

AMENDMENTS TO LIMITATION PERIODS FOR RECEIVABLES IN BULGARIA

Recent amendments to the Bulgarian Contracts and Obligations Act (“COA”) introduce a substantial change in the local framework governing the limitation periods for receivables.

It is worth indicating that, as it stands now, Bulgarian law provides for a general five-year limitation period for most receivables, i.e., as a matter of principle with the expiry of five years, unless the elapsing of the limitation period has been suspended or interrupted in the meantime, a claim is considered time barred and thus a creditor loses the right to enforce it legally.

There are certain receivables that are subject to shorter limitation periods, e.g., receivables under employment contracts, claims for damages and contractual penalties related to contractual breach, and payments of a periodic nature such as leases and interest.

In view of potential suspensions and interruptions of limitation periods, it may occur that the enforcement of certain claims goes on for dozens of years, with respective proceedings being pending during that time, and the limitation period may be virtually endless in certain circumstances.

In such context, the Bulgarian parliament passed a new wording of article 112 of the COA whereby an “absolute limitation period” was introduced, i.e., receivables from natural persons would be subject to a ten-year limitation period irrespective of any interruptions of the limitation period. The rule described shall start to apply from 3 June 2021 onwards, including with respect to existing claims.

There are several important aspects that should be highlighted in regards to the rule.

First, the rule only applies to claims against natural persons, and thus it does not concern receivables from companies, which remain governed by the existing regime.

Second, the amendment introduces a number of exceptions, and with respect to such claims the ten-year absolute limitation period would not apply, e.g., receivables from the commercial activity of sole traders and natural persons active in non-personalized joint ventures, tort and unjust enrichment claims, allowances, and salaries and compensation under the Labour Code.

Further, the new rule of article 112 of the COA will not apply to cases where a receivable has been postponed or deferred. Whether a receivable has been postponed or deferred may not be very clear in certain circumstances where acts of the creditor or both sides in a relationship might be interpreted as implied agreement with such effect, but it remains to be seen how this provision will be applied in practice.

PETERKA PARTNERS

THE CEE LAW FIRM

To sum up, while the scope of the application of the new of the COA is narrower than what it seemed at the time of the public discussions before its adoption, it is still an important change to the local legal landscape in Bulgaria and it is recommendable for creditors to bear in mind that in the future their more proactive conduct in terms of collection and enforcement efforts would be required in view of preservation of their interests with respect to particular claims.

This article was prepared by Mr. Plamen Peev, Partner and Director of the PETERKA & PARTNERS Sofia office. It reflects the status as of 10 December 2020. This article is for informational purposes only and may not be considered a legal opinion or advice.