

NEW LEGISLATIVE BILL ON PERSONAL CREDIT MANAGEMENT AND DEBTOR PROTECTION PASSED BY NATIONAL ASSEMBLY

- The new law establishes grounds to protect individual debtors when they accrue overdue debt payments.
 - It allows individual debtors to request debt restructuring directly from financial institutions, reduces the burden of interest payments on overdue debt and restricts excessive debt collection practices.
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The Financial Services Commission announced that a new bill on personal credit management and individual debtor protection was passed by the National Assembly during a plenary session held on December 20.

The new legislation establishes a legal ground for individual financial institutions to provide debt restructuring on their own to individual debtors, alongside the public sector-driven debt restructuring process currently made available through the Credit Counseling and Recovery Service (CCRS) and the court system. This legislation, therefore, helps to promote individual lending institutions in the private sector to offer debt restructuring or settlement to debtors.

The new law aims to protect the rights and interests of debtors and helps to minimize social costs by assisting debtors to regain their footing and preventing larger defaults. Under the new legislation, first, individual debtors who borrowed less than KRW30 million in loans and accrued overdue payments will be able to directly request for debt restructuring or settlement from their creditor financial institutions. Once requested, the creditor financial institution should halt debt collection and notify its decision about the availability of debt restructuring to the debtor within ten business days. Second, the new law will upgrade the ways in which interest payments are calculated on overdue loans to help to ease the burden and psychological pressure placed on debtors who have borrowed less than KRW50 million in loans. Third, the new law restricts excessive debt collection practices to ensure that debtors are able to continue to live free from fears of debt collection. The total number of debt collection attempts will be limited to seven times over seven days. Individuals can make a request not to be contacted at certain hours or via certain contact methods.

The new law on personal credit management and debtor protection is expected to take effect nine months after promulgation (possibly in October 2024). The FSC will closely work with the related authorities and organizations to prepare subordinate statutes and introduce best practice guidelines.

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