvency court and creditors, supervising the debtor's behaviour and activities within the framework of debt relief. The insolvency administrator subordinates his activities to the common interest of the creditors and ensures that their satisfaction is as quick, proportionate, economical and as high as possible.
- Proposing and recommending a method of resolving the debtor's bankruptcy.
- The right (and obligation) to prepare a report for discharge. Based on an assessment of the debtor's fulfilment of the conditions, the administrator submits a report stating whether they recommend discharge from debts or whether the debt relief should be cancelled or extended.
- In the final report or report on his activities, he shall account for his remuneration and reimbursement of out-of-pocket expenses.
- Conducting, as part of their investigative activities, their own investigation into whether the debtor's estate includes other items, rights, claims and assets than those listed by the debtor in their list of assets.
- With the consent of the insolvency court, conducting inspections of the debtor's apartment, registered office or place of business.



3.2.4. Accredited persons (non-profit sector)

The non-profit sector plays an irreplaceable role in insolvency proceedings and in addressing the issue of over-indebtedness in general.

The Insolvency Act sets out the conditions for qualified persons who may file a petition for debt relief.

The debtor may file an insolvency petition together with a petition for debt relief on their own only if they have a university degree in law or economics, or if they have passed the insolvency administrator exam.

In other cases, it is necessary to use the services of a solicitor, notary, insolvency administrator, bailiff or accredited person. These accredited persons are most often various legal entities from the non-profit civil sector, which, in addition (which is very beneficial and desirable), often combine assistance in drafting this petition with social counselling. Their role in this area is irreplaceable, both in view of the generally greater trust that socially disadvantaged persons have in this sector than in the state, and in view of their actual availability. More information on the activities of accredited persons (counselling centres) can be found in Chapter 2 of this document.

As part of the debt relief process, the court may, at the request of the insolvency administrator, impose an obligation on the debtor to undergo up to 100 hours of professional social counselling. Although this option exists in theory, it is unfortunately not widely used in practice.



4. Experience of civic counselling centres with debt relief

Citizens' advice centres play a key role in the debt relief process and in resolving debt issues. Their experience shows that the main obstacle to effective debt resolution is often a lack of information and time at the beginning of the cooperation.

Lack of information and time at the beginning of cooperation: Clients often do not have a complete overview of their liabilities, lose contracts and have no access to their e-mails or data boxes. Added to this is the fear of losing their homes and limited bargaining power with landlords. Errors in the calculation of deductions by employers and late establishment of a protected account are also common, which unnecessarily exacerbates financial distress. In addition, many clients have accumulated health and care responsibilities, which make it difficult to maintain a stable income and comply with debt relief obligations.

Best practices: Experience shows that there are best practices that work across regions. Setting up a protected account and auditing deductions early on are among the most effective immediate interventions. The role of the advisor is important, as they work with the client to draw up a realistic plan covering debts, benefits, work and housing, and continuously monitor the implementation of the steps. Standardised checklists and templates, for example for consents, letters to creditors and an overview of the mandatory attachments to the debt relief proposal, reduce the time needed for submission and improve the quality of proposals. Cooperation with municipalities and employers is of great importance in order to prevent loss of housing, quickly resolve errors in deductions and ensure legal income.

Increase in the number of clients: In 2025, some advice centres saw a significant increase in the number of clients dealing with debt issues, mainly due to changes in the conditions for entering insolvency proceedings, which is also linked to increased interest in providing basic information on the debt relief process and the current form of the Insolvency Act, including its amendment. Assistance with completing questionnaires and responding to requests from insolvency administrators continues, especially in cases where clients are unable to formulate answers correctly and comprehensibly on their own. Other topics addressed included questions about providing information on filing claims in insolvency proceedings, specifically in the event of an employer's bankruptcy, drafting payment orders in connection with outstanding claims, and mapping and stabilising the financial budget of clients undergoing debt relief.

Problems with the availability of information: Both debtors and creditors come to the counselling centres to seek advice on how to enforce their claims, as they too face subsequent financial problems. Currently, there has been an increase in the number of clients applying for debt relief. These are mainly clients who have learned that the Insolvency Act has been amended and the duration of debt relief has been reduced to three years. These clients request information on the debt relief process and the current form of the Insolvency Act, including its



amendment, an indicative calculation, the submission of a debt relief proposal, or contact details for an accredited person if the counselling centre does not have accreditation. However, the counselling centres also work with many clients who are already in debt relief and are unable to communicate fully with the insolvency administrator or need certain things explained to them.

For indebted clients, it is also necessary to work with their income and expenses, trying to maximise their income to make it easier to manage their costs. It is often found that clients do not take advantage of the possibility of increasing their income by claiming social benefits (housing allowance) or tax credits, e.g. for a dependent child, which then also affects the debtor's non-seizable amount in enforcement and when determining the repayment for debt relief, when the insolvency administrator works with the family's minimum subsistence level.

Advice centres see it as problematic that debtors are unable to find out about their debts in one place. The situation has improved, for example, in the area of traffic fines, which are collected by the Customs Office after a certain period of time. However, other debts are difficult for debtors to find out about. In the opinion of the counselling centres, this situation discourages debtors from resolving their situation, as they cannot be sure that a debt from the past will not "pop up" on them.

Repeated enforcement after debt relief: On the issue of debt relief and repeated enforcement, the counselling centres report that although the practice of bailiffs in dealing with debtors after debt relief should already be well known, the counselling centres are still approached by clients who have had their income garnished or their accounts frozen again, even though they have successfully undergone debt relief and this enforcement should have been registered in the insolvency proceedings. Some bailiffs try again, exposing clients to further stress and jeopardising their households. The debtors must defend themselves again and find the strength to deal with the new situation. However, enforcement authorities could easily verify whether debtors have successfully undergone insolvency proceedings and whether debt relief has been granted, and therefore whether further enforcement of this unregistered claim is contrary to the Insolvency Act. Unfortunately, the advice centre in Brno reports that there are more and more similar cases, which is very stressful for debtors. After going through debt relief and finally "breathing a sigh of relief" after several years, the situation repeats itself and enforcement proceedings are initiated again, forcing clients to defend themselves. Not everyone is able to quickly grasp the situation and take the appropriate steps, i.e. file a motion to stay enforcement proceedings.

Pressure from bailiffs on relatives: Advice centres also point out the occasional pressure from bailiffs. For example, one of the counselling centres was visited by a client who was a relative of a person subject to enforcement proceedings and who, under pressure from the bailiff, paid several tens of thousands for his relative because he was afraid that his property would also be seized. The counsellors subsequently spoke to the bailiff and were told that the client had voluntarily paid for the debtor because he wanted to help him.

Debts in marriage: In the area of debt, the counselling centre repeatedly encounters situations where the spouse responsible for debts in the marriage does not receive sufficient information about their spouse's debts and creditors.



So even though, according to Section 732 of the Civil Code, they have the right to defend themselves against debts they did not know about, in practice it is very difficult to exercise this right. In addition, the deadline by which this must be done without delay is also highly controversial, but people learn about their right to object to their spouse's debts at the counselling centre perhaps a week or more after discovering the debts. Counsellors also believe that if spouses divorce and determine in the property settlement which of them will pay which debt, this should carry more weight with creditors. It happens that even after divorce, one spouse pays the debts incurred by the other spouse during the marriage, and the subsequent recovery of debts paid through a lawsuit for unjust enrichment is lengthy and traumatic for the former spouse in the role of the plaintiff. Moreover, such a spouse has no certainty that they will actually get the money in the end, as a valid judgment does not necessarily mean that it will be enforced.

Remuneration of the insolvency administrator: The advisory centre cites the area of remuneration of the insolvency administrator for the review of claims by the debtor as a fundamental problem. According to the Insolvency Act, the debtor in debt relief proceedings is obliged to pay the insolvency administrator a fee for reviewing the registered claims. This fee is payable to the administrator for each individual application and is paid by the debtor from funds that are not intended to satisfy creditors, i.e. from their non-seizable amount.

In practice, there are situations where the debtor has no real possibility of paying the administrator's fee because, after filing for debt relief, wage garnishments are still being made. These garnishments are deposited by the employer, meaning they are not credited to either the administrator or the debtor. The debtor is therefore unable to dispose of the deposited funds in any way, even though they are now obliged to pay the administrator a fee for reviewing the claims.

The client who contacted the counselling centre is facing 19 registered claims. The insolvency administrator's fee for reviewing them is CZK 22,990 (CZK 1,210 for each application, including VAT). The employer makes deductions from the client's wages on the basis of the ongoing enforcement and deposits them. This leaves the client with only CZK 16,500 from her salary. From this amount, she has to pay rent of CZK 11,200 and other basic living expenses. She therefore has no funds left to pay the fee for the review, even though the law assumes that this fee will be paid immediately after the review proceedings are completed.

The systemic problem is that the law does not take into account the debtor's real life situation in the period between the filing of the debt relief petition and the decision on its approval. The debtor does not have access to their money because it is blocked by a deposit in the ongoing enforcement proceedings. At the same time, however, the law does not allow the administrator's remuneration to be paid in any other way, e.g. from funds that would otherwise go to satisfy creditors. The debtor is thus trapped in a situation where they have a legal obligation but no real means of fulfilling it.

A possible consequence may be a threat to the debtor's ability to continue with debt relief. Failure to pay the review fee may lead to doubts about the debtor's honest intentions, disadvantaging debtors with a larger number of creditors – a higher number of applications means a significantly higher fee for the



administrator and, of course, a social impact – jeopardising housing and basic needs due to an obligation that cannot be legally fulfilled.

The proposed solution is a change in legislation that would allow the administrator's fee to be paid from deposited funds, or later payment of the review fee, e.g. after the debt relief has been approved and the repayment regime has begun. Another proposal is a methodological recommendation from the Ministry of Justice or the Judges' Union to resolve these situations in practice and for courts to take the problem into account when assessing the debtor's ability to fulfil their obligations under the debt relief scheme.

Specific situations: One of the advisory centres also states that it has dealt with cases of clients whose cars were seized by enforcement or whose new owners did not re-register them, resulting in a debt to the Czech Insurers' Bureau, which subsequently ended up in enforcement.

If a client is interested in entering into debt relief, advisors as drafters encounter the problem of proving the maturity of liabilities and thus proving insolvency in order to file a petition for debt relief. In order to prove insolvency, regional courts often require documents proving that the debtor is insolvent within the meaning of Section 3 of the Insolvency Act.

One of the advisory centres has noted in recent months that creditors deliberately do not state the due date of the debt and the period of default when communicating with the debtor, for example when sending reminders to pay the debt by email or SMS, which significantly complicates the process of proving the aforementioned insolvency and drafting the petition. This causes complications primarily for debtors to whom the creditor is sending reminders but does not yet have an enforceable decision – a court judgement – and enforcement proceedings have not been initiated. The problem of proving insolvency also arises with clients who are in a state of over-indebtedness in a debt spiral and at some point find that no one will lend them money to cover an older loan with a new loan and they (or their relatives) fear a visit from a bailiff and therefore want to file for debt relief as soon as possible.

Advisers still encounter reminders from creditors whose text evokes the arrival of a bailiff and threatens foreclosure. For these debtors, advisers look for the loan maturity date and how long the debtor has been in default in contracts, reminders and terms and conditions. However, creditors deliberately do not provide information about the length of the delay. Often, the original maturity date of the debt is postponed because clients, fearing debt enforcement, have paid a certain amount and the maturity date has been extended. In order for the debtor to obtain more detailed information on the status of the obligation and its maturity, they are referred to the internal client portal or the internal section of the loan provider. With some creditors, even looking at the "client portal" does not help, as only the amount owed is stated there. If the debtor wants to obtain more detailed information, according to the terms of the loan agreement, they must submit a written request to the provider by registered letter, which is a lengthy process and represents another obstacle for the debtor. Until then, all communication with the debtor, including the provision of the loan, had been conducted smoothly by email. From the above, the advisors conclude that creditors are thus preventing the debtor from entering into insolvency. Given the



vague definition of so-called imminent bankruptcy in the Insolvency Act and the inconsistency in the approach of some courts and court offices of a single court, it is safer to prove bankruptcy in order to ensure that the court will grant debt relief.

This year has seen an increase in the number of clients seeking to invalidate loan agreements with non-bank companies. Most non-bank companies assess applicants' creditworthiness in a very negligent manner, approaching the granting of loans with a completely cavalier attitude. Bank statements show that debtors already have other obligations, their incomes are very low, or it is apparent that the debtor has a gambling problem. Despite these findings, they still grant loans to debtors. From the cases dealt with, the counselling centre concluded that there has been an increase in the number of non-bank companies that were not operating in the Czech Republic three years ago. These companies provide loans at usurious interest rates, commonly at 40% per month, which is 480% per annum. In connection with these non-bank companies, advisors are encountering a higher number of debtors who are pathological gamblers who have moved their activities online. This is perceived by the advisory centres as a growing phenomenon.

Related to the above is the possibility of taking out several loans from these non-bank consumer credit providers in the range of thousands to tens of thousands of crowns with a maturity of up to 30 days, which the client is not realistically able to repay. The vast majority of clients have one-off loans with monthly repayments from non-bank companies. It is not uncommon for them to have more than 10 loans and not know how much they owe and to whom. If clients send a certain amount as a repayment, the creditor uses it as a fee for extending the maturity, which does not solve the debt problem, but only postpones it and complicates the entry into debt relief.

Recently, some counselling centres have noticed a tendency for clients to enter into debt relief when their debt situation is unstable, but after reviewing their household income and expenses, the situation can be managed without the need for debt relief. Counsellors believe that the current form of the Insolvency Act misleads clients into believing that insolvency is a simple and best solution. To illustrate this, we present the case of a client who contacted a civic counselling centre saying that she would like to enter into debt relief because she is unable to repay her debts and lives alone. The client's current life situation was mapped out. The client stated that she was repaying a bank loan of CZK 6,500 and had incurred a debt with ČEZ for energy, with repayments set at CZK 7,311 until February 2026. The client pays CZK 6,500 for rent and utilities and also receives a housing allowance of CZK 6,500. The client was concerned that she would not be able to repay her debts and was considering debt relief. The advisor provided the client with information on insolvency proceedings and added that she was not currently in arrears with her payments and that, after calculating her monthly budget, she would be able to meet her monthly commitments and rent. The client was advised to find additional income to pay off her energy debt and, if necessary, to try to apply for emergency immediate assistance through the Labour Office. It is better for the client to try to manage the situation at this point, as she can stabilise her situation within a few months.



In the case of debt enforcement, advisors repeatedly encounter situations where a car is sold by a seller who is subject to debt enforcement. After the sale of the vehicle, its transfer in the register and the payment of compulsory insurance, the buyer received a letter from the bailiff declaring the purchase contract invalid and calling on them to deliver the car to the bailiff's office by a specified time. It is only at this point that the buyer learns that the seller did not have the right to dispose of his property because it is under execution. He tries to have the item removed from the list of the bailiff and the court. He turns to the Police of the Czech Republic, the Czech Insurers' Bureau and other institutions. Often without success. The buyer must hand over the vehicle to the bailiff and recover the money they paid for the vehicle from the seller through the courts. Since the seller has multiple enforcement proceedings against them, the buyer's claim will be ranked behind those of other creditors. In this area, advisors would emphasise that when purchasing movable property exceeding a certain amount and listed in state registers, the seller should be obliged to submit an extract from the Central Register of Enforcement Proceedings.

4.1 Case studies from practice (anonymised)

Case study example No. 1: insolvency proceedings, deletion from the insolvency register

A client came to the counselling centre requesting assistance in filing an application for her removal from the insolvency register. In the past (in February 2010), insolvency proceedings were conducted against her at the Regional Court in Ostrava. These proceedings were finally concluded in November 2010 and the client was released by the court from paying the debts included in the debt relief, including those that were not taken into account in the proceedings or that were not registered. The client requested the drafting of a personalised application for removal from the insolvency register.

The Citizens' Advice Bureau helped the client prepare the text of the application addressed to the competent court. The application is based on the provisions of the Insolvency Act and is supported by a final decision on the termination of proceedings and the discharge of the debtor. The client attached the relevant court decision of 25 November 2010 to the application. The advice centre therefore drafted an application for removal from the insolvency register for the client, supported by the final decision. If the court fails to act, it is possible to urge the proceedings. If the application is rejected, it is possible to lodge an appeal.

Given that the client was released by the court from paying unsatisfied claims and the insolvency proceedings were duly terminated, it is likely that the request for removal will be granted.

The client was very satisfied with the advice centre's assistance and expressed her gratitude for the clear explanation of the procedure and help with formulating the request. During a subsequent visit to the client, it was found that she was no longer listed in the insolvency register.



Case study example no. 2: enforcement, debt relief, costs of the entitled party

The client successfully discharged her debts and received an enforcement order for a debt for legal services provided by the law firm of one of her creditors, who had also filed a claim in the debt discharge proceedings, and the legal services of this law firm were also claimed here. The client believes that the debt was recovered as part of the debt relief and the rest should have been forgiven according to the debt relief resolution. She does not know what to do, so she turns to the counselling centre.

The counsellor mapped out the situation and found that the enforcement order shows that it was issued during the debt relief proceedings and is for the amount of legal services provided by a law firm to one of the creditors. The creditor sold the claim to a law firm, which subsequently obtained an enforcement title from the court and commissioned a bailiff, who then issued an enforcement order. The costs of the entitled party were included and registered as part of the debt relief and were largely paid, as the client had repaid a relatively high percentage of her debt. The advisor suggested that the client draft a proposal to stop the enforcement, to which the client agreed. She also suggested filing a complaint with the Chamber of Bailiffs of the Czech Republic. The advisor and the client drafted a proposal to stop the enforcement, describing the entire situation. The client still had some time to pay half of the bailiff's costs. The client was concerned that if the enforcement proceedings were not stopped, she would have to pay the full amount of the bailiff's costs later. The advisor found out that it was possible to pay a reduced amount into a security account and that if the enforcement proceedings were stopped, the security would be paid back to the client in full. If it was not stopped, it would be used to pay for the enforcement. The client contacted the bailiff and asked her for the number of the security account to which she should send the security deposit. The bailiff sent her the number of the security account.

The client paid the security deposit and then sent a proposal to stop the enforcement. After a few weeks, the client contacted us to say that the enforcement had been stopped and the security deposit would be paid to her. All the information provided was sufficient for the client and she did not request any further additions or explanations.

The client was satisfied with the information provided and was glad that the enforcement had been stopped and that the money she had sent to the bailiff as security would be returned to her. The client is considering filing a complaint against the bailiff with the Chamber of Bailiffs of the Czech Republic with the assistance of the counselling centre.

Case study example no. 3: Debts in joint marital property, debts without the consent of the other spouse

The client has been married for several years. At the beginning of 2025, the client discovered several demands for payment of debt, debt enforcement or pre-action notices. The client's husband took out a lot of loans without her knowledge.



However, the client does not agree with the debts because none of the money was ever used for household expenses, as neither the client nor her husband are in any financial distress. The client herself has no debts and would like to protect herself from any debts her husband may have incurred.

The client contacted the counselling centre with a request for help in resolving debts incurred during the marriage (hereinafter referred to as "joint marital property") without the consent of the other spouse.

Given that Section 710(b) of the Civil Code regulates debts incurred in SJM without the consent of the other spouse and that these debts were not incurred to meet the daily needs of the family, the client can deny the debts to individual creditors on her own behalf. The counsellor discussed the whole situation with the client. The client provided the counsellor with all the demands she found at home. The counsellor informed the client that in this case it was possible to draw up a statement of disagreement with the debts owed to the creditor so that no one could satisfy their claim from half of her property. The client agreed with this proposed solution. Based on the demands provided, the advisor drafted a statement of disagreement with the creditor. The advisor then informed the client that she should also send a statement of disagreement in the event of a new demand. For these reasons, the advisor also provided the client with sample statements of disagreement.

The prognosis in this case is uncertain. The client has written objections, which should be accepted by the creditor. However, she is not sure where her husband's debts originated, as she has not yet mapped them all out. No feedback has been received from the client so far.

Case study example no. 4: application for debt relief

The client has several creditors with claims amounting to approximately CZK 200,000. The creditors are both banking and non-banking institutions. The claims are already in the enforcement phase. The client is currently employed part-time, with a net monthly salary of approximately CZK 11,000. He has no other income. The client is single and has one dependent, his minor daughter, who lives with him in the same household. His daughter is 3 years old and will start nursery school in September. The client has no assets; he lives in rented accommodation with his girlfriend and her two children from a previous relationship. The client works part-time so that he can take care of his daughter. His girlfriend works shifts, and they take turns caring for their daughter.

As the client did not meet the conditions for filing for debt relief, the advisor suggested the following options: In this situation, it is necessary to increase the debtor/client's income, for example by entering into a full-time employment contract, a pension agreement with a third party or a binding promise. The client was provided with detailed and comprehensible information regarding the pension agreement and binding promise. The client informed the advisor that he had already reached a preliminary agreement with his employer, meaning that a pension agreement would be drawn up. However, he then informed the advisor that his employer would not sign the pension agreement. The advisers then



helped the client to draw up a binding commitment that the client would pay the insolvency instalments himself from his non-seizable income.

The insolvency petition was prepared by the advisors and submitted to the Regional Court in Ústí nad Labem. However, the court subsequently issued two requests relating to the binding promise: The client was requested to supplement the petition for debt relief within seven days of delivery of the resolution by having the debtor calculate their monthly expenses for basic living needs and document these expenses, - and prove, in accordance with Section 391(3) of the Insolvency Act, that he will be able to satisfy the basic material needs of the persons dependent on him for maintenance, and from what source. The insolvency petition stated that the debtor had a monthly income of CZK 11,000. The debtor is single. He has one minor child. The debtor did not quantify or document the costs of living in the insolvency petition. The debtor attached a binding promise to the petition that he would repay CZK 2,200 from his non-seizable amount. The insolvency court does not consider it sufficiently proven that the debtor is able to satisfy his basic material needs, given the failure to quantify housing costs and the absence of other basic needs. The advisors supplemented the application with the client and clarified the client's expenses. The client also provided confirmation and a promise from his employer that his employment contract would be changed to full-time, i.e. 40 hours per week. This will increase his net monthly salary to approximately CZK 21,000.

However, the insolvency court asked the client a second time to supplement the application for debt relief by quantifying and documenting the monthly expenses for the basic living needs of the debtor, his partner and their children, i.e. the entire household. The insolvency court does not consider it sufficiently proven that the debtor is able to meet his basic material needs, given the failure to quantify housing costs and the absence of quantification of other basic needs.

The advisor complied with the client's request and supplemented the request with him on the spot. The client sent the advisor an overview of electricity advances, a lease agreement specifying the amount of rent, a calculation of collection costs, and a confirmation from his employer of the gross salary he would receive from 1 September 2025 (CZK 22,580 gross).

After proper documentation, the court finally issued a bankruptcy order and the client's debt relief was subsequently approved by fulfilling the repayment schedule.

Case study example no. 5: debt relief, binding promise

The client is a single mother with three minor children. Two of the children attend primary school, one attends nursery school. The client is a single parent and therefore works part-time. Her income is CZK 19,000. In addition to her income from employment, the client receives housing benefits and child allowances. When the client was arranging her housing, she took out several loans from non-bank companies. She tried to repay them properly, but over time she ran out of money. Currently, the total amount of repayments is CZK 6,000. The client's income covers her housing costs, and the family lives on social benefits. The client is no longer able to make her loan repayments.



The client would like to repay her debts, but this is not possible with her income. She therefore turned to the counselling centre for help.

During the consultation, the counsellor discussed the entire situation with the client. The counsellor explained to the client how debt relief works under the amended Insolvency Act 2024. Since Ms Jana's income does not reach the non-seizable minimum, she can enter into debt relief on the basis of a pension agreement or a binding promise. The client chose a binding promise. The counsellor explained to the client that this is a statement by the debtor that they will be able to pay the minimum statutory instalment. A binding promise can be based on income other than employment, such as social benefits. It serves as an alternative to a gift agreement or pension agreement. The court may accept it as evidence of the debtor's ability to meet the repayment schedule. The advisor explained to the client that she should increase her income during the debt relief process so that she would not have problems at the end of the debt relief process. The client plans to increase her working hours when her youngest child starts school, i.e. in a year's time.

The prognosis is good at this point. The counselling centre has had good experience with proposals for debt relief based on a binding promise, and if the client increases her income during the debt relief process, the debt relief should be approved.



5. Monitoring the issue of debt enforcement from the perspective of civic counselling centres

Enforcement has long been one of the most pressing socio-legal problems in the Czech Republic. Although the enforcement system was originally intended as a tool to ensure the effective satisfaction of creditors' claims, in the last two decades this practice has become a significant factor in social exclusion and regional inequality. Current estimates suggest that hundreds of thousands of people are affected by enforcement proceedings, often with multiple concurrent cases. For many debtors, enforcement is not a solution, but rather a long-term entrapment in a debt spiral.

Empirical data: Monitoring of this phenomenon within the HELP project was based on the extensive infrastructure of the Association of Citizens Advice Centres (ACAC). The ACAC was founded in 1997 and brings together **35 advisory centres** with **92 branches** covering almost the entire territory of the Czech Republic. Together, these centres respond to more than **87,000 client enquiries per year**, with debt and debt collection forming a significant part of their agenda. Thanks to their geographical distribution and roots in local communities, they are uniquely positioned to observe the functioning of debt enforcement in different socio-economic and regional contexts.

Two surveys were conducted as part of the project in July and August 2025. The first focused on consumers (116 respondents) who were clients of 20 counselling centres in 12 regions. Each centre contacted at least five clients who were actively dealing with debt-related problems. This purposeful selection ensured that respondents had direct experience with enforcement or the risk of enforcement. The second survey focused on stakeholders (99 respondents), including professional debt counsellors, bankruptcy trustees, social workers from municipal offices, representatives of non-governmental organisations and a smaller number of lawyers and other experts. Together, these surveys formed the empirical basis for monitoring the impact of enforcement, combining practical experience with expert opinions.

Key findings

Enforcement often disproportionately increases the original debt. The findings reveal a picture of enforcement as financially punitive and structurally unbalanced. Nearly **86% of the experts surveyed** confirmed that enforcement often increases the original debt by several hundred percent. The often-cited example **of a CZK 600 transport fine, which increased to CZK 19,000 over ten years**, illustrates the disproportionate impact of ancillary costs such as interest on arrears, legal representation fees and bailiff fees. The monitoring role of advice centres thus reveals a systemic problem whereby small debts are not resolved but, on the contrary, increase and become a burden that affects the whole of a person's life.

Several systemic inefficiencies have been identified. First, **regional disproportionality** is significant: the data confirm that socially disadvantaged regions, such as Ústí nad Labem and the Moravian-Silesian Region, have a



disproportionately high number of enforcement cases. This suggests that enforcement is not only a legal matter, but also a spatial socio-economic phenomenon that contributes to regional cycles of poverty and exclusion. Secondly, **the lack of transparency of the process** emerged as a recurring theme. Clients are often not informed about proceedings because court documents are sent to outdated addresses, while debts are repeatedly transferred between collection agencies. Thirdly, **the legal prioritisation of fees over debt repayment** undermines debtors' motivation, as monthly deductions often only reduce the costs of enforcement, not the debt itself.

The monitoring also highlighted the broader consequences of enforcement. Advice centres repeatedly report psychological impacts on clients, including chronic stress, family breakdown and withdrawal from the formal labour market. To avoid wage garnishment, many debtors resort to undeclared work, undermining social security contributions and further exacerbating insecurity. In this way, enforcement not only burdens individuals, but also generates broader negative externalities for the economy and the social security system.

Citizens' advice centres thus play **a dual role**. They are front-line service providers offering legal and practical support to debtors. At the same time, they act as systemic observers, documenting recurring patterns of inequality and inefficiency that are often invisible to state institutions. Thanks to their long-term presence in various regions, they can formulate consistent criticism of law enforcement and point out that the system in its current form does not comply with the principles of proportionality, transparency and fairness, which are central principles of Czech constitutional law and European standards of justice.

Recommendations:

The proposals resulting from this monitoring process are well established but remain urgent:

- limiting enforcement costs,
- consolidation of proceedings according to the principle of "one debtor – one bailiff",
- automatic termination of futile enforcement
- and strengthening oversight of bailiffs' practices.

These proposals are supported by systematically collected evidence from advice centres and confirm that reform is necessary if enforcement is to serve justice rather than perpetuate exclusion.



6. Empirical part – analysis of the data obtained

6.1 Research design and methodology

The empirical part of the HELP project was designed to comprehensively capture both the individual experiences of consumers in debt and the views of professional stakeholders. Data collection took place between **10 July and 21 August 2025** through online questionnaires distributed within the ACAC network and cooperating organisations.

The consumer survey collected responses from 116 clients of civic advisory centres. Participation was based on purposive sampling: only individuals who had already sought advice on debt-related issues were included. Twenty centres from twelve regions participated, each providing at least five completed questionnaires. This approach ensured both regional coverage and the relevance of respondents' experiences.

The stakeholder survey gathered 99 responses from a wide range of professionals. Over 90% of participants were counsellors or social workers, ensuring that the sample reflected everyday practice in the field of debt management. Other respondents included insolvency practitioners, representatives of non-governmental organisations and lawyers. Although judges were also invited, court cyber security rules prevented them from participating. The questionnaire included both closed and open-ended questions, allowing for quantitative comparisons and deeper qualitative insights. Open-ended responses were coded into thematic categories to capture recurring issues.

This mixed survey design allows for triangulation of perspectives: consumer data reveals how indebtedness is perceived at the individual level, while stakeholder data highlights systemic patterns observed by experts. Together, they provide a solid empirical basis for analysing the practical realities of indebtedness and debt enforcement in the Czech Republic.

6.2 Key findings

Indebtedness is not an individual failure. The analysis shows that indebtedness in the Czech Republic is not the result of isolated individual irresponsibility, but rather the consequence of a combination of structural, legal and personal factors.

The paths to debt were most often associated with poor financial decisions (18.1%), low income (12.1%) and divorce or separation (12.1%). Life events such as job loss and illness also played a significant role. It is noteworthy **that 59% of respondents were employed and 16% were pensioners**, refuting the stereotype that indebtedness only affects the unemployed. On the contrary, low wages, job insecurity and inadequate pensions were found to be the main causes.

Debt escalation mechanisms further exacerbate vulnerability. Nearly **nine out of ten consumers** reported that their debts had risen above the original principal. The most frequently mentioned factors were high interest rates on non-bank loans, revolving loans and penalty interest. Enforcement proceedings were



repeatedly described as the point at which manageable debts became unmanageable, often as a result of the accumulation of ancillary costs and the sale of debts to collection agencies.

Barriers to debt relief remain significant despite the 2024 amendment to the Bankruptcy Act, which formally simplified the process. Respondents described bankruptcy as "administratively burdensome," particularly due to the requirements to prove income for twelve months, document all liabilities, and navigate inconsistent court procedures. Stakeholders unanimously reported that without professional advice, debtors often abandon attempts at debt relief.

The psychological and social impacts are evident. Almost **80% of consumers** reported strong or very strong negative impacts on their mental health. Shame and stigma discouraged early intervention, with many clients only seeking help after enforcement proceedings had already begun. The data confirm that debt is not only an economic phenomenon, but also a significant factor affecting well-being and social participation.

6.3 The role of civic counselling centres

Citizens' advice centres are the main point of contact for people in debt and play a key role in bridging the gap between the law and the realities of life. **93% of consumers** said they had contacted these centres for help. Their geographical distribution ensures accessibility in both urban and rural areas, and their expertise enables them to address both legal complexities and social vulnerability. Importantly, their ability to collect data allows them to function as a 'sensor' – an early warning system for policymakers that documents systemic shortcomings in real time and highlights recurring problems that might otherwise remain hidden.

6.4 Implications for policy and practice

A comparison of the views of consumers and stakeholders reveals a fundamental contradiction: while Czech legislation formally offers protective mechanisms such as debt relief, protected accounts and restrictions on unfair loans, in practice these tools remain inaccessible to many people. Their effectiveness is undermined by complexity, opaque procedures and the prioritisation of the interests of creditors and bailiffs.

The practical analysis highlights three priority areas for reform:

- **Legislative changes**, including consolidation of enforcement, reduction of ancillary costs, and simplification of insolvency proceedings.
- **Institutional support**, in particular sustainable funding for advice centres and stronger interdisciplinary cooperation with courts, municipalities and social services.
- **Prevention**, including financial literacy education, stricter regulation of non-bank lending, and public campaigns aimed at reducing the stigma associated with seeking help.



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The conclusions of the HELP project reinforce the argument that over-indebtedness in the Czech Republic can best be understood as **a systemic condition** influenced by legislation, socio-economic inequality and psychological barriers. Debt enforcement often exacerbates over-indebtedness rather than resolving it, while debt relief mechanisms remain formally available but practically inaccessible. Citizens' advice centres appear to be indispensable actors, not only helping individuals but also documenting structural shortcomings.

The lesson for academic and political debate is clear: the effectiveness of debt legislation must be measured not by its legal provisions, but by its real accessibility and actual impact on people's lives.



7. Legislative recommendations

In the context of possible solutions to the problem of both existing and impending debt traps, potential measures can be divided into four basic areas:

- Prevention and education (financial and legal literacy).
- Preventing the emergence of over-indebtedness (primarily by regulating the assessment of a debtor's creditworthiness and improving access to housing, e.g. through subsidy programmes, adjustments to mortgage conditions, financial advice, support for the construction of affordable flats and accessible rental housing).
- Improving the process and position of debtors in insolvency proceedings (however, many of the recommendations in question are also valid and transferable to the process of enforcement or judicial enforcement of decisions).
- Further legal recommendations (primarily in the area of enforcement as part of civil law).

7.1. Prevention and education (financial and legal literacy)

Prevention, which includes financial and legal literacy, may seem like a relatively distant area at first. However, experience not only from the Czech Republic but also from abroad shows that there is a direct link between the financial literacy of the population and the level of indebtedness or over-indebtedness in society. It has been proven that populations with a higher level of financial literacy and education in this area have both a lower proportion of unpaid debts and a lower frequency of use of risky non-bank loans. A more active approach to personal finance management can also be observed.

It is therefore essential to emphasise financial literacy in school education, not only in the context of understanding the function and circulation of finance, interest rates, APR, mortgages and consumer loans, but also in the area of the legal framework.

The legislation provides protection for the weaker contracting party (usually the consumer, debtor, policyholder, etc.) and addresses the possible consequences of failure to properly fulfil obligations, whether incurred voluntarily by the debtor or assumed by them. These include, for example, the consequences of non-payment of debts, the negative impact of indebtedness on the debtor, and possible solutions to insolvency.

Specifically, the legal framework also includes, for example:

- the consumer's right to reasonable contractual terms,
- a ban on unfair terms in consumer contracts (typically denying the right to withdraw from the contract or failing to inform the consumer about additional payments).



From a legal point of view, therefore, the following explanations should be an integral part of public education:

- the institution of the so-called "protection of the weaker contracting party" within the meaning of the Civil Code,
- the principle of "responsible lending" under Act No. 257/2016 Coll., on consumer credit, as amended,
- the practical implications of non-fulfilment of obligations for the debtor,
- procedures for the enforcement of claims through the courts, including enforcement proceedings, judicial enforcement of decisions and insolvency,
- the negative consequences of entries in debtor registers (typically the Central Register of Debtors, the Register of Enforcement Proceedings and the Insolvency Register),
- the possibility of out-of-court debt settlement.

Unfortunately, the current level of financial literacy education is clearly insufficient. It would therefore be desirable to revise it in the future for the benefit of greater financial awareness among the population.

Ideally, this should be done by:

- firmly anchoring financial and legal issues in school curricula or syllabuses, specifically at the secondary level of primary schools, but also at secondary schools,
- significantly greater involvement of other civic sector educational activities in the school environment, particularly on the part of banking institutions and the non-profit sector. The involvement of civic sector entities can be achieved primarily through workshops, information campaigns and interactive programmes.

At the same time, it is necessary to consider revising the methodology of education, specifically focusing on:

- linking financial and legal literacy,
- introducing practical lessons on budgeting,
- simulating credit and enforcement situations (the "Moot court" held at law faculties can serve as a comparison).

The combination of theoretical education and practical workshops can significantly increase financial literacy and prudent budgeting on the part of students. A financially educated population is a prerequisite and guarantee for fewer complications with over-indebtedness in society in the future.

The long-term impact of higher financial literacy and legal awareness is evident not only at the individual level, but also from a societal perspective.

Financial education as a means of preventing debt traps:

- reduces the burden on the state budget associated with enforcement, insolvency and other proceedings used to recover debts owed to creditors,



- supports the stability of the banking system and individual banking institutions,
- contributes to the natural functioning of the credit market.

7.2. Preventing over-indebtedness (regulation and assessment of the debtor's creditworthiness)

Another key area for preventing over-indebtedness appears to be high-quality legislation in the sphere of consumer financing, or lending, particularly with regard to legal regulation in the following areas:

1. Effective regulation and control of entities that may provide consumer credit.

- The supervision of banking and non-banking entities is crucial, primarily to ensure the responsible provision of consumer loans with an emphasis on consumer protection.
- Supervisory authorities, in particular the Czech National Bank (ČNB), monitor compliance with the legal obligations of entities and audit consumer and investment products, and may impose sanctions on entities found to be in breach.
- Effective regulation, combined with active supervision of entities providing consumer credit, can be seen as an effective means of preventing excessive indebtedness.

2. Emphasis on thorough creditworthiness checks of applicants for loans or mortgages.

- The creditworthiness assessment of applicants for loans or mortgages should include not only a check of their income in relation to their living costs, but also a prediction or analysis of their ability to meet their obligations properly and on time in the long term.
- At the same time, it is advisable to thoroughly check the status and amount of applicants' other obligations, including enforcement or execution of court decisions, before approving a consumer loan. It is therefore possible to consider preventing excessive financial burden on the applicant as a result of the rejection of a loan application.

3. Correct setting of maximum interest rate regulations.

- In addition to the correct and appropriate setting of maximum interest rates on consumer loans, it may also be considered appropriate to regularly monitor the fees and penalties set by the loan provider.
- Another appropriate measure would be to impose an information obligation on the provider towards the consumer credit applicant. The provider should therefore always fully inform the applicant of the total costs directly related to the provision of the credit. So-called "hidden fees" often lead to over-indebtedness, which is also a violation of consumer rights.



4. Creation of publicly accessible registers of debtors from which it would be possible to obtain comprehensive information about the financial situation of a specific applicant in a centralised and reliable manner.

- Ensuring the electronic availability and interconnectivity of data from individual debtor registers through a unified register containing comprehensive information on applicants' financial obligations is crucial for both banking and non-banking credit providers, specifically in terms of clarity and speed of analysis of the financial situation of potential debtors. A transparent approach also allows debtors to be informed in a timely manner about the risk of possible over-indebtedness.

5. Ensuring better access to legal services for people in financial distress, in order to enable less affluent clients to use these services.

- The introduction of an effective mechanism for the availability of legal aid focused on debt and insolvency issues is crucial, particularly in view of the size of the over-indebted population. Legal advice should also be supplemented by educational materials to inform clients about the consequences of individual contractual obligations and the possibilities of debt relief (in case they are already in a debt trap).
- A frequent consequence of citizens' insufficient financial and legal education is the conclusion of highly disadvantageous contracts, which they are unable to understand properly. This can lead to situations where clients lose their property, for example, due to lower debt.

6. Addressing the availability of housing, whether owned, rented, sublet or social, as housing availability is one of the decisive factors in preventing debt and social traps.

- Systemic measures may include a combination of subsidised rental housing, social housing and programmes aimed at supporting affordable home ownership, with an emphasis on providing housing for low-income individuals, vulnerable groups (e.g. seniors and single mothers) and individuals with existing debts.
- In general, access to housing for people with ongoing financial commitments is very limited, and the lack of this basic necessity then leads to people becoming over-indebted.

7. Introduction of preventive education programmes for consumer credit applicants, which would inform them primarily about the consequences of borrowing, indebtedness and possible prevention of over-indebtedness, or rather how to resolve their financial situation without incurring debt.

7.3. Improving the debt relief process and the position of debtors in insolvency proceedings

The following issues can be considered key in the debt relief process and the position of the debtor in insolvency proceedings, including recommendations which, in the vast majority of cases, would require legislative changes:



- In the long term, debtors' motivation to repay their debts declines, rendering the purpose of debt relief ineffective. The most pressing issue appears to be finding a mechanism that would motivate debtors to maximise their income. Compared to the current legal situation, a possible solution leading to higher incomes for debtors would be to leave the amount above the monthly repayment limit to the debtors themselves, for the purpose of covering their living expenses. The current legal framework is rather demotivating for debtors in the long term (even though it is, of course, their legal obligation), as even with additional income, the total amount of available financial resources for debtors remains very similar. Legislative changes could also introduce more flexible debt relief models, such as progressive debt repayments, i.e. a model that takes into account the growth or decline in the debtor's income. These measures could encourage debtors to actively increase their income while providing them with protection with regard to their living needs and costs.
- Solving problems with the opening of insolvency proceedings in the form of debt relief for a wider range of applicants, as even today, after the amendment of the Insolvency Act, there are still a relatively large number of individuals in enforcement proceedings who are unable to apply for insolvency proceedings. Expanding access to debt relief could be achieved by lowering the minimum income threshold for debtors or introducing alternative forms of debt relief for low-income individuals.

Future legal measures aimed at helping people in debt traps should primarily include:

1. Enabling state participation in the remuneration of the insolvency administrator.

- Only in exceptional cases, based on a test of the need for state participation and the value of the debtor's assets.
- This mechanism could reduce the financial burden on the most vulnerable debtors and allow access to insolvency proceedings even for persons who would otherwise not have the means to pay the insolvency administrator's remuneration.

2. Shortening the period during which previous income must be documented to less than 12 months.

- Reducing the frequency of income documentation for debtors could facilitate entry into insolvency proceedings.

3. Consideration of the introduction of a special insolvency model for applicants who have a maintenance obligation towards dependent children or who are properly raising them in their care. The aim should be to provide greater protection for the acceptable status of these families (or single mothers or fathers).

- The special insolvency model could primarily include different limits on deductions from debtors' wages and the possibility of deferring payments if the basic needs of the children being raised were to be jeopardised, thus potentially disrupting the stable family environment.



4. Finding a solution for debtors who, given their financial situation, will never be able to meet the standardised conditions for entering into debt relief (this is significantly related to the state's participation in the costs of the proceedings).

5. Introducing legislative measures at the level of civil law regulations for joint debts of spouses, specifically for situations where the debts were incurred by only one spouse, without the knowledge of the other spouse.

- In this case, a solution would be to initiate insolvency proceedings for only one of the spouses without penalising the other. In this area, it would also be desirable to clarify in the law the liability of the other spouse for debts incurred without their knowledge.

6. Legislative regulation of situations in which (for persons in enforcement or debt relief) wage deductions used to pay contractual obligations are not taken into account for the purposes of social benefits.

- This leads to a situation where such persons are not entitled to social benefits, which ultimately means that debtors are forced to live on the subsistence level.

7. The possibility of repeating the Milostivé léto (Gracious Summer) campaign.

- However, this is only on condition that the target group of debtors to whom the campaign would apply is clearly defined, ideally in cooperation with the private sector or with its involvement.
- The involvement of the private sector can be achieved primarily through the repayment of part of the debts or the provision of guarantees for repayment agreements, which will increase the motivation of debtors to repay their obligations.

These principles are essentially also applicable to enforcement proceedings and the judicial enforcement of decisions.

7.4. Further legal recommendations

In addition to prevention, credit regulation and improving the legal framework for the debt relief process, it is also necessary to focus on a broader legislative framework that both influences the effectiveness of enforcement proceedings and judicial debt collection and protects debtors from excessive indebtedness and financial burdens. The key areas (including the proposed recommendations) include, in particular:

1. Regulation of enforcement and the execution of court decisions.

- Consideration could be given to introducing a uniform, clear and transparent register of enforcement and insolvency proceedings, which would enable quick and transparent access to information on the debtor's obligations that are being enforced by the courts.
- Consideration could also be given to strengthening the position of public authorities in monitoring excessive financial burdens, for example by setting limits on deductions from wages or pensions to guarantee that debtors have the means to cover their basic living expenses.



- Mandatory provision of accessible legal and financial advice to persons in debt distress.
2. Protection of vulnerable groups.
 - Specific rules for finding a way out of the debt trap, aimed primarily at the elderly, people with disabilities and parents with dependent children, e.g. by limiting deductions from social benefits.
 - Monitoring by an independent body could ensure the fair distribution of enforcement deductions and increase debtors' awareness of their rights and options for resolving their debts.
 3. Support for alternative debt recovery solutions.
 - Preference for out-of-court methods of settling debts (i.e. in particular repayment schedules, debt collateralisation or deferral of debt repayment), the use of mediation and the provision of expert advice.
 - Independent monitoring could ensure compliance with out-of-court debt repayment terms, thereby maintaining legal certainty for creditors while protecting debtors from excessive financial burdens.
 4. Regular analysis of the impact of legislative changes in the area of enforcement, judicial enforcement of decisions and insolvency. Monitoring the number of debtors, the legal enforceability of out-of-court agreements and the level of over-indebtedness of the population.
 5. Amendment of civil law regulations in a manner that reflects current socio-economic conditions, with an emphasis on preventing the risk of debt traps.

7.5. Summary of legislative recommendations

The aim of the legislative recommendations is to create a legal system that supports the prevention of over-indebtedness, ensures effective and fair debt relief, and protects debtors in enforcement or court proceedings from excessive financial burdens. Summary of key measures:

1. Prevention and education:
 - Financial and legal literacy – education in this area from school age onwards.
 - Practical workshops, loan and enforcement simulations, i.e. linking theory and practice.
 - Increasing the population's ability to manage their finances responsibly and avoid debt traps.
2. Prevention of over-indebtedness:
 - Regulation for consumer credit providers, including disclosure requirements.
 - Effective creditworthiness checks on borrowers.
 - Correct setting of maximum interest rates.
 - Creation of transparent centralised debtor registers.
 - Support for the availability of housing for low-income and vulnerable groups.



3. Improving the debt relief process:

- Special debt relief models for vulnerable persons and greater accessibility of insolvency proceedings.
- State participation in the costs of proceedings for low-income debtors.
- Financial guarantees to cover the basic living needs of vulnerable groups.

4. Other legal measures:

- Increased legal protection for debtors in enforcement proceedings.
- Support for alternative forms of debt resolution.
- Regular monitoring of the social situation and effective response in the form of legislative measures.

8. Conclusion

In recent years, debt legislation in the Czech Republic has shifted towards giving honest debtors a second chance more quickly and providing stronger protection for basic income. However, the changes have also brought new tensions, particularly in the form of risks associated with higher deductions in cases of multiple enforcement proceedings. The success of the reform will depend on how well it manages to unify the practices of courts and administrators, maintain stable housing and income for clients, and at the same time simplify communication between the state and its citizens.

This presents a twofold task for the HELP project: to use proven rapid stabilisation practices in the field and continuously evaluate data on the impact of interventions, and to promote targeted changes at the systemic level that will reduce transaction costs and increase predictability for all involved.

At the same time, it is clear that the real effectiveness of legislative measures is not only reflected in their formal wording, but above all in their actual availability and real impact on people's lives. The continuing complexity of procedures, regional inequalities and psychological barriers show that over-indebtedness is a systemic problem that requires interdisciplinary cooperation, long-term prevention and continuous support from civic counselling centres.

Future directions should include:

- further simplification and clarification of debt relief and enforcement processes,
- strengthening prevention through financial education and regulation of non-bank loans,
- sustainable financing and development of counselling services,
- and systematic monitoring of the impact of legislative changes on individuals and society.

The lesson for policymakers is clear: only by linking legislative reforms to practice and emphasising the accessibility and comprehensibility of assistance can we



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achieve a real reduction in over-indebtedness and strengthen the financial stability of households in the Czech Republic.