

Debt Mediation

Debt mediation is intended for people who have debts and can no longer meet their payments. A debt mediator settles an arrangement with the creditors and creates a repayment plan. The debt mediator:

- 1 **contacts the creditors** to ask details about the debts incurred.
- 2 investigates the **validity** of the commitments between debtor and creditors.
- 3 helps the debtor to set up and carry out a **realistic repayment plan**.

If the debts arise from a **consumer credit**, debt mediation in Flanders may only be carried out by **accredited institutes for debt mediation**, such as a Public Centre for Social Welfare (in Dutch: OCMW) or a Centre for Social Work (in Dutch: CAW). Lawyers, bailiffs and notaries are also allowed to carry out debt mediation, but their services are not free of charge.

Debt mediation can also be used in case of a larger debt burden which is less invasive than a collective debt settlement.

Collective debt relief

The collective debt relief is a **judicial procedure for structural debt problems**. In Dutch it is called the 'Collectieve Schuldenregeling' (or CSR). The aim is to pay off debts as far as possible while guaranteeing the debtor a **life in human dignity**.

To this end, the debtor submits a **request** to the court for admission to the CSR. Upon admission, a debt mediator is appointed. From then on, **all of the debtor's income is deposited on the account of the assigned debt mediator**.

Debtors are entitled to a **decent living allowance**. Unlike budget management, this allowance must be used to pay for all expenses. The exact level of

this decent living allowance is not determined by law, but there is a garnishment limit (part of the income that cannot be used to pay off debts). With permission of the debtor, the living allowance can temporarily be reduced, with the living wage (increased by child benefits) being the absolute minimum.

On the basis of the remaining income, the debt mediator **negotiates with the creditors** and prepares a repayment proposal. The debt mediator will divide the money among the creditors.

The CSR **protects the debtors** by stopping the creditors from adding any interests or other charges and seizing the debtor's their possessions. After CSR, which generally lasts for a maximum period of 7 years, debtors are debt free again.

CSR is a **far-reaching procedure**. The financial autonomy of debtors is severely limited. They have to ask their debt counsellor's permission for every expense that does not cover basic needs. At the start of the procedure, the labour court can decide to sell their car or house. Furthermore, CSR is not for free. Therefore, it should always be considered carefully whether this is the most appropriate solution.



This fact sheet was written in collaboration with **SAM vzw**.



More information can be found at www.eerstehulpbijschulden.be (in Dutch)