

Debt Collection in the Czech Republic

Doing business in the Czech Republic brings also a need of having at least basic knowledge of the principles of Czech legal proceedings, especially the civil procedure focused on the procedure of debt collection.

According to the Czech law (Act. No. 99/1963 Coll., the Code of Civil Procedure), the procedure of debt collection is ordinarily comprised of several steps.

Firstly, there are **preliminary steps** that could or, in some respect, should be taken before doing the next step – the judicial recovery of debts.

In case that a debtor has not paid his or her debt on due date, the creditor usually sends him/her one or more dunning letters requesting payment. However, there is no legal creditor's obligation to do so. If the creditor intends to be later successful not only in the matter of the case, but also by awarding the compensation of costs, he is obliged to send to a debtor a special letter with a request for payment before filing a legal action. This letter must be served to a debtor in the period of not less than 7 days before filing the legal action and must contain a warning thereof.

An absence of this special letter results in not awarding the compensation of costs in the following court procedure, although the debtor may be successful in the matter of the case.

Secondly, if the preliminary steps do not lead to payment by the debtor, the next step will normally be to sue the debtor before the respective district court, i.e. it comes to **the procedure of judicial recovery of debts**.

The respective court can act and make decision either through **the simplified procedure** or through **the ordinary court procedure**.

The court acts and decides the case by the simplified procedure, i.e. by a payment order, if the legal action is filed in order to collect a financial debt and the creditor's right to payment clearly follows from facts claimed in the legal action. The court issues the payment order without hearing a debtor and can do it also without a previous creditor's request.

In the payment order is set down a period of 15 days from its delivery to the debtor, in which the debtor is obliged to pay his or her debts or to make a protest (appeal) against it.

The payment order has the same legal effect as the ordinary court decision.

There are also other types of payment orders: (i) Electronic payment order; (ii) European payment order and (iii) Cheque (or bill of exchange) payment order.

In other cases the court acts and makes decision by the ordinary court procedure. For hearings and making decisions in the first instance the district courts are generally competent. The claim size is basically not of importance.

Regional courts are competent for hearings and making decisions in the first instance in such special cases as:

- (i) legal disputes over founding business corporations;
- (ii) legal disputes between business corporations or between its partners;
- (iii) legal disputes over liquidation of a business corporation or over execution of the function in the corporation ;
- (iv) legal disputes over transformation of business corporation;
- (v) legal disputes in connection with a purchase of a part of a business corporation.

Otherwise the regional courts are competent for making decisions in the second (appeal) instance. Final court decisions become naturally legally enforceable.

As for time line, it is good to be aware that it is very difficult to predict the time horizon for legal proceedings in the Czech Republic, but usually it takes 2 - 3 years to get the final judgment.