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What should you do to prevent falling into debt?

General recommendations

- Buy with money that you have saved. If you need to take a loan, get all the needed information from your bank and compare the loan conditions of various other banks.
- Keep track of your regular income and expenses and make sure they are balanced. If possible, have financial backups for unexpected expenses.
- Keep proof of all payments and receipts. Never give out the **original contracts**.
- **Never sign a loan agreements which you don't fully understand!** Bring an interpreter or take the agreement home and read it thoroughly. Do not sign a contract if it has tens of pages, if it contains any incomprehensible abbreviations or if it is written in fine print! These contracts are typical for loans provided by **non-bank financial institutions**. Their conditions may sound better, but they can be very risky in the end.
- **Do not borrow money to pay off your debts.** If you are having financial problems you may tend to accept unfavorable conditions and you will have difficulties in paying off yet more loans. Some banks can arrange debt consolidation, which means they will group several loans into one and extend your payment plan.
- Always take your time to make a decision; do not let anybody force you to make a quick decision when you want to make a purchase or take a loan.
- There are companies in the Czech Republic that take advantage of people in financial distress. Providing loans and collecting debts, even relatively small ones, is a source of easy profit for some companies, regardless of your income!
- If you have financial problems do not bury your head in the sand. Try to negotiate with the creditors. You still have some options and possibilities to solve your problems before court proceedings and collection actions begin. Once a court gets involved and makes a decision you will have to accept the decision and the final effect will be much tougher on you.
- Penalties, fees, fines, court fees or collection fees are often quite high and can be more than the original debt itself. If you pay your debt with only the minimum required payments, the payments first cover penalties and fines, while delayed payment charges keep increasing and the **total debt is not decreasing, or is even increasing**.
- Official notice: **even if it is not delivered to you** (if you do not pick it up or if you refuse to accept it) it is considered as being delivered and the countdown to when the decision comes into effect starts!

If you find yourself in financial distress please contact the counseling centers of **Centrum pro integraci cizinců (more at www.cicpraha.org)** or specialized counseling centers for people in financial distress:

Občanské poradny – <http://dluhy.obcanskeporadny.cz/>

Poradna při finanční tísni – www.financnitisen.cz

For further information look at: www.cicpraha.org/infoservis

Centrum pro integraci cizinců, Kubelíkova 55, 130 00 Praha 3, Tel. /fax: (+420) 222 360 452, Email: info@cicpraha.org

Central Bohemia Region Counseling Centre, Centrum pro integraci cizinců, Zahradní 46, 280 02 Kolin, Tel.: + (420) 312 310 322

In the fliers dealing with the financial problems topic we used materials and sources of the organization "Asociace občanských poraden".

While the content of this leaflet is believed to be correct as of the date of issue it should be only considered informational in nature.



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FINANCIAL PROBLEMS – TERMINOLOGY

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DICTIONARY – how to understand the terminology of financial distress

- Debtor** _____ A person who has borrowed cash or purchased something on credit, or a person who has an unfilled obligation to pay.
(*dlužník*)
- Collection Action, Execution** _____ Enforcement of a Final Verdict which has become enforceable (výkon pravomocného rozhodnutí). Examples of enforcement are the attachment and auction or forced sale of your property, repossession, confiscation of cash and income deductions.
(*exekuce*)
- Warrant of execution** _____ An order to carry out the execution. If you are confronted by an executor he/she must present an execution order (with an official round stamp) and the court's decision to carry out the execution.
(*exekuční příkaz*)
- Enforcement title** _____ A Final Judgment of a court which can be put into effect (enforced). The collection action is based on this judgment. Also a finding of state administration or municipal authorities, decisions about tax arrears (deficits) or health and social insurance premiums arrears. The execution (collection) is carried out based on the enforcement title.
(*exekuční titul*)
- Mortgage** _____ A long term bank loan which is used to purchase real estate or to rebuild a house or flat. The loan is secured by a lien; the bank has the right to take or sell the property if an obligation is not met.
(*hypotéka*)

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MINISTERSTVO VNITRA
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Authorized overdraft _____ (kontokorent)	A short term loan offered by the bank as a part of an account. The client can take a loan (kontokorentní úvěr) by overdrawing the balance on her/his account (the bank loans the money) up to an agreed limit. See also payment cards.	Promissory note, I.O.U. _____ (směnka)	Commercial, negotiable paper wherein one party makes an unconditional promise in writing to pay a sum of money. Upon negotiating a loan you may be asked to sign a promissory note guarantee (záruka směnkou) in case you are not able to pay off the loan. Signing a promissory note is very tricky – if the creditor submits the promissory note in court, the court immediately decides in the creditor’s favor. In such case the court does not consider your rights as they pertain to the loan; it only examines the validity of the promissory note as such.
Usury _____ (lichva)	Providing loans at excessive interest rates. According to the Czech law usury is a crime.	Payment plan _____ (splátkový kalendář)	You can apply for a payment plan in case you have problems repaying the debt. You can negotiate an agreement with the creditor about the installments and their due dates. This agreement may differ from the original contract.
Court fees _____ (náklady řízení)	The costs of the legal proceedings. The court decides who must pay the costs, usually the debtor. Check the decision of the court to know if and when you can appeal the decision about the costs of the legal proceedings, if you think that the costs are too high.	Income deductions, wage garnishment _____ (srážky ze mzdy)	Your employer makes income deductions based on the decision of a court, a forensic executor or a tax authority. The income deductions can reach an amount where the debtor is left with only what is known as an “unseizable minimum”, which is defined by the law.
Countercheck _____ (odpor)	Type of a legal request to change the decision of the court to issue a court ordered payment.	Co-debtor _____ (spoludlužník)	A person who shares the liability for a debt. She/he is in the same position as the debtor. The creditor can claim payment from the co-debtor without having to try to claim it from the debtor first (which would be the case with a guarantor).
Personal bankruptcy _____ (osobní bankrot)	Elimination of unsecured debt. It must be approved by a court and the debtor has to file for bankruptcy in court.	Consumer financing _____ (spotřebitelský úvěr)	Financing provided to private persons and households for the purchase of consumer goods or services. It is usually for loans over 5,000 CZK.
Judgement Creditor _____ (oprávněný)	A term used for the creditor in court decisions.	Loan repayment _____ (umoření)	Paying the debt totally or partially, a reduction of the debt.
Penalty, late fee _____ (penále)	This is similar to interest on late payments, it is calculated as a percentage of the debt on a per day basis. The term “penalty” is usually used by state institutions such as health insurance companies, tax collection authorities or the social security administration. You can apply for a late fees pardon after you pay your debt. The institutions will take your reasons into consideration and may waive the late fees.	Debt collection letter _____ (upomínka)	A reminder to the debtor that she/he did not pay their debt and an appeal to pay.
Payment cards, bank cards _____ (platební karty)		Interest Rate on a Loan _____ (úrok z půjčky)	Percentage of how much more is needed to repay the loan. For the lender it is the income from money lent, for the borrower the pay for using of someone else’s money.
Debit card _____ (debetní platební karta)	Debit cards provide access to money in your personal bank account. They do not allow you overdrafts.	Late Payment Interest _____ (úroky z prodlení)	A type of penalty incurred for not making payments on time when due. The interest on late payments is higher than the interest on the loan. The higher rate is usually a part of the loan agreement. It is calculated as a percentage of the principal for every day that the debt is past due. If the late payment interest is not a part of the loan agreement the creditor will use a rate defined by law.
Credit card _____ (kreditní platební karta)	Payment cards which create a revolving account – this account grants its owner a line of credit which can be used up to an agreed limit and must be paid back by a due date.	Bank loan _____ (úvěr)	Funds provided by the creditor to the debtor. The debtor is obligated to repay the loan by the due date. This due date is specified in advance. There are many types of bank loans defined by law - consumer financing, mortgages, business loans, etc.
Court ordered payment _____ (platební rozkaz)	The decision of a court made in a simplified proceedings. It is issued without the participation of the debtor. The debtor is ordered to pay the debt and legal fees within 15 days of the rendering of the decision. The debtor may file a countercheck (odpor) against the decision.	Creditor _____ (věřitel)	The lender or lending entity. It can be a private person, a bank or a non-bank financial institution.
Outstanding debt _____ (pohledávka)	The amount which is owed by the debtor and claimed by the creditor. It includes the loan itself, interest, penalties and the creditor’s eligible collection costs.	The Enforcement of the Verdict _____ (výkon rozhodnutí)	Execution (see above).
Judgment Debtor _____ (povinný)	The term for the debtor used in legal proceedings. It is the party that is obligated to pay.	Exclusion complaint _____ (vylučovací žaloba)	If the collector includes in the list of collected items some assets which do not belong to the debtor, but to his/her relatives or other person, the real owner of such assets can file a complaint to exclude these assets from the collection (vylučovací žaloba); this must be done within 30 days from the time this person learned about the collection.
Delay in payment _____ (prodlení)	A situation when the debtor does not pay by the agreed due date, see late payment interest (úrok z prodlení).	Call-up, Payment Notice _____ (výzva)	A letter that reminds the debtor to pay the debt or fulfill his/her obligations. It is similar to the debt-collection letter.
Final debt-collection letter _____ (předžalobní upomínka)	A notice in which the debtor is reminded that he/she has past-due payments (is late with payments) and which informs her/him that if she/he does not pay a lawsuit will follow.	Collateral _____ (zástava)	Property which is used to secure the loan in case the debtor fails to pay the debt. It can be real estate or other assets.
Additional fees _____ (příslušenství, „částka... Kč s příslušenstvím“)	This is the way the debt is summed up in the court decision. It includes the interest, late payment interest, late fees and the creditor’s attorney’s fee. This is may not be a final amount; it will keep increasing until the debt is paid off. It does not include the execution (collection) costs, which are dealt with separately.		
Registry of debtors _____ (registr dlužníků)	It registers paid and unpaid debts and provides information about the debtors.		
Annual percentage rate _____ (RPSN, roční procentní sazba nákladů)	Sum of all the costs and expenses which the debtor must pay on a particular loan.		
Guarantor _____ (ručitel)	A person who contractually binds herself/himself to assume and pay the debtor’s debt in case the debtor is unable to repay or stops repaying.		