



# Household overindebtedness

## KEY FACTS

### What is overindebtedness?

It is a situation in which a person **is no longer able to repay their debts** (loan repayments, overdrafts, rent, other bills, etc.). They can then ask for help from the community by making use of a **specific procedure**: they can apply for assistance from the household debt commission, whose secretariat is provided by the Banque de France.

### Who may make use of the overindebtedness procedure?

This procedure, which is free of charge, is reserved for **private individuals** who have personal debt. **Self-employed people** (tradespeople, farmers, etc.) have to seek help from the commercial court or regional court.

### What is the role of the household debt commission?

The overindebted person must contact the Banque de France branch in the *département* in which they live to make an application to the commission. If their application is accepted, the commission looks for financial solutions to help the person to return to solvency (see the following page "Understanding the role of the household debt commission"). It may draw up a repayment schedule or propose measures that are binding both for the person in debt and their creditors.

### What happens while the application is being processed?

As soon as the application has been submitted, the person is entered in the National Register of Household Credit Repayment Incidents (see sheet entitled "*Les fichiers d'incidents bancaires*"). They must not add to their debt by taking out new loans.

If the household debt commission accepts their application, the person concerned must continue to pay their rent and their ongoing and future bills; on the other hand, they stop repaying their overdue debts until the end of the procedure.

### What happens at the end of the procedure?

The household debt commission negotiates with the creditors and proposes new **means for the overindebted person to repay their debts according to what is possible for them**: spreading out or reduction of the amount to be repaid, lowering of the interest rate on the loans, or freezing the debts for two years for example (see the following page "Understanding the role of the household debt commission").

It can even recommend to the magistrate that all of the person's debts be cancelled, if their financial situation is "irremediably compromised" and they do not own any property.

## KEY FIGURES

**41,300**

euro

The average level of debt in eligible cases, in 2015

**237,000**

cases

The number of cases resolved and closed in 2015

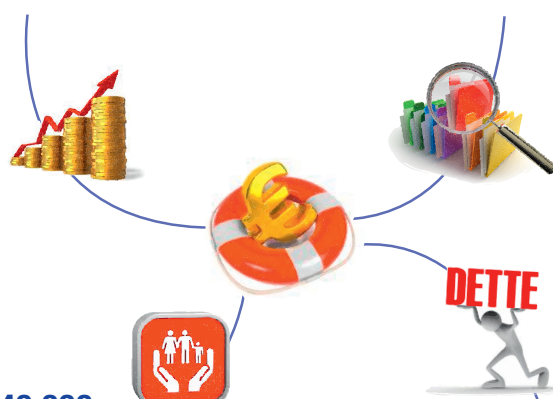
**840,000**

households

In the process of clearing their debts, i.e. who benefited or were about to benefit from measures aimed at remedying their overindebtedness, in 2015

**78%**

The average proportion of financial debt in the total debt of eligible cases, in 2015



## UNDERSTANDING THE ROLE OF THE HOUSEHOLD DEBT COMMISSION

The household debt commission is made up of seven members:

- the prefect of the *département*, who chairs it;
- representatives of public finances in the *département*, credit institutions and consumer bodies;
- a specialist in social and family economics;
- a lawyer;
- the manager of the local Banque de France branch is the commission's "secretary".

The commission examines the person's personal, family, professional and financial circumstances (income, expenses, debt, savings, assets) and assesses their ability to repay their debts. Depending on their circumstances, the commission assesses whether the person is overindebted or not, and whether the application is eligible (i.e. whether the person is unable to repay their non-professional debts and whether they are in good faith).

## A BRIEF HISTORY

1990

Creation of a procedure for dealing with household overindebtedness with the so-called [Neiertz Act](#).

1995

In the event of negotiations breaking down, household debt commissions can make recommendations to the magistrates.

2003

Possibility of cancelling the debts of those people whose financial situations are the most compromised, with the possible judicial liquidation of their assets.

2010

Judicial liquidation is maintained only in cases where there are assets that can be seized and that are of significant value.

2013

Strengthening the protection of overindebted people's family home and expanding the possible provision of assistance from social services.

## OVERINDEBTEDNESS AND YOU

The Banque de France regularly publishes a study on household overindebtedness in France that analyses the main causes for it:

- **job loss**;
- **living on a tight budget** (insecure employment or unemployment);
- **habitual use of credit** (accumulating loans without making provision for unexpected expenses).

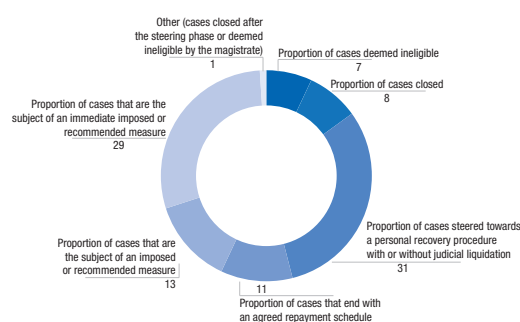
Among overindebted people, people living alone are overrepresented: single, separated or divorced people or widows/widowers (65.2%). The 35-44 age group and people over 65 account for 26.6% and 8.3% of cases respectively. More than half of overindebted people are unemployed or have no professional activity (invalidity, long-term sick leave, parental leave).

There are clearly three main approaches for the prevention of overindebtedness:

- the importance of **personal financial education** in helping households to manage their spending and finances;
- **monitoring one's budget** on a daily basis and particularly when an unexpected event occurs;
- putting aside **savings** to deal with difficulties when they arise.

### Breakdown of cases in terms of the commissions' decisions, in 2015

(% of the total number of cases processed)



## TO LEARN MORE

### Useful links:

- [Le surendettement des ménages: analyses nationale et régionale](#) (Banque de France)
- [Study of paths leading to overindebtedness](#) (Banque de France)

