

Extract from the Annual Activity Report 2019

Chamber of Judicial
Officers of Lithuania





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We could not foresee the pandemic, but we are prepared for the challenges ahead

As most of those who run their own businesses, we who are working in the field of debt recovery have two survival goals during the pandemic. First of all, it is important to survive physically and take care of our health, as well as the health of our loved ones. And it is also important to save and preserve our debt recovery system which we have upheld for seventeen years, including all of its people and its smooth, balanced procedures.

Even though it is not possible to foresee *force majeure* events, the pandemic did not catch us completely unprepared. Quarantine restrictions did not stop the operation of judicial officers. We continue to provide most of our services to creditors and debtors, since we have been using electronic procedures and remote communication for quite some time now.

We began coordinating our actions for the prevention of COVID-19 relatively early on. On March 2, when most institutions and offices were still operating under usual procedures, the Presidium of the Chamber of Judicial Officers of Lithuania recommended judicial officers' offices to direct visitors toward solving their issues remotely. This procedure was approved by the Ministry of Justice much later. Therefore, one third of judicial officers' offices began working remotely prior to March 16, when quarantine was declared by the Government. So far, according to the data of the Chamber of Judicial Officers of Lithuania, none of the people in our system were infected with the virus.

Under extreme conditions, there is little or no time for disputes and discussions. However, we were able to edge ourselves into the overloaded agendas of our government representatives and control hastily expressed proposals to suspend debt recovery. Drastic initial proposals to suspend all recovery processes were gradually narrowed down to the idea of suspending only recoveries that are in favour of the State, because "the State can wait". In the end, these proposals were also narrowed down to rational limits, by deciding not to provide relief for indebted persons subject to penalties imposed under administrative and criminal procedure. We are pleased that the Ministry of Justice heard the arguments of the Chamber of Judicial Officers of Lithuania and acknowledged that a hasty decision to suspend an unreasonably large part of recovery processes would harm both the recoverers and the entire debt recovery system. At this time, no one really knows whether it would be possible to restore the system later.

Another task that we managed to complete on time was reorientation towards a proportionate distribution of enforcement documents to judicial officers. As of 1 January 2021, enforcement documents regarding recovery of sums of money will be distributed among judicial officers via the Judicial Officers' Information System according to the established procedures. Such method of submitting enforcement documents will allow all members of the association to "breathe" by protecting smaller firms from otherwise imminent bankruptcy. This is a step of mutual solidarity

without which we would not be able to maintain the existing enforcement system and could not expect any promising activities in the future.

How will we live after the quarantine? The number of concerns will not be any less, but we have been gradually preparing for this future period as well, before even facing the threat of the virus. Directing the regulation of judicial officers' price rates in a rational, non-populist way has always been a very important condition for our survival. And now it is becoming extra important.

The methodology of establishing economically reasonable rates of judicial officers is our tool of managing the chaotic pricing processes. We are preparing it in cooperation with the professional association of lawyers Deloitte Legal. Step by step, datum to datum. We are doing a lot of things for the very first time, the work is hard, although we began preparing the foundations of this methodology as early as in 2005 with the help of consultants of the international consulting company E&Y. At the time, an assessment of judicial officers' rates from an economic point of view was performed under the initiative of the Chamber of Judicial Officers of Lithuania which was the first such assessment in our country. Enforcement costs are structurally linked to the income of judicial officers' offices. But now we must take further steps, since no public authority has so far undertaken to develop such a methodology. Our advantage is practice which always reminds us that no debt recovery procedure is possible without costs. We would like to thank judicial officers E. Miliauskienė, A. Staniškauskaitė, G. Salickas, S. Seleznirovienė and J. Žilinskaitė for their help in collecting data on judicial officer workloads, duration of actions performed, revenue from individual categories of enforcement cases, etc. Once this methodology is in place, we will strive to ensure that it is enshrined in legislation.

State audit "State Functions Entrusted to Judicial Officers and Notaries" which was initiated in 2019 and is scheduled to be completed this year will also influence the regulation of the activities of judicial officers in the future. One of the goals of the audit is to "determine fair remuneration for the work of judicial officers". When audit specialists were gathering the necessary material, we communicated periodically with both auditors and judicial officers to provide the National Audit Office of Lithuania with as much practical information as possible on the untapped

potential of the judicial officers' system and any urgent problems, including the need to implement a methodology for establishing the rates of judicial officers. The auditors themselves chose judicial officers' offices for immediate familiarisation with their activities, but with the mediation of the Chamber of Judicial Officers of Lithuania to ensure that judicial officers prepare relevant enforcement cases in advance. We would like to thank the people working in the judicial officers' offices of A. Naujokaitis, D. Kisielius, V. Meškauskienė and I. Gaidelis, G. Puodžiukas and A. Puodžiukienė, N. Šiugždaitė-Stakeliūnė and D. Stakeliūnas, A. Adomaitienė, R. Budreika, G. Andrijauskienė, A. Selezniovas and S. Seleznirovienė, G. Jonauskas, A. Bložė, A. Lukšienė and L. Lukšis, D. Marčiukaitienė, I. Bakšienė, L. Jankauskas, N. Viešchnickienė, S. Ramanauskas and T. Gerasimovič who have responsibly collected practical examples and communicated with auditors. Even though auditors visited only half of the selected offices, data collected in all of the selected offices is valuable and important. Particular importance is placed on the data provided by all members of the association regarding recovery of debts to the State and taxes paid by judicial officers, because it confirms that our sector adds about 26 million euros to the State budget every year. After the State begins recovering from the pandemic, this contribution will gain even more importance.

Let us hope that no obstacles will prevent us from achieving our goals: to survive the virus pandemic, to survive the upcoming elections, and to establish a methodology for regulating the price rates of judicial officers.

CHALLENGES AND ACHIEVEMENTS OF 2019

Method necessary to regulate the rates of judicial officers

Regulation of judicial officer price rates has a significant impact on the functioning of the enforcement system. Effective enforcement of judgements is not possible when the revenue necessary to keep offices in operation is not ensured. Over the past 15 years, the Chamber of Judicial Officers of Lithuania has been striving to make sure that the set price rates would be economically justified. This need became a priority in 2019 for several reasons. Firstly, the obligation of the Ministry of Justice to coordinate the approved amounts of enforcement costs of judicial officers with the Chamber of Judicial Officers of Lithuania has been abolished in the Law on Judicial Officers

in November of 2018. Secondly, there was a significant increase in the number of regulatory decisions changing the debt recovery procedures and the structure of the price rates of judicial officers, which adversely affect the activities of judicial officers.

We began preparing a method of calculating the price rates of judicial officers in cooperation with the professional association of lawyers Deloitte Legal. This method will be prepared after analysing the workload of judicial officers, the existing tax regulation of judicial officers' activities, the necessary data of judicial officers' activities, and after performing other assessments. The first method preparation stage – data collection was launched at the beginning of 2020. We expect to see the first results of our economic calculations by the end of this year.

Dada from the judicial officers' information system



ALMOST THE COSTS OF A NATIONAL STADIUM

Judicial officers returned to creditors 103,7 million EUR debts: 89,9 million EUR – to private persons, 13,8 million EUR – to public authorities.



THE ENTIRE TOWN - SO MUCH OF THE RELIABLE EVIDENCE GATHERED

3200 times judicial officers stated the facts, helping residents and businesses succeed in resolving disputes or preventing them.



AS MUCH AS THE POPULATION IN KLAIPĖDA AND MARIJAMPOLĖ COUNTIES

459,330 customers were served at the judicial officers' offices. They have been given information on enforcement cases and advice on debt recovery.

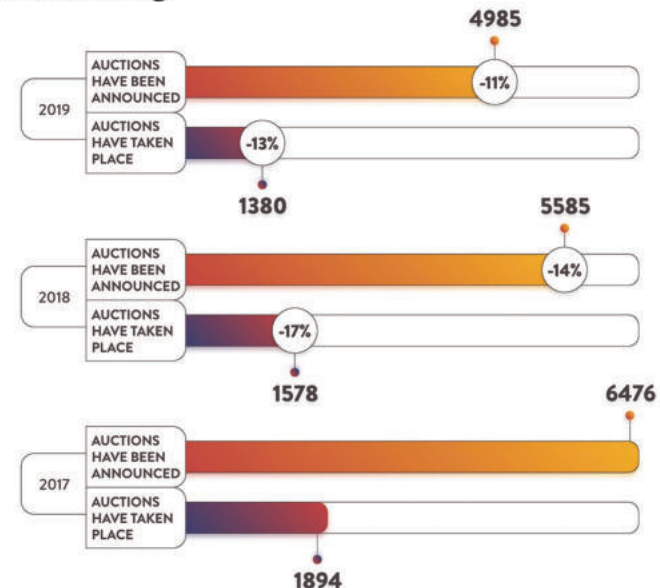
We opened up the e-auction system to a wider circle of participants

Amendments to the Code of Civil Procedure initiated by the Chamber of Judicial Officers of Lithuania became effective in July of 2019, enabling e-auction winners to pledge property that they wish to purchase to a creditor in order to acquire it with borrowed funds. The first bank loans were granted to auction participants at the end of 2019, and the application of such practice became quite common at the beginning of 2020. A more liberal auction procedure has greatly facilitated the acquisition of auctioned real estate. The expanding circle of potential participants enables to sell auctioned property for the highest possible price. At the same time, the interests of both parties to the process are safeguarded better: recoverers have more opportunities to recover debts, and it is easier for debtors to pay their debts and perhaps even earn some money back in the process. The possibility to borrow funds by pledging seized property is one of the most significant improvements in auction procedures since the beginning of 2013 when auctions were moved to an electronic platform under the initiative of the Chamber of Judicial Officers of Lithuania.

The prices of procedures of informing process participants were reduced

Amendments to the Code of Civil Procedure will become effective as of July 2020, implementing proposals of the Chamber of Judicial Officers of Lithuania to simplify the procedure of informing participants in the enforcement process and serve as many documents as possible by electronic means. Pursuant to the amended law, the procedural documents of judicial officers regarding recovery of debts that do not exceed EUR 1000 shall be submitted to process participants via electronic means of communication. In other cases, it will be possible to serve procedural documents by electronic means of communication if this is requested by the process participant. A more flexible procedure of informing process participants will help save time and money for both judicial officers and process participants. According to the old regulation, the procedural documents of judicial officers must be delivered in person against receipt or sent via registered mail.

The number of auctions organized by judicial officers is decreasing



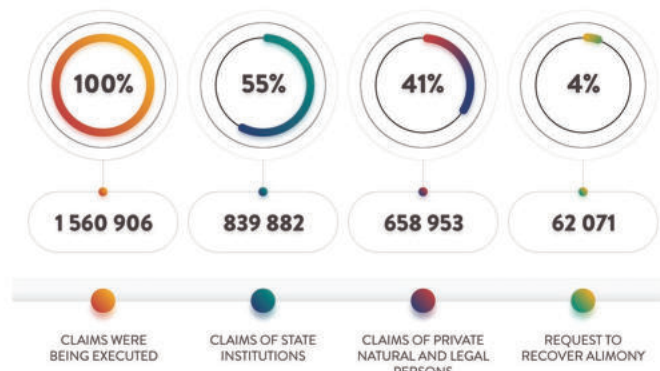
HOW MANY AUCTIONS HAVE OCCURRED PER 1000 DEBT TO BE RECOVERED



- MOST OF THE DEBTS ARE COVERED BY DEBTORS' INCOME.
- THE SALE OF PREPROPERTY AT AUCTION IS RARELY APPLIED MEASURE.

Data from the judicial officers' information system

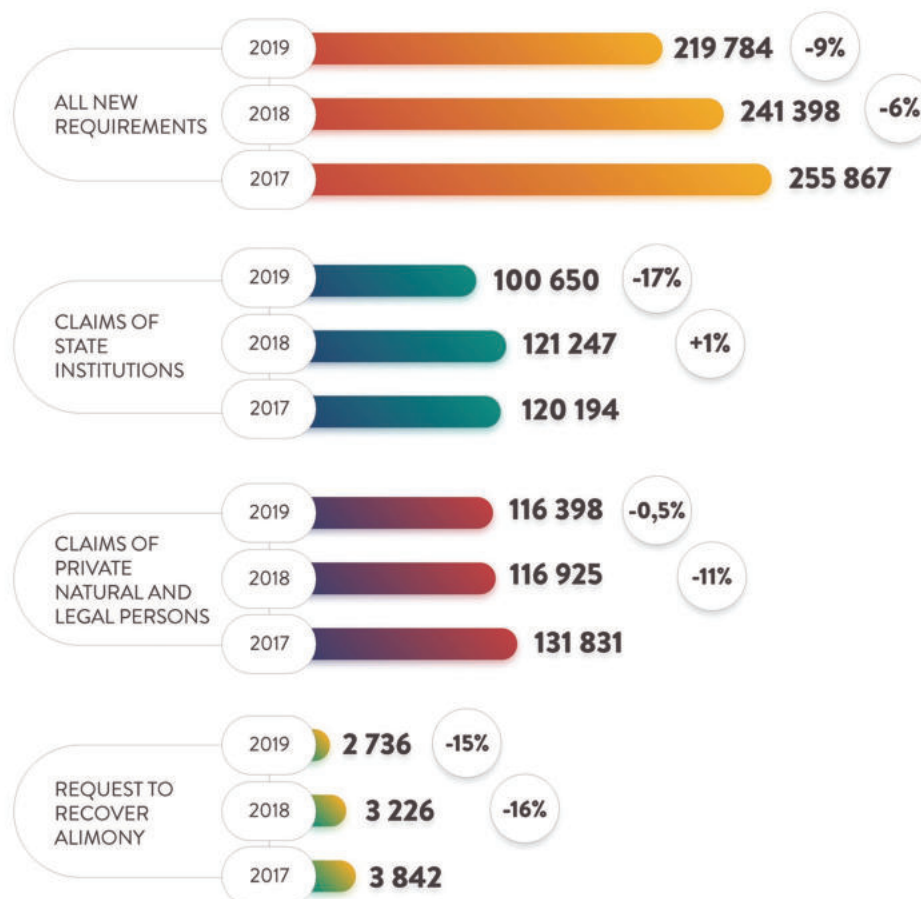
To whom judicial officers help recover debts?



THE AMOUNT OF DEBTS IS RECOVERED 4,25 BILLION EUROS

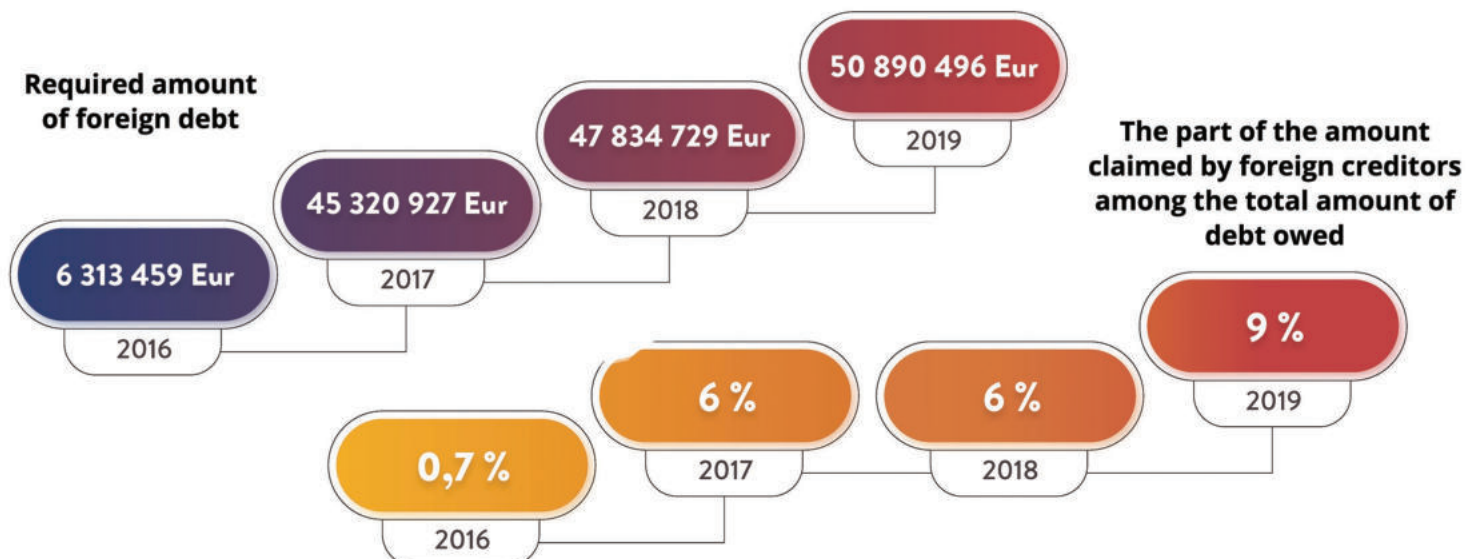
Data of 1st January 2020 from the judicial officers' information system

New debt claims continue to decline



Dada from the judicial officers' information system

Judicial officers most frequently help foreign creditors



Dada from the judicial officers' information system

