

BANKRUPTCY OF INDIVIDUALS IN UZBEKISTAN: THE NEED TO IMPLEMENT AND POSSIBLE LEGAL MODELS

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Abstract

The article substantiates the relevance of introducing the institution of personal bankruptcy in the Republic of Uzbekistan. Foreign legal models are analyzed, key issues related to the absence of such an institution are identified, and recommendations are made for the formation of national legislation, taking into account the socio-economic conditions of the country.

Keywords: Bankruptcy, individuals, insolvency, debt restructuring, Uzbekistan, legislative model.

Introduction

Legal regulation of bankruptcy in the Republic of Uzbekistan today covers only legal entities and individual entrepreneurs. At the same time, the growing debt of the population to banks, MFOs, and individuals requires the creation of a mechanism that allows citizens in difficult financial situations to undergo debt relief procedures provided they behave conscientiously. The adoption of the Law "On Insolvency" in 2022 marked the beginning of the formation of a legal framework for regulating the bankruptcy of individuals in Uzbekistan, which corresponds to international trends in this area.

The inability to satisfy creditors' claims for monetary obligations and (or) fulfill one's obligations for taxes and fees in full, if the relevant obligations and (or) obligations for mandatory payments have not been fulfilled by the debtor - a natural person within three months from the date of their occurrence, and if the claims against the debtor - a natural person constitute at least two hundred times the basic calculated value, are signs of the debtor - a natural person's insolvency.¹ Since 2017, there has been an active development of consumer lending in Uzbekistan, with no legal mechanisms for resolving crisis situations for debtor citizens. This leads to a number of negative consequences:

- inability to "zero out" debts in a hopeless situation;
- growth of the shadow economy and debt dependence;
- increasing social and psychological risks among the population.

Developing a mechanism for the bankruptcy of individuals would provide a legal basis for

¹ Закон Республики Узбекистан, от 12.04.2022 г. № ЗРУ-763



balancing the interests of the debtor and the creditor.

The adoption of the Law "On Insolvency" in 2022 was the first step in shaping the legal mechanism for settling citizens' debts, however, provisions regarding individuals require further refinement.

According to N.V. Lopayeva, the effective implementation of bankruptcy procedures requires a clear distribution of roles among the participants in the process, especially the bankruptcy trustee, which is also confirmed by the practice of foreign countries.²

Different countries implement their approaches to the bankruptcy of individuals:

- The Bankruptcy Code provides for two main forms - liquidation (Chapter 7) and reorganization (Chapter 13), which allows for consideration of the debtor's financial capabilities.³
- Germany: the debtor must follow the established payment plan for six years, after which they can be released from the remaining obligations.⁴
- Russia: Since 2015, there has been a law on the bankruptcy of citizens, including both judicial and out-of-court procedures for persons with debts up to 500,000 rubles without disputes.⁵

These models reflect a flexible approach and a focus on protecting the debtor's minimum social standard while preserving the interests of creditors.

At the legislative level, the foundations for the bankruptcy procedure of citizens have already been laid, in particular, from 2023, articles regulating the insolvency of individuals came into force.

When forming national legislation, we can consider a hybrid model that includes the following elements:

- Restructuring of debts for a period of 3-5 years with judicial or extrajudicial support;
- Liquidation bankruptcy - in cases of complete impossibility of payment in the absence of valuable property;
- Conscientiousness of the debtor as the main filter of admission to the procedure;
- Digitalization of procedures, including automated application submission and public bankruptcy registry.

Among possible risks:

- mass dishonest statements aimed at avoiding obligations;
- high workload on judicial bodies;
- the need for financial education of the population and training of specialists.

In this regard, it is recommended to implement pilot programs in stages.

Conclusion

Considering the socio-economic challenges facing Uzbekistan, the introduction of the institution of personal bankruptcy seems timely and necessary. Based on foreign experience, the republic can develop an adapted model focused on social protection of the population and fair resolution of debt disputes. This will increase the stability of the economy and the legal protection of citizens.

² Лопаева Н.В. Правовое регулирование банкротства хозяйствующих субъектов. — Ташкент: Ташкентский государственный юридический университет, 2008.

³ U.S. Bankruptcy Code. Title 11 of the United States Code.

⁴ InsO – Insolvenzordnung (German Insolvency Act), 1999.

⁵ Федеральный закон РФ от 26.10.2002 № 127-ФЗ (ред. от 29.12.2020) «О несостоятельности (банкротстве)».



The adaptation of international experience in regulating the bankruptcy of individuals to the conditions of Uzbekistan requires taking into account the specifics of the national economy and legal system, as well as the gradual implementation of procedures taking into account possible risks and restrictions.

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