

Basic information relating to authorisation to service non-performing credit

1. Introduction

On 1st May 2024, the new **Act No. 84/2024 Coll., on the non-performing credit market** (hereinafter the "Act"), came into effect, transposing Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers.

2. Servicing non-performing credit

A prerequisite for servicing non-performing credit is a licence granted by the Czech National Bank. A list of persons who may service non-performing credit as an entrepreneur is provided in the Act in Section 4:

- a bank,
- a credit union,
- a foreign bank and an authorised financial institution,
- a non-bank consumer credit provider,
- a non-performing credit servicer, and
- a foreign non-performing credit servicer having its registered office in another Member State.

3. Submission of an application for authorisation to operate

The Act makes it possible for a person who, prior to the date of effect of this Act, was authorised to service non-performing credit on the basis of a trade licence, to carry out this activity on the basis of this licence until 29 June 2024. If they submit an application for a licence to operate as a non-performing credit servicer within this period, they may service non-performing credit even after the expiry of this period on the basis of their previous authorisation until the decision on their application comes into force.

Acceptance of an application is subject to an administrative fee of CZK 20,000.

The activity of a non-performing credit servicer is reserved only for legal persons that meet the specified licensing conditions. One of the prerequisites is a functional governance system that must ensure proper and smooth servicing of non-performing credit, procedures to ensure compliance with a borrower's rights and compliance with the rights and obligations of the lender pursuant to the non-performing credit agreement. The governance system must include:

- a) sound administrative and accounting procedures,
 - b) an internal control system,
 - c) rules on compliance with obligations related to the fight against money laundering and terrorist financing,
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- d) rules for dealing with a borrower,
- e) a system for handling borrower complaints and claims.

If the non-performing credit servicer handles funds received from a borrower as part of their activities, another prerequisite is to set rules for the protection of such funds.

4. Change in information

In the event of a material change in the information provided in the application for a licence to operate as a non-performing credit servicer, on the basis of which the licence was granted, the non-performing credit servicer must notify the CNB of such change without undue delay. Such notification may only be submitted electronically.

5. Termination of authorisation

The conditions for termination of authorisation are regulated in Section 9 of the Act, and authorisation will terminate on the date:

- a) of the dissolution of the non-performing credit servicer;
 - b) when a decision on the bankruptcy of the non-performing credit servicer becomes final, or
 - c) when a decision on the revocation of authorisation to operate as a non-performing credit servicer becomes enforceable.
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