



OVER-INDEBTEDNESS AMONG GREEK HOUSEHOLDS

**Outlining the problem
and
tackling with it**

EKPIZO's report and recommendations

Athens, November 2012

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EXECUTIVE SUMMARY

The phenomenal and unprecedented financial crisis Greece has been experiencing for the last four years has resulted in hundreds of thousands of households being unable to repay their debts to banks. This is currently the case not only for those who, in a climate of irresponsible lending by banks, have overestimated their borrowing capacity, but also for thousands of households which, in spite of the fact that they made reasonable use of housing or consumer credit, find themselves today, after the loss of income the financial crisis has caused (salary cuts, pension cuts, rapid rise of unemployment), unable to meet their obligations.

A short overview of over-indebtedness in figures

- According to official 2010 data by the Hellenic Statistical Authority, 21.4% of Greece's overall population is threatened by poverty. The households threatened by poverty are estimated at 901,194 and their members at 2,341,400.
- 25.4% are unemployed (58% of young people of up to 24) whereas in 2009 the unemployment rate was at 9.5% and 25.8% of young people respectively.
- One out of five consumers (22%) is at least 3 months behind in the payments of his/her mortgage, whereas in 2009 the percentage of those falling behind on their payments was a mere 7.4%
- One out of three consumers (38%) has fallen behind in the payments of consumer credit loans and credit cards, whereas in 2009 the percentage of those falling behind on their consumer credit payments was a mere 13.4%
- The minimum salary has been cut by 20% (the salaries of public servants have been cut by more than 30%), according to Bank of Greece data.

The causes of over-indebtedness

Consumer credit deregulation in Greece in the early 2000s has led Greek households to over-borrow, and this was aggravated by easy access to bank credit. The following have been identified as the causes of excessive borrowing by the Greeks:

A) Causes relating to the policy of banks:

- Overwhelming, too attractive, misleading advertisements and promotion strategies.
- Giving out loans of any sort without consideration.
- Lack of competition and unjustifiably high interest rates
- Incomplete information given to the consumer by the bank.
- Non-transparent and abusive terms in bank contracts.
- Repealment of the contract even in case of a short delay.

- B)** Causes relating to the consumers themselves (unexpected events in the debtor's life, such as health problems, divorce, redundancy).
- C)** Causes relating to the Greek State not having drawn up policy and not offering any consumer protection as far as loans are concerned in Greece (poor operation of supervisory mechanisms, inexistent information to consumers regarding the consequences of taking out loans).
- D)** Causes relating to the unforeseeable changes in one's circumstances due to the financial crisis plaguing Greece; these changes, which are by no fault of the debtor, make it impossible for him/her to keep up payments (unusual cuts to salaries and pensions, unemployment, heavy taxation, price increases, etc.)

The issue of over-indebtedness was legislatively dealt with for the first time in Greece by the passing of Law 3869/2010 for settling the debts of over-indebted natural persons.

The law in question introduces a groundbreaking procedure in Greek Law and seeks to give over-indebted consumers a second chance, so that they can manage to become re-integrated in the social and financial life, to make a new start, after they settle their debts and become discharged from a significant part of the said debts. Important features of this law are **(a)** the debtor's discharge in four years, and also **(b)** the -conditional- exception from foreclosure of their main or only home.

This report seeks to give an account of the current state of over-indebted households using official data, to assess and evaluate the implementation of this law so far and to draw conclusions that will help improve it. We would also like to point out the necessity of taking additional measures that will lead to an essential dealing with this problem, which has become an actual scourge.

PART A – INFORMATION ABOUT LOANS TAKEN OUT BY GREEK HOUSEHOLDS

A.1. LOANS TAKEN OUT 2007-2012

According to Bank of Greece official data, the granting of financial products to individuals has gradually been dropping over the last three years. In the years 2000-2009, due to the deregulation of consumer credit, a rapid increase in the granting of loans had been the case. The high point of this increase was the year 2009, when the overall loans granted to individuals reached the sum of 119,635 million euros. In the following year, however, there was a drop in new loan approvals, and this was due to a great extent to the onset of the unprecedented financial crisis plaguing Greece.

Specifically (table I), in 2010, the overall volume of approved loans amounted to 257,846 million euros, of which the sum of 118,120 million euros was granted to individuals, i.e. there was a drop by 1.27%. Then in 2011 the sum was at 248,535 million euros, of which the sum of 113,050 million euros was granted to individuals, i.e., in comparison to the previous year, 5,070 million euros less was granted (a decrease by 4.29%). Finally, until July 2012, 234,334 million euros were granted, of which the sum of 108,406 million euros was granted to individuals, i.e. a further drop by 4.11%.

Table I: Overall loans (in million euros) 2007-2012

| YEAR | TOTAL LOANS | LOANS TO INDIVIDUALS | LOANS TO BUSINESSES | FREELANCERS, FARMERS, SELF-EMPLOYED** |
|-------|-------------|----------------------|---------------------|---------------------------------------|
| 2007 | 215,405 | 104,116 | 111,289 | |
| 2008 | 249,611 | 117,203 | 132,458 | |
| 2009 | 249,677 | 119,635 | 130,043 | |
| 2010 | 257,846 | 118,120 | 123,244 | |
| 2011 | 248,535 | 113,050 | 120,126 | 15,359 |
| 2012* | 234,334 | 108,406 | 112,050 | 13,789 |

(*July 2012)

Source: Bank of Greece, “Statistical Bulletin of Financial Conjuncture”, Issue 145 July-August 2012

As far as the loans to individuals categories are concerned (table II), housing loans were 75,747 million euros in July 2012, i.e. a drop by 5.98% in comparison to their highest value, in 2009.

As far as consumer credit debt is concerned, this was 30,858 million euros in July 2012, i.e. another

drop by 15.3% in comparison to their highest value in 2008.

Table II: Loans to households per category (in million euros), 2007-2012

| YEAR | TOTAL LOANS | % CHANGE | HOUSING LOANS | % CHANGE | CONSUMER CREDIT | % CHANGE | OTHER LOANS | % CHANGE |
|-------|----------------|-------------|------------------|-------------|--------------------|-------------|----------------|-------------|
| 2007 | 104,116 | | 69,363 | | 31,942 | | 2,811 | |
| 2008 | 117,203 | 12.57% | 77,700 | 12.02% | 36,435 | 14.07% | 3,068 | 9.14% |
| 2009 | 119,635 | 2.08% | 80,559 | 3.68% | 36,044 | -1.07% | 3,032 | -1.17% |
| 2010 | 118,120 | - 1.27% | 80,507 | -0.06% | 35,081 | -2.67% | 2,532 | -16.49% |
| 2011 | 113,050 | -4.29% | 78,393 | -2.63% | 32,985 | -5.97% | 1,672 | -33.97% |
| 2012* | 108,406 | -4.11% | 75,747 | -3.38% | 30,858 | -6.45% | 1,801 | 7.72% |

Source: Bank of Greece, “Statistical Bulletin of Financial Conjuncture”, Issue 145 July-August 2012

A.2. LOANS IN DEFAULT

The unfavourable financial conjuncture, the skyrocketing of the unemployment rate, the tax-collection invasion of the Greek state and the continued shrinking of family income, and salary and pension cuts, have all contributed to the vast increase in overdue loans. As it ensues from Bank of Greece published data, the overall loans overdue in 2007 (table III) amounted to 4.5% and followed and upward course in the following years only to reach their high point in 2011, when the corresponding percentage reached 14.7% (an increase of 30.6%).

More analytically, the problem can particularly be pinpointed to consumer credit loans, for which the overdue rate was only 6% in 2007, whereas in September 2011 it reached 26.4%, i.e. more than 1 out of 5 consumer loans were in the red. Housing and business loans appear to be less prone to default, as the relevant percentages reached 3.6% and 4.6% respectively in 2007, and 14% and 13% respectively in 2011. This discrepancy regarding housing loans can be attributed to the fact that they have collateral security, lower interest rates, and banks are more receptive to settling them. In fact, according to a 14/11/2012 article in the Greek daily newspaper “Ethnos”, consumer credit loans overdue reached 38%, and housing loans overdue reached 22%.

Table III: Loans in default (in million euros), 2007-2012

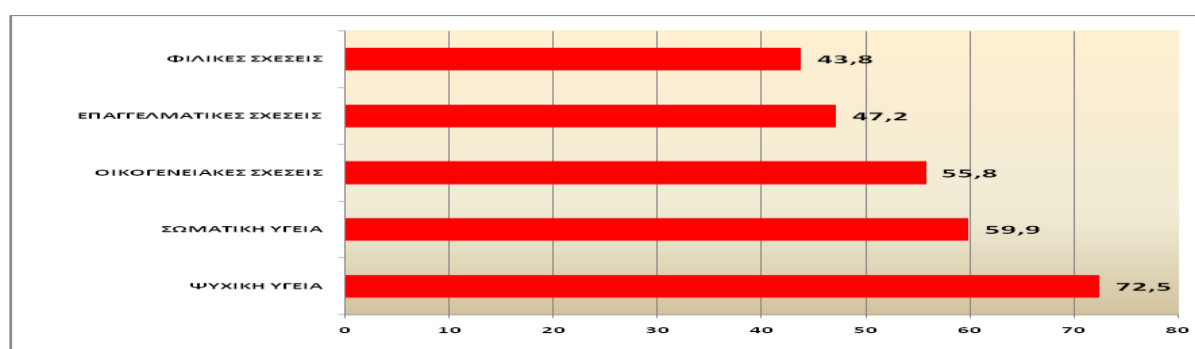
| YEAR | TOTAL LOANS | HOUSING LOANS | CONSUMER CREDIT | BUSINESS LOANS |
|--------|-------------|---------------|-----------------|----------------|
| 2007 | 4.50% | 3.60% | 6.00% | 4.60% |
| 2008 | 5.00% | 5.30% | 8.20% | 4.30% |
| 2009 | 7.70% | 7.40% | 13.40% | 6.70% |
| 2010 | 10.40% | 10.00% | 20.50% | 8.70% |
| 2011* | 14.70% | 14.00% | 26.40% | 13.00% |
| 2012** | | 22.00% | 38.00% | 22.50% |

* September 2011

** Data on the third quarter of 2012 (according to a 14/11/2012 article in the Greek daily newspaper "Ethnos")

Source: Bank of Greece, "Statistical Bulletin of Financial Conjuncture", Issue 145 July-August 2012

As a result of the situation described above, a high percentage of the Greek population, not having serious purchasing power or the ability to escape over-indebtedness, was forced to social and financial exclusion. Indicative are the findings of a sociological study (table IV) carried out over the March-June 2011 period by a team of sociologists who are EKPIZO volunteers, using EKPIZO over-indebted members as a sample; specifically, the state of over-indebtedness was found to significantly affect the respondents' mental health at 72.5%, their physical health at 55.8%, their family relations at 59.9%, the professional relations of the over-indebted at 47.2% and their relations with their friends at 43.8%.

Table IV: Areas in which over-indebtedness affects the debtor's life


Source: EKPIZO study - "Social dimensions of over-indebtedness", 2012

In order to deal with this major social issue, the passing of L. 3869/2010 introduced, for the first time in Greece, a procedure of debt settlement for natural persons and also of their discharge from the debt, following in the footsteps of other European countries.

PART B – THE RECESSION IN GREECE

Yet another factor affecting the smooth repayment of loans by Greek households is the unprecedented financial crisis, which has been plaguing Greek society over the last three years. Specifically, as a result of the recession, the unemployment rate has skyrocketed to levels which are extremely high for Greek standards (Tables V-VI). According to the Hellenic Statistical Authority, in August 2012 the unemployment rate reached 25.4%, whereas youth unemployment for those aged 25-34 is at 32.9%, and for those aged up to 24 it has reached 58%. That is, in comparison to August 2011, the unemployed have increased by 351,666 persons (an increase of 38.4%).

Table V: Employed and unemployed (in thousands), 2007-2012

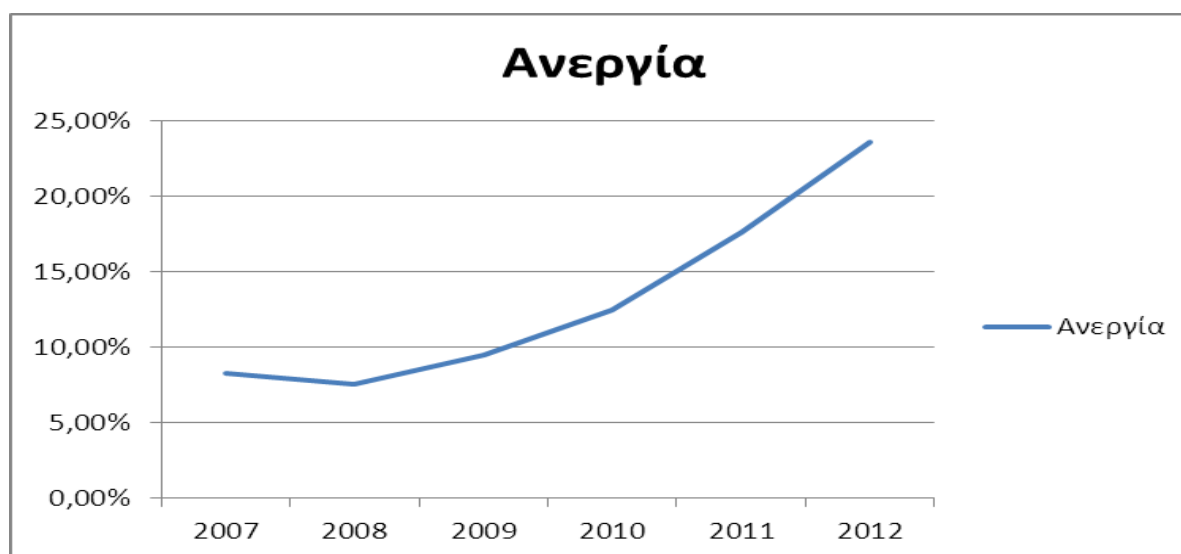
| YEAR | WORKFORCE | EMPLOYED | UNEMPLOYED | % UNEMPLOYMENT |
|--------|-----------|----------|------------|-------------------|
| 2007 | 4,916.80 | 4,509.90 | 406.90 | 8.3% |
| 2008 | 4,937.20 | 4,559.30 | 377.90 | 7.6% |
| 2009 | 4,979.80 | 4,508.60 | 471.10 | 9.5% |
| 2010 | 5,017.40 | 4,388.60 | 628.70 | 12.5% |
| 2011 | 4,967.60 | 4,090.70 | 876.90 | 17.6% |
| 2012 * | 4,961.90 | 3,793.10 | 1,168.80 | 23.6%** |

*July 2012

** According to the Hellenic Statistical Authority, in August 2012 the unemployment rate was at 25.4%

Source: Bank of Greece, "Statistical Bulletin of Financial Conjuncture", Issue 145 July-August 2012

Table VI: Outline of the unemployment rate increase for years 2007-2012



In addition, due to the strict tax-collection measures, the income of the employed, both in the public and in the private sector, as well as of pensioners, have sustained, and are still sustaining, successive cuts (tables VII and VIII). The minimum monthly salaries for employees have now reached the sum of 603.2 euros, i.e. they have been cut by 19.1% against those of the previous year (745.9 euros). It is by the same percentage that the workers' minimum wages have also been cut, as these are currently no higher than 26.49 euros.

Table VII: Change in wages and salaries 2008-2012

| YEAR | WORKERS' MINIMUM WAGE | | EMPLOYEES MINIMUM SALARY | |
|-------|-----------------------|------------|--------------------------|------------|
| | Euros | (%) change | Euros | (%) change |
| 2008 | 30.73 | 6.2 | 687.88 | 6.2 |
| 2009 | 32.49 | 5.7 | 727.17 | 5.7 |
| 2010 | 33.04 | 1.7 | 739.56 | 1.7 |
| 2011 | 33.32 | 0.9 | 745.90 | 0.9 |
| 2012* | 26.49 | - 19.1 | 603.20 | - 19.1 |

*July 2012

Source: Bank of Greece, "Statistical Bulletin of Financial Conjuncture", Issue 145 July-August 2012

Table VIII: Outline in salary change for years 2008-2012



The above problems become aggravated by the gradual increase in living costs in conjunction with the overwhelmingly heavy taxation constantly imposed.

PART C – AN ASSESSMENT OF L. 3869/2010's FIRST YEARS OF IMPLEMENTATION

C.1. PROGRESS OF APPLICATIONS FOR OUT-OF-COURT SETTLEMENT

Pursuant to L. 3869/2010, a prerequisite for the court settlement of the debtor's debts is that the attempt at reaching an out-of-court settlement must have failed. Unfortunately, to this day only five out-of-court settlements have been reached. More specifically (Table X), on the basis of data published by the General Secretariat for Consumers of the Greek Ministry of Development, from September 2010 to September 2012, the number of applications for loan arrangements which have been submitted by natural persons extrajudicially, through the Consumer Ombudsman and Consumer Associations, is 22,220. However, only 5 of them had a positive outcome.

Table X: Total applications and settlements

| | |
|---|---------------|
| TOTAL APPLICATIONS (estimated) | 40,000 |
| NO. OF APPLICATIONS (submitted by the Consumer Ombudsman & other agencies) | 22,220 |
| SUCCESSFUL SETTLEMENTS | 5 |

Source: General Secretariat for Consumers of the Greek Ministry of Development, September 2012

Similar are also the conclusions reached from the data of EKPIZO (table XI); EKPIZO has, as an out-of-court settlement agency, in the period from 01/09/2010 to 14/09/2012, dispatched 28,465 applications for loan arrangements for 7,998 of its members. No settlements have been reached extrajudicially. A small number of cases, i.e. about 100, have been settled; these only concern small debts, and 1 - 2 banks.

Table XI: EKPIZO's out-of-court settlement results

| From 01/09/10 to 14/09/12 | APPLICATIONS | MEMBERS |
|----------------------------------|---------------------|----------------|
| ATHENS* | 21,453 | 5,399 |
| THESSALONIKI | 7,012 | 2,079 |
| PATRAS | | 520 |
| TOTAL | 28,465** | 7,998 |

* The Athens applications also include those of Patras, as the dispatch is made jointly.

** Each debtor owes to an average of 3.56 banks.

Source: EKPIZO, September 2012

Out of the above applications by EKPIZO members, 69.3% concern debtors who own property, and only 30.7% without property.

C.2. REINFORCING THE EXTRAJUDICIAL STAGE OF L. 3869/2010

The above data from the General Secretariat for Consumers of the Greek Ministry of Development, the Consumer Ombudsman and EKPIZO, makes it obvious that, so far, the procedure of out-of-court settlement has not brought about the results that the legislator had initially intended. According to EKPIZO, the reasons why the out-of-court settlement stage has failed are the reluctance of Banks to respond on an individual basis to proposals for an out-of-court settlement, the dispatch of generalised - standardised responses which are not within the spirit of the Law, and the disregard shown to mediation agencies.

In spite of all this, the obligation to try to reach an out-of-court settlement has contributed to reinforcing contact between consumer associations and over-indebted consumers. Through this contact, consumers were trained, not only on matters of over-indebtedness, but also generally, on matters of claiming one's rights. Moreover, the out-of-court settlement stage has helped hold in check applications not meeting legal requirements from being submitted to the courts; it has also acted as a necessary stage of providing information to those over-indebted, of providing them with advice, and of preparing them for the procedure about to follow.

Consequently, despite the very few out-of-court settlements reached, the stage of extrajudicial negotiation constitutes a very significant part of the wider procedure in L. 3869/2010. It is therefore deemed necessary to find ways of legislative reinforcement, so as to truly pursue the resolution of certain cases which do not have to go as far as the courts and burden the latter.

PART D – JUDICIAL PROCEDURES FOR DEBT SETTLEMENT IN L. 3869/2010

D.1. DEBT DISCHARGE PROCESS AND PROTECTION OF THE MAIN/ONLY HOME

In case an attempt at out-of-court settlement, as described in detail above, does not work, then the interested debtor has to go to court, and it is the relevant County Court that undertakes to proceed to a court settlement of his/her debts according to the provisions of articles 4 onwards of L. 3869/2010.

More specifically, at this stage, the Court, after making sure all legal requirements are met, makes the debtor pay his/her creditors a specific sum every month for a period of four years, taking into account his/her income, the capacity of his/her spouse to make a contribution, and the vital needs of the debtor and of the members of his/her family who are his/her dependents. Further, the Court, should they deem this necessary, may order the liquidation of the debtor's liquidable assets, with the exception of his/her main or only residence, provided that a relevant request has been submitted and all legal requirements are met. In this case, however, the debtor must pay his/her creditors up to 85% of the commercial value of the property he/she wishes to protect; this obligation shall be paid through monthly amortising instalments and for a period which may even reach twenty years (article 9 para. 2 of L. 3869/2010).

By the time four years will have elapsed, and on condition that the monthly payments of article 8 para. 2 of L. 3869/2010 are made regularly, the debtor shall be discharged from any existing balance of debt against all his/her creditors (article 11 para. 1 of L. 3869/2010).

D.2. STATISTICAL DATA REGARDING THE JUDICIAL IMPLEMENTATION OF L. 3869/2010

Given that the institution of out-of-court settlement, as it is valid and operates to this day, has not borne the expected results, going to court is essentially a one-way street for the over-indebted consumers who cannot repay their debts and who wish to have the latter settled or even partially stricken out, while preserving at the same time their main or only home.

As it has been almost two years now since the opening of submissions of applications before County Courts, one can now draw useful conclusions to assess the effectiveness of the Law at the stage of court settlement.

According to official data by the County Court of Athens, the overall number of applications of

para. 1 article 4 of L. 3869/2010 submitted throughout Greece since the Law first came to force until 06/09/2012 is 26,869, out of which 6,641 have been submitted to the County Court of Athens.

On the basis of information by the General Secretariat for Consumers of the Greek Ministry of Development, regarding about 5,000 cases discussed until September 2012, 3,000 rulings have been issued, whereas it is interesting to observe that the proportion between positive and rejecting rulings is about 50 - 50%. In addition, it is noteworthy that 80% of the rejections were due to technicalities, and only 20% to substantial reasons. As far as positive outcomes are concerned, only 0.1% of the cases resulted in a total write-off of the debt, whereas in cases of debtors without property, a partial write-off of the overall debt by an average of 60% was ordered.

Table XII: Course of applications: from out-of-court settlement to the Court

| | | | |
|---|------------|---|-----|
| Applications for out-of-court settlement: 40,000 | | | |
| ↓ | | | |
| Applications which have been submitted to the courts: 25,000 to 27,000 | | | |
| 5,000 thereof have been discussed | | | |
| 3,000 rulings have been issued | | | |
| | ↙ | ↘ | |
| | settlement | rejected | |
| 50% | | | 50% |
| Only 0.1% of the cases resulted in a total write-off of the debt | | 10% due to substantial reasons (not within the field of application of the Law) | |
| More than half the cases resulted in a partial write-off of the debt because the debtor owned property (a dwelling) | | 40% for technicalities | |
| The remaining cases resulted in a write-off of the overall debt by an average 60% | | | |

Source: General Secretariat for Consumers of the Greek Ministry of Development, September 2012

D.3. PROBLEMS ARISING FROM THE JUDICIAL PROCEDURE OF L. 3869/2010

In full correlation with the above statistical data, we can pinpoint the following problems arising from the operation of the court settlement of debt of Law 3869/2010 so far:

D.3.1. DELAYS IN TRIAL - NON-AUTOMATIC SUSPENSION OF PROSECUTION MEASURES

Due to how inefficient out-of-court settlement has proven in practice, over-indebted natural persons have resorted massively to court settlement; as a result, the dockets of County Courts have become overburdened, and subsequently the trying of the relevant cases has become extremely long. It must be underlined at this point that the Law provides for the cases in question to be tried within a six-month period from the submission of the application. In practice, however, at the Attiki region County Courts, the court dates given are three and up to six or seven years from application submission, whereas this situation is slightly better as regards the County Courts of rural areas. Moreover, yet another problematic element of the procedure is that the submission of the application at the County Court does not bring about an automatic suspension of prosecution and injunction measures against the debtor. Debtors may only secure this through a petition for interim measures or through the issuing of a preliminary injunction, and these procedures entail extra cost for debtors and further congestion in the work of County Courts. This situation undoubtedly aggravates the uncertainty and insecurity experienced by consumers.

D.3.2. A HIGH OCCURRENCE OF REJECTING COURT DECISIONS

As it ensues from the above statistical data, for 50% of the cases ending up in County Court, rulings of rejection are issued, whereas it is indicative that four out of five rejections have to do with technicalities, and only one in five cases is rejected for substantial reasons. The fact that part of the judges stay too close to the letter is particularly troubling, given that the legislator has deliberately chosen to implement the *ex parte* procedure for the trying of the cases in question, as it offers the enforcer of the law flexibility and great freedom of movement.

D.3.3. COST OF PROCEDURE - RISK OF EXCLUSION OF FINANCIALLY WEAKER CONSUMERS

Going to court to deal with the problem of over-indebtedness is a one-way street for the majority of cases; however, it entails a certain cost. On the basis of an explicit provision in the Law, the

submission of the application court papers and attendance at the County Court do not have to be performed by an attorney; they can be performed by the interested parties themselves. However, practice has shown that the lack of legal representation will inevitably lead to the rejection of the over-indebted person's application. In fact, it is no accident that most rejecting rulings are owned to the "amateurish handling" of the cases by the interested parties themselves. However, due also to the deepening financial crisis, more and more persons belonging to "vulnerable social groups" (the destitute, the long-term unemployed, those receiving small pensions, etc.) are unable to respond even to the lowest of costs for the court procedure, as a result of which they are essentially excluded from the Law in question and are faced with the very real risk of losing their main home. That is, the risk is very real that the debtors who are truly weak may remain unprotected and that the Law may become for them a dead letter.

D.3.4. INABILITY OF DEBTOR TO KEEP UP WITH COURT ARRANGEMENTS - DETERMINING MINIMUM LIVING COSTS

Finally, it is cause for concern whether the rulings issued are viable for the applicant / over-indebted consumer, even in the case that he/she obtains a positive ruling at court. This concern is directly linked to the weighing of the debtor's and their dependants' living costs attempted by the judge in the determination of the monthly payments to be made over the four-year settlement period. The absence of an objective rate of reference which would be binding has been leading to rulings with large discrepancies, the majority of which implement criteria which are too strict, unrealistic and non-viable, essentially rendering the settlement impossible to implement. Moreover, the determination of the payments to salvage the main or only home of the debtor, too, may result in the same impasse. As mentioned above, the debtor is, in this case, called upon to pay his/her creditors up to 85% of the property's commercial value, and this obligation of the debtor's may even last up to twenty years, regardless of the eventually longer contractual duration of the debtor's credits and his/her inability, in terms of income, to respond to the instalment set. It is, of course, provided that the debtor be able to lodge an appeal or submit an application to modify the ruling in case the actual circumstances change (article 8 para. 4); the said provisions, however, on the one hand burden the consumer with further costs and, on the other hand, they do not have a suspension result, i.e. they do not suspend the implementation of the ruling appealed against and to which the debtor must conform unless they want their settlement to be declared void.

ANNEX - EKPIZO'S RECOMMENDATIONS

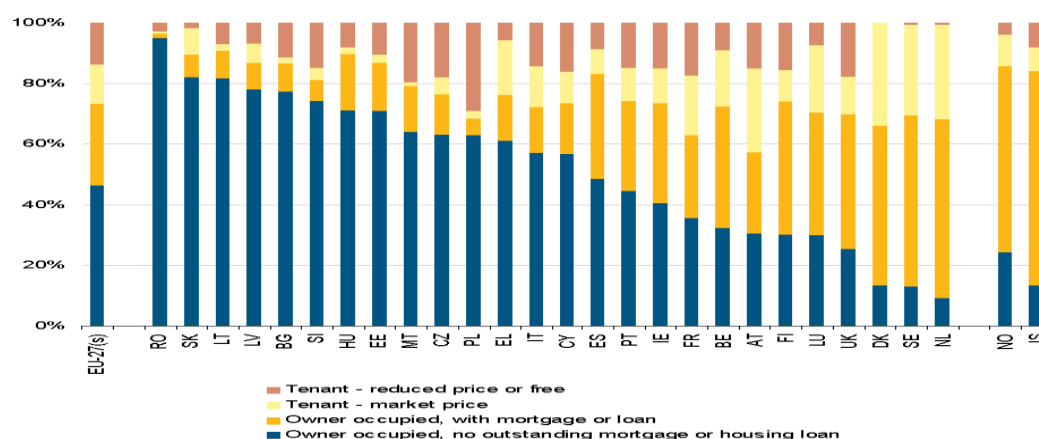
Given the failure of out-of-court settlement, the huge volume of cases ending up in County Courts, and the distant court dates given, as well as the constantly aggravated financial crisis plaguing the Greek society, EKPIZO, using as a reference point the more than 9,000 cases of its over-indebted members (to whom it provides, as an accredited out-of-court settlement agency, legal as well as psychological support), recommends the following measures:

1. SUSPENSION OF AUCTIONS FOR AT LEAST 3 YEARS

This measure will offer relief to the vast majority of the over-indebted and of consumers in general. The 3-year period will provide an opportunity for actual dialogue between the over-indebted and banks, to help debt settlements out-of-court function without the threat of loss of the property for the over-indebted, and also without the danger of it becoming liquidised at very low prices, which would be to the detriment both of the creditors, who do not manage in this way to collect the debt, and to the detriment of the over-indebted, whose property is thus liquidised at prices much lower than its actual value. It should be noted that the protection of homes in Greece is a matter of the utmost importance, given the high percentage of owner-occupied property as compared with Western Europe countries. As shown in the EUROSTAT table below, owner-occupied property in Greece was, in 2009, at 78%.

Table XIII: Ownership of main home in the Eurozone countries in 2009

Figure 6: Distribution of population by tenure status (% of population), 2009



Source: Eurostat: "Housing conditions in Europe in 2009"

2. IMPROVING ON L. 3869/2010

2.1. The procedure of out-of-court settlement

As mentioned above, the stage of out-of-court settlement has not brought about the desired results. However, using as a reference point its positive contribution to consumer education, and in conjunction with the need to decongest the courts, the out-of-court settlement stage ought to be reinforced even further. For example, during the procedure of the out-of-court settlement, a compromise can easily be reached in cases where the over-indebted do not own any property, or in cases where they are unemployed. This procedure can be reinforced by forcing the banks to appear, by representative or proxy lawyer, when invited to do so by the agency assigned with this task, at a set date and time, and to proceed to specific proposals, so that a discussion can take place with a view to reaching a compromise.

Given that the attendance of the two interested parties alone (the banks and the over-indebted) shall not be sufficient, and that the mediation of a third party (a trustee) shall be required, the institution of the Amicable Settlement Committees of the Municipalities could be used to this effect, or, alternatively, the Bank of Greece could take on this role. The first option (Amicable Settlement Committees) offers the advantage that, as an institution, these have been in place for years now, that the procedure for their operation has already been provided for in the Law, and that, whenever and wherever it was involved, it made a positive contribution to dealing with consumer complaints.

2.2. Extension of the repayment period to protect the main home

From EKPIZO's long experience it ensues that, due to the aggravating financial crisis and the constant shrinking of family incomes, debtors shall not be able to keep up with court settlements involving payments over a period of no more than 20 years, and shall thus find it difficult, in practice, to salvage their home.

For this reason, and because the main objective of the law is to settle the debts of over-indebted consumers and also give them the privilege of protecting their main home, EKPIZO recommends that the repayment period be prolonged even beyond 20 years, provided that the debtor's age permits this or provided that a longer duration is stipulated for the loan contract, and in any case for up to 40 years. With this amendment, in cases of debtors of a younger age, lower instalments shall be possible, and thus the debt settlement plan shall be realistic to keep to.

2.3. Setting off the payments made after the submission of the application before the County Court.

Given that court dates to examine settlement applications at County Courts are set at an average of three years later, and in order to keep the time of completion of the payments from drawing out too long, and also to encourage the over-indebted to make payments to the banks in the meantime, we recommend an explicit provision in the law to set off any payments made by the over-indebted, from the submission of the application up to the trial thereof and up to the issuing of a ruling, against the payments that the Court will eventually order. This will contribute to completing the over-indebted citizen's payments plan sooner, and to bring about his/her definitive discharge from the remaining balance thereof in a shorter time. Thus, he/she will manage to become re-integrated in the social and financial life without any debts to burden them.

2.4. Automatic suspension of prosecution measures

EKPIZO deems it necessary to establish an automatic suspension of prosecution and injunction measures against the debtor as soon as his/her application is submitted and until the ruling settling his/her debts becomes final. This will help decongest the Courts, and also exert pressure on the parties for an extrajudicial resolution of these cases. It is exactly because of the delay in trial and appeal that we deem it necessary to suspend these measures until the finalisation of the ruling. We also deem it advisable to suspend the payments that the Court rules in the first instance if an appeal is lodged against this ruling.

2.5. Changing L. 3869/2010 to include merchants and small business owners

According to the existing article 1 of this Law, the settlement procedure for private debt only includes the natural persons who do not have the option to file for bankruptcy. It thus seems that those who carry out commercial activity for profit are excluded from the provisions of this law, even if they do not take particularly high business risk, and regardless of the kind of loans they may have taken out, i.e. even for housing loans. Therefore, persons who carry out commercial activity through their own work, and who primarily do so to earn their living, find themselves unable to settle their debts and protect their main home.

As, according to official EUROSTAT data, there are 750,000 self-employed business-owners in Greece, EKPIZO deems it necessary to extend the implementation of this Law for over-indebted households to include merchants and small business owners, so that they, too, can settle their debts to banks and manage to protect their first home.

3. DEBT WRITE-OFF AND REDUCTION OF INTEREST RATES

Apart from the above recommendations, which concern the settlement of the affairs of natural persons already over-indebted, we recommend the following steps with a view to preventing, for one thing, the creation of a new large group of over-indebted natural persons (i.e. people who have jobs, and who are faced with the extraordinary taxation measures and with the increasing cost of life and who have so far just about managed to keep up with their loan payments) and, for another, with a view to helping decongest the County Courts from the hundreds of thousands of applications expected to be submitted. This will benefit all (banks, debtors and courts). It cannot be that, under the current circumstances, negotiations should be carried out between the interested parties (banks and debtors) in the light of the same interest rates and forever aiming at profit maximisation. And indeed, it cannot be that, under the current circumstances, anyone should realistically expect the households still keeping up with their loan payments to manage to pay out in full their obligations without the slightest reduction.

It is therefore deemed necessary to take the following measures:

- a.** The renegotiation of contracts in purely housing loans must be at the current interest rates. In loans characterised as housing ones and having collateral security (concentration of debts from consumer credit loans and credit cards), we can see that these have high interest rates of 6.5% or more, which is why it is necessary to reduce these to the current average fluctuating or fixed interest rate as set by the Bank of Greece.
- b.** Interest rates in consumer credit must be reduced, so as not to exceed the legal transactional interest rate. Excessive interest rates are one of the causes that have led natural persons to over-indebtedness, and the only way to deal with this is by reducing them. Let it be noted that interest rates in Greece remain among the highest in the Eurozone countries and exceed by far the European average, both in housing loans and especially in consumer credit products, as it also ensues from the comparative table below:

Table XIV: Interest rates for new loans in Greece and in the Eurozone

| | New loans with a fluctuating interest rate or with a fixed one for up to one year | | | | New loans with a fixed interest rate for over one year and up to five years | |
|--|--|-----------|-----------------|-----------|---|-----------|
| | Housing Loans | | Consumer Credit | | Consumer Credit | |
| | Dec. 2010 | Jan. 2012 | Dec. 2010 | Jan. 2012 | Dec. 2010 | Jan. 2012 |
| GREECE | 3.65 | 3.98 | 10.27 | 8.76 | 8.21 | 10.16 |
| AVERAGE INTEREST RATE IN EU | 2.78 | 3.5 | 5.16 | 5.63 | 5.95 | 6.58 |

Source: Bank of Greece, "Monetary Policy 2011-2012", March 2012

c. Write-off of remaining balances from loan contracts and credit cards, on condition that the overall payments of the debtor for the duration of the contract have exceeded 150% of the initial capital.

d. The overall sum of the monthly payments must not exceed 25% of the debtor's income (with the exception of very low incomes and on condition that a decent living standard is secured for the debtor and his/her family), and the overall repayment period must not exceed 40 years and the debtor's or guarantor's 80th year. Any balances outstanding from the debt after the implementation of this measure are to be written off.

e. The State granting low-interest loans to allow for the full payment of small high-interest debts (following in the footsteps of the Netherlands).

f. Protection of one's bank account from seizure up to the sum of 3,000.00 euros.

g. An interest-free period of grace for the unemployed.

4. CREATION AND OPERATION OF A DEBT COUNSELLING NETWORK

It is suggested that this network should operate with the assistance of municipalities and of consumer associations and that it should provide households with financial advice (prevention stage) as well as with legal and psychological support for those over-indebted (keeping-in-check stage), following in the footsteps of EU member states such as Belgium, Ireland, France, the Netherlands, etc.