



## Enforcement

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Enforcement is a procedure whereby an enforcement creditor, with the help of a court or a notary public enforces the collection of its claim.

### **What happens when debts prevail**

Enforcement of the monetary funds of an enforcement debtor (in this case, a consumer) is conducted by the Financial Agency (FINA), and it is conducted on all the accounts and time deposits held by enforcement debtors in credit institutions. The procedure is conducted in accordance with the personal identification number of the enforcement debtor and without his/her approval. However, there are exceptions, so income, fees and amounts exempt by law cannot be enforced and the enforcement debtor can dispose of such funds freely. One should take care, however, that the conditions for opening a special account are met, so that the exempt funds are fully protected in case where an enforcement procedure has been initiated.

If you have failed to reach an agreement with your credit institution or the measures for easing repayment have not resulted in debt collection/recovery, and in the situations where the credit institution was not able to get in touch with you or where you refuse repayment, it is highly probable that your due and payable debts will be subject to involuntary collection in an enforcement procedure.

### **Activities preceding an enforcement procedure**

The enforcement procedure is preceded by termination of agreement (if the total debt is not fully due) and the actions that a credit institution may use to reduce due debt without your prior consent (guarantee deposit, activation of an insurance policy, collection from funds - agreed instruments of collateral, etc.).

### **Enforcement action initiation**

Enforcement procedure is initiated based on a writ of enforcement - a promissory note and/or agreement creating a lien (mortgage) on movable and/or immovable property and it may also be initiated based on a bill of exchange or a credible document evidencing your debt.

Enforcement based on a promissory note involving monetary funds is conducted by the Financial Agency (FINA), while enforcement based on lien assets is conducted in a court proceedings based on the applicable provisions of the Enforcement Act.

When conducting enforcement of monetary funds, it is necessary to distinguish between:

1. enforcement conducted by the employer or the Croatian Pension Insurance Institute (CPII) based on a previously signed approval on salary or pension attachment; and
2. enforcement of the monetary funds conducted by the Financial Agency (FINA) based on the creditor's order.

And while the employer, or the CPII, may conduct enforcement of regular monetary funds such as salaries and pensions only, FINA may conduct enforcement of all the accounts of the enforcement debtor,

with the exception of the funds in a special protected account.

**Note:** All transaction accounts and time deposits of nationals of the Republic of Croatia are registered in the Unified register of accounts, an electronic database of accounts kept by FINA. All these accounts may be subject to enforcement for the purpose of debt collection. Exempt from enforcement are funds amounting to 3/4 of the enforcement debtor's salary, but no more than 2/3 of the average net salary in the Republic of Croatia, and if the salary is below average, the 2/3 of the salary amount may not be enforced. Where enforcement cannot be executed in entirety due to insufficient funds in the account, credit institutions receive FINA's order on blocking of all the accounts of users and prohibition of the use of time deposits.

**IMPORTANT:** Following receipt of the writ of execution, in the case of income exempt by law from enforcement, if you have not sufficient funds in the current account for the execution of the writ of enforcement, you may open a special account for future inflows of such protected funds which you may dispose of only in the operating units of the credit institution in which you have opened such a protected account.

### **Enforcement based on a promissory note**

In the cases where a credit institution does not have an agreement on lien on assets or where the collection based on instruments of collateral is not sufficient to cover the entire debt, and if you have, when negotiating any form of borrowing, given to the credit institution a promissory note, the credit institution has the right to initiate an enforcement procedure based on the promissory note as a writ of enforcement of the identified property in your ownership.

The enforcement procedure of the property may be terminated by withdrawing the proposal for enforcement and sale of liened assets and taking over of the liened assets by a credit institution in cases where the credit institution decides that it is in its business interests.

**Note:** In the cases of sold or ceded property, the acquirer of the property (buyer of property or credit institution) is authorised to initiate a property vacation procedure if the property is inhabited, so as to be able to use of it freely.

### **Sale of accounts receivable**

Credit institutions may also make use of the sale of accounts receivable to legal persons authorised for such an activity. It is important to remember that following such a sale, your contractual relationship with the credit institution is terminated and that collection measures taken afterwards are exclusively within the competence of the buyers of such receivables.

**IMPORTANT:** The credit institution is obligated to notify you in advance of any such sale of your receivables and ensure that the buyer of your receivable provides you with the same level of protection as the one provided to you while you were in a contractual relationship with the credit institution.

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