

# Sector organisation NVVK and debt rescheduling in the Netherlands

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## Sector organisation NVVK

The NVVK is a sector organisation of financial service aids founded in 1932, by municipal credit banks. As an association we represent our 100+ member organisations who provide voluntary debt restructuring under the Debt restructuring by municipalities Act (*Wet gemeentelijke Schuldhulpverlening, Wgs*) the help is called Msnp (*minnelijke chuldregeling natuurlijke personen*). They are nowadays municipalities, social banks, trustees, legal guardians and other financial services providers with a social purpose. We represent a wide variety of organizations. Some with a legislative assignment to provide voluntary debt restructuring. Almost all (about 95%) of voluntary debt restructuring is provided by or on behalf of municipalities that are part of our association.

## Unity in execution

We developed an sector-quality-framework (*NVVK Kwaliteitskader*) for organisations. As sector we made a 'promise to the debtor' (*NVVK Belofte*) and translated this into uniformity in debt rescheduling since the law does not provide us with one. The quality mark is among others inspired by the European Foundation for Quality Management (EFQM) excellence model and is a self-assessment framework for measuring the strengths and areas for improvement of an organisation across all of its activities.

The *Kwaliteitskader* provides creditors with a certain amount of assurance for quality and uniformity in file handling. Uniformity in file handling is provided by:

- Agreements with creditors (called: *convenanten*). With the foremost creditors (government, energy companies, healthcare, housing companies, ect.), that's 80% of the total debtors in file and the agree up front with a voluntary payment arrangement;
- Social credit (saneringskrediet) as payment up front. Creditors don't need to wait for 36 monthly payments but are paid up front. Debtors are left with one creditor; the social credit bank of their municipality. Average repayment rate is >99%. Default is covered by a government issued fund (the *Waarborgfonds*);
- Efficient, safe and digital communication (the *Schuldenknooppunt*); all communication is digitalized and even a system-to-system link is a possibility to make communication between debtor and debt counsellor most effective.

## Debt rescheduling in the Netherlands

1 in 5 households in the Netherlands has problematic debts.<sup>1</sup> Since help is voluntary, the first step is asking for help. There are two types of debt restructuring:

- Voluntary debt restructuring under the Debt restructuring by municipalities Act (Wet gemeentelijke schuldhulpverlening, Wgs), which is called Msnp (minnelijke schuldregeling natuurlijke personen);
- Statutory debt restructuring under the Natural Persons Debt Restructuring Act (Wet schuldsanering natuurlijke personen, Wsnp).

Research shows that the average waiting time for asking for help is around 5 years. Therefore 'vroegsignalering' (early-signs) is introduced in the Wgs. The most common debtors (healthcare insurance, housing companies, utilities) are required to send a signal of 'non-payment' to the municipality. They are obliged to actively offer help to residents by – for example – making house calls. When you apply for or accept the offer for voluntary debt restructuring, a debt counsellor will help you. Debt counsellors are appointed through municipalities, social services or a specialist company. They help you find a solution for repaying your debts with your creditor or creditors. This is called a voluntary payment arrangement. You apply for this to your municipality. These are around 20.000 cases per annum and slowly rising.

When voluntary debt restructuring fails first a judge can provide a compulsory settlement as a solution. As you request a compulsory settlement you can also apply for admission to the statutory debt restructuring under the Wsnp. As the compulsory settlement fails an admission to the Wsnp is an option.

Both types of procedures result in a form of clean slate after meeting your obligations. In Msnp the clean slate only affects the creditors in the settlement.

## NVVK goals facing the future:

We are facing a big change. The statutory repayment period for statutory debt settlements (*schuldsaneringen*) will be reduced from 36 months to 18 months. This legal change means that the voluntary arrangement of debts will also be halved in time. For debtors this provides a faster perspective to a debt free life. Creditors will receive only half of what was expected and in return municipalities are bound to offer help and guidance for a debt free and financial stable future.

In the **next few years** we want to invest in:

- Helping more people; with help from the ambition of the national government the goals are to triple the amount of voluntary debt restructuring by 2030. As a base the image of financial aid must improve. A 'fastlane' to help is being developed. More connection with creditors through agreements (convenanten). We are focusing on better digital solutions to improve collaborations between creditors and aid providers, thereby reducing processing times (doorlooptijden). Where necessary, we develop custom solutions for specific focus groups, such as small business owners, youth or ex-delinquents.

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<sup>1</sup> That's about 1.6 million households in the Netherlands.

- Providing faster and more sustainable solutions: taking debtors by the hand to prevent them from not asking for help. By working on the principle of 1 debt, 1 deal, 1 channel, we strive towards more uniformity in the whole sector. A less complex way of working has benefits for aid providers, debtors and creditors. We are committed to a rapid form of debt-rest (schuldenrust) for debtors as well as ease and clarity for creditors. To achieve sustainable solutions, we also need to develop a better follow-up assistance (nazorg). That is currently an underdeveloped and costly intervention, without much proof of success.
- Increase accessibility and professionalization of debt advisors by further developing the quality framework and working on personal certification. And by giving financial aid providers more of a focus to counselling.

In the Netherlands, just as in other European countries, the faith in the government decreases. There is even more resistance to ask for help because of a government failure in the social security system (toeslagenschandaal). Thousands of lives were ruined by the government, institutional racism was proven to be one of the main causes.<sup>2</sup>

We, and our member organizations, feel we have a great part in **rebuilding trust**. The aim is to ensure that people dare to ask for help quickly so that problems do not escalate unnecessarily. The percentage of non-asking is now 30%. We contribute decreasing those numbers.

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<sup>2</sup> [Dutch childcare benefit scandal an urgent wake-up call to ban racist algorithms - Amnesty International and Parliamentary question | The Dutch childcare benefit scandal, institutional racism and algorithms | O-00028/2022 | European Parliament \(europa.eu\)](#)