



SUCCESS STORY

For Kosovo's Debtors, Bank Accounts Are No Longer Safe Havens

Software now allows courts to enforce judgment and prevent fraud



Isa Shala, a private enforcement agent

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May 2018 — Debtors in Kosovo can no longer rely on favors and personal connections to evade payment, and banks are now held liable for debtor accounts, thanks to enforcement through automation that virtually eliminates opportunities for corrupt behavior.

Kosovo’s Bank Account Registry managed by the Central Bank of Kosovo continuously maintains updated information on the nearly 2.5 million bank accounts in Kosovo’s commercial banking system. A simplified feature added to the registry’s software helps prevent fraud and ultimately addresses corruptive practices.

USAID, through its [Contract Law Enforcement](#) project, helped upgrade the Bank Account Registry (BAR) software and integrated it to a fully automated method of enforcement of judgments against debtor bank accounts. Under the upgraded system, enforcing entities such as private enforcement agents and court enforcement clerks – must use the online portal to enforce against bank accounts. USAID also trained judges, court enforcement personnel, and private enforcement agents to use the registry and, for the first time, they were provided with access to account information.

When a bank is notified of an enforcement order issued by the court or private enforcement agent through the registry, the bank is legally required to block all of the debtor’s bank accounts within one hour. The debtor is then prevented from withdrawing or transferring funds to different accounts or from opening new accounts with other commercial banks in Kosovo until the full amount owed is transferred to the creditor’s account or the enforcement order is withdrawn.

Since January 2016, over 6,500 judgments have been enforced against bank accounts through the bank registry account, resulting in the recovery of over 3.86 million euros (\$4.4 million).

In the past, enforcing judgment orders was a time-consuming process that facilitated corruptive practices. Enforcement agents had to meet face-face with bank representatives, often multiple times. In some instances, banks ignored enforcement orders, hid bank accounts from the courts and other enforcement bodies, and advised clients to transfer funds to different accounts or withdraw all funds, leaving nothing to seize.

This behavior had a chilling effect on the business enabling environment. Creditors were denied recourse to recover debts while millions of euros were held hostage. Businesses also hesitated to enter into commercial transactions because of mistrust in the enforcement system. Some businesses were forced to cease operation and others abandoned plans for expansion and growth.

The business community's confidence in the judicial system, particularly relating to enforcement of commercial rights, is crucial to promoting competition and attracting both foreign and domestic investment.

"It's a step forward in reforming the enforcement system in Kosovo. Courts finally have an efficient and effective mechanism for enforcement against bank accounts," said Isa Shala, private enforcement agent and a former judge of the Court of Appeals.

The Central Bank of Kosovo oversees commercial banks and has the authority to impose fines, from 200 to 5,000 euros (\$230-\$5,800), if the banks fail to comply with legal and regulatory requirements.

Automated enforcement of judgments against debtor bank accounts helps to strengthen the enforcement of contracts and protect commercial interests – one aspect of USAID's Contract Law Enforcement activity, which runs from 2013 to 2018. The project is designed to increase confidence in rule of law and to increase robust, durable economic growth in Kosovo.