

Russians Start Filing for Bankruptcy as New Law Enters Force

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Russian courts received their first personal bankruptcy petitions on Thursday, as the country's first ever law allowing individuals to declare themselves bankrupt entered into force.

On the eve of the law's arrival, analysts warned that courts could be overwhelmed by a flood of applicants unable to pay debts accumulated during a recent lending boom.

Already by 11 a.m. on Thursday, 108 personal bankruptcy petitions had been filed with the Moscow Arbitration Court, the Vedomosti newspaper reported, citing a court spokesperson.

The first cases had also been filed with arbitration courts in the town of Tomsk, the Yakutia

and Altai regions in Russia's Far East and a number of other regions across the country, according to court records.

"By midday we received 15 bankruptcy cases," the press spokesperson for the Altai Arbitration Court, Daria Kushvid, told local news portal altapress.ru.

The personal bankruptcy legislation allows Russians with a total debt of more than 500,000 rubles (\$7,600) and over three months of missed payments to file for bankruptcy. Those with a total debt less than 500,000 rubles can also file if they are unable to repay their loans. Before Thursday, only legal entities could go bankrupt in Russia.

Petitions can be filed either by individuals or by their creditors. Early news reports suggested that most cases on Thursday had been filed by banks.

For instance, Russia's largest lender Sberbank took advantage of the law, initiating bankruptcy proceedings against Vladimir Kekhman, the former owner of Joint Fruit Company (JFC), the Interfax news agency reported. JFC was a major banana importer to Russia until it went bankrupt in 2012.

The bank estimated the debt owed by Kekhman, who is currently artistic director at the Mikhailovsky Theater in St. Petersburg, at 4.5 billion rubles (\$69 million), Interfax reported, citing a Sberbank representative.

VTB 24, the retail arm of the country's second largest banking group, also said it would use the legislation, the RBC news agency reported Thursday.

The bank's deputy president, Anatoly Pechatnikov, told RBC it had 143,000 clients with loans of more than 500,000 rubles and at least three months of missed payments, with a combined debt of 87 billion rubles (\$1.3 billion).

Russian banks currently hold around 1 trillion rubles (\$15 billion) in overdue consumer loans, and the creditworthiness of clients is deteriorating amid a deep recession.

Earlier this week the Finance Ministry estimated that Moscow courts alone would have to deal with about 4 million personal bankruptcy cases over the next year, severely straining the court system, Vedomosti reported.

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