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THE FUNCTION OF THE NATIONAL DEBT REGISTER IN COUNTERACTING PAYMENT GRIDLOCKS IN POLAND

Global crisis resulted in insolvency of numerous companies and undermining trust in the banking sector. The effects shall be visible soon. In the modern world many countries are facing economic breakdown. Optimists, though, claim that in Poland the crisis is not that severe, as it is in other countries. However, the latest results of conducted research show that the scale of indebtedness in Poland increases month by month. Outstanding obligations of consumers and entrepreneurs from all-over Poland amount to PLN 70.33 billion. In fact, it is 12.1% more than in February 2009 [*Complex Debt Report 2009*]. Debts at risk of the Banks constitute over 50% of the total amount of indebtedness of the Poles. According to the database of the National Debt Register these are men, who definitely dominate among the indebted consumers, constituting 67% of all the debtors. As far as both sexes are concerned, these are mostly persons between 26 and 45 years of age, who often fail to pay off their liabilities. On the basis of recently conducted research we can notice decreasing evaluations concerning financial standing of Polish enterprises. More and more frequently they have to give credits to their contractors. For over 70% of Polish enterprises outstanding debts, which are in their portfolio, constitute a barrier for their conducting business operations [*Complex Debt Report 2009*].

As a result of increasing payment gridlocks enterprises lose their ability to fulfil their obligations in due time. Loss of financial liquidity on a national scale may contribute to the slowdown in economic growth and to numerous bankruptcies. According to the author's experience, the economic information exchange system, which is currently being developed in Poland, shall decrease payment gridlocks for entire economy and improve financial liquidity of enterprises. Economic information bureaus play a significant part in the above-said process. Bureaus operate by virtue of the Access to Economic Information Act dated 14th February, 2003 [“Ustawa z dnia 14 lutego 2003...”]. It creates the new quality for Polish economy, as on the

basis of this Act public registers are being established, which collect, store and disclose economic information. Adoption of that legal document constituted an answer to the growing problem of liabilities unfulfilled in due time by entrepreneurs and consumers.

The Access to Economic Information Act defines the term of economic information. This term refers to the specified scope of data that an entrepreneur shall deliver to the economic information bureau, and this bureau provides access to the said information to other entities in the market. The database of the bureau contains both the negative information, concerning an indebtedness of an entrepreneur or consumer, as well as positive information, concerning the fact of fulfilling obligations in due time. Bureau shall not store and disclose other information, than resulting from the contents of the Access to Economic Information Act.

The purposes for establishing economic information bureaus in Poland are the following, first of all: maintaining payment discipline and making both economic entities as well as consumers fulfil their liabilities in due time. Failure to pay for the goods sold or for the services rendered may result in transferring the information concerning the said indebtedness to the relevant economic information bureau. Secondly: entering a particular unreliable customer into the public debtors register increases a chance to recover outstanding debts, due to the fact that no entity would like to appear in the public debtors register. Thirdly: verifying information concerning a potential customer within the database of the Bureau shall minimize the risk of concluded transactions. The three purposes mentioned above determine the existence of economic information exchange system in Poland. How does this system work? We may illustrate this by the following example. A particular company (a creditor) renders services or sells goods to a contractor with deferred payment date. That contractor (a debtor) does not pay the issued invoices and therefore a creditor delivers to that debtor a request for payment, in which the customer is informed about the creditor's intention to enter him into a database of economic information bureau, unless the debtor settles his debts. However, the debtor, despite the warning, still fails to pay for the rendered services or for the purchased goods. Then the creditor enters the debtor into the debtors' register. Upon the request of the creditor the bureau notifies the unreliable customer that he has been entered into the Polish debtors' base. From that moment the dishonest contractor may be facing problems during his operating in the market even for the period of 10 years. Debtor searches for another contractor, with whom he might initiate cooperation. The company, which the debtor turned to, is among the customers of economic information bureau. The company verifies information concerning the said contractor within the register of the bureau. A report is delivered to the company, which says that this contractor is in arrears with payments against other companies. Debtor receives a negative answer concerning cooperation or else the terms and conditions, upon which an agreement is concluded between the company and the debtor, are far less favourable for the debtor.

Information in the database of economic information bureau is being stored for the period of 10 years from the date of being entered. Debtor, who pays off his indebtedness in full, shall be deleted from the register within 14 days. Numerous entrepreneurs as well as consumers are being motivated to pay off their indebtedness, because then their negative history is being completely deleted from the debtors' register. Creditor, upon entering an unreliable customer into the database of the Bureau, at the same time motivates the debtor to pay off his liabilities. It is enough for a consumer to have an indebtedness amounting to PLN 200 and for an entrepreneur to have an indebtedness amounting to PLN 500 to be entered, as a dishonest customer, into the Polish debtors' register. Debtor, prior to being entered into the register, shall be notified by a creditor, at least a month beforehand, that information concerning his indebtedness shall be transferred to the economic information bureau.

According to the author's experience, economic information exchange system in Poland, in which economic information bureaus play a significant part, may function quite well, provided two conditions are met. The first condition is the following: enterprises operating in all sectors and within the territory of the whole Poland shall cooperate with the economic information bureau. The second condition is the following: economic information database shall be reliable, systematically extended and completed with recent data from the market. In Poland only one bureau meets both conditions.

Actually, there are three economic information bureaus in our country, and these are the following: InfoMonitor, Europejski Rejestr Informacji Finansowej (European Register of Financial Information) and Krajowy Rejestr Długów (National Debt Register). 51% of the Poles believe that the National Debt Register is the most famous institution collecting information about debtors in Poland – according to the recent research results.¹ Only 4% of the Poles surveyed mentioned other economic information bureaus. In fact, there is only one economic information bureau that counts in the market – this is the National Debt Register. Such a significant position of the National Debt Register results from the fact that this bureau develops dynamically and conducts numerous social as well as educational activities within the territory of the whole Poland. Thus it plays a significant part in the process of creating economic information exchange system. This opinion is based upon the experience of the author, who has been dealing with the sector of economic information bureaus from the very beginning, when the Access to Economic Information Act was adopted, and who has been participating in numerous conferences, trainings, meetings and implementations.

The mission of the National Debt Register is to protect entrepreneurs against unreliable contractors and to render services based on the global standards. The

¹ Research conducted by the TNS OBOP on December, 2008.

purpose of the National Debt Register is to create information exchange system concerning reliable and unreliable economic entities and consumers. The National Debt Register has already been operating in the market for 5 years and during that period it became a meaningful element of the Polish economic sector. This company, due to persistent realization of its purposes, may hold the position of the leader in the market and influence the shape of economic information exchange system in Poland. Among the institutions that cooperate with the National Debt Register are the following: banks, leasing companies, factoring companies, telecommunication companies, power, gas, and heating consortia, housing cooperatives, small and medium-sized enterprises from all sectors.

The above-mentioned data originate from research conducted upon the request of the National Debt Register as well as from statistics kept by the bureau. Those data are worth mentioning, as they indicate the significant part that the National Debt Register plays in the process of economic information exchange. According to the status as of 30th April 2009, the National Debt Register contains over 700 thousand of debtors. Through the whole period of operation of this bureau entrepreneurs cooperating with it recovered over 3 billion PLN. In 2008 alone the National Debt Register provided access to over 2 million of reports concerning payment reliability of consumers and entrepreneurs.

The largest number of companies, using the services rendered by the National Debt Register, are located in the following voivodships: Mazowieckie – 24%, Wielkopolskie – 12%, Śląskie – 10%, Dolnośląskie – 9%, Małopolskie – 8%, Łódzkie – 7%, and Pomorskie – 6%, that is in the best economically developed regions of Poland, within the territory of which the majority of enterprises operate [The National Debt Register 2009].

Information concerning entrepreneurs' liabilities is being entered into the register by companies and institutions from all sectors, both big corporations and small and medium-sized enterprises. The majority of indebted enterprises are located in Central Poland, that is 37%, and the smallest number of indebted enterprises is in Eastern Poland – 9%. This division, like in case of customers of the National Debt Register, results from differences in economic development of the country, and the number of indebted enterprises is the derivative from the number of enterprises registered within a particular region. The National Debt Register, extending Polish economic information exchange system, aims at enabling enterprises and institutions from all voivodships to enter data concerning debtors.

The National Debt Register plays also an important part in maintaining payment discipline and making debtors fulfil their liabilities. According to the conducted research 58% of debtors, having received a request for payment with a warning concerning a possibility of entering them into the database of the bureau, finally pay off their debts. Yet, 27% of debtors pay off their debts after being

entered into the database and after reception of a warning concerning their entering into the debtors' register [The National Debt Register 2009].

Entrepreneurs participating in economic information exchange shall be able to freely deliver information concerning indebtedness of unreliable customers to the bureau as well as to verify information about a potential consumer or entrepreneur in the database. Therefore, the National Debt Register created a modern computer system providing the opportunity to use the services rendered by the bureau through websites and electronic data exchange protocols. Upon entering information to the database of the National Debt Register the correctness of data is being verified. As a result, entrepreneurs may use all computer services safely. Documented safety policy is consistent with guidelines of the GIODO (Inspector General for Personal Data Protection), binding ISO standards, as well as with internal procedures of administration, service and designing. The National Debt Register, under safety policy conducted, developed the rules and procedures binding while information processing, as follows: physical protection of computer system; protection of data against unauthorised access; maintaining continuous data processing.

The National Debt Register, creating economic information exchange systems, conducts social actions, aiming at promoting ethics in everyday life and indicating that it is necessary to pay off debts in due time. "Wielkie wiosenne sprzątnięcie długów" (great spring clearing of debts) is a special campaign which assists small and medium entrepreneurs in counteracting payment gridlocks. Once a year, in the Spring, every small, family-owned enterprise may enter debtors into the register at no cost. In that way the database of the bureau is being complemented with valuable information from the market. Very often the said information refers to the biggest companies in Poland, which do not settle their payments in due time towards their smaller business partners. Social action "Wykrywacz gapowiczów" (fare dodgers detector) is a campaign addressed to the public sector of urban transport. Every year many cities in Poland have to deal with multimillion debts, resulting from fines that were unpaid by fare dodgers. Within the means of public transport there are special stickers located, informing passengers about the consequences of travelling without a ticket. In fact 22 cities in Poland have already been encouraging the Poles to pay fines. Other transporters in Poland have followed urban transport. Social action "Wykrywacz niepłacącego lokatora" (non-paying tenant detector) is a campaign addressed to the housing sector. Housing cooperatives receive a free sticker "non-paying tenant detector" from the National Debt Register. The said sticker shall be located in every staircase, on notice boards or in lifts. It contains information about consequences of not paying rent. Over 900 housing cooperatives on the territory of the whole Poland joined this action. In Poland incomplete families raise over 1.66 million of children, among them over 1.5 million of children are being raised by lone mothers. It constitutes over 15% of all children in

our country. Lone parents constitute over 25% of all Polish families with children. The majority of them should be supported by the other parent paying alimony, adjudged by the relevant court, for the children that they raise. However, only 12% of parents receive adjudged child support. Effective recovery of non-paid child support in 2007 took place only in 3.51% cases. Meanwhile, in countries of the Western Europe recovery of child support from parents avoiding this obligation is over twenty times higher: in Italy it is 80%, and in Germany or in the United Kingdom – 90%! Under the campaign “Everyone will find out...” social welfare centres were delivered special posters and post cards which shall be sent to child support debtors to remind them about their obligation to support their children and inform about the consequences in case of their failure to do so. Every person, non-paying their child support debts in accordance with binding provisions of law, shall be entered into the database of economic information bureaus.

Moreover, the National Debt Register plays a significant part in the sphere of education. Entrepreneurs need to become aware of benefits resulting from functioning of the economic information exchange system and their part in this process. Therefore, the bureau initiated the project called “Akademia Krajowego Rejestru Długów” (National Debt Register Academy). The purpose of this Academy is to share knowledge and experience between entrepreneurs in the sphere of using the means of prevention, verification and means of effective debt recovery. The National Debt Register Academy through organising workshops, seminars and conferences attempts to change the way of approaching the problem of debtors that many entrepreneurs are facing nowadays. In 2008 over 2000 persons participated in trainings organised in Poland.

It is impossible to create economic information exchange system with no participation of the biggest enterprises in Poland and without determining the relevant standards of operation. Therefore, the National Debt Register established the Customer Board in 2005. This organisation is of consultative and advisory character. It includes the biggest companies from financial, telecommunication and power sector. The mission of the Customer Board is to determine standards for transferring and delivering of reliable economic information, allowing for minimizing of the financial risk in economic turnover, as well as popularising the rules of conducting business ethically.

According to the conducted research the operations of the National Debt Register are widely approved of. The significant majority of Poles do not trust the debtors. Actually, over 76% of the Poles believe that a person non-paying his/her debts is untrustworthy. Even higher percentage of them – that is 85.5% – declare no trust towards a company non-settling its liabilities [The National Debt Register 2007]. The Pentor pollsters asked people as well about the way they perceive the National Debt Register and its function in economy. Among the Poles, who knew at least one institution registering the debtors, 75% of them believed that customers and entrepreneurs using the services of the National Debt Register demonstrate

their responsibility. It indicates a significant fact, that is, pursuing claims in Poland is no longer treated as something you should be ashamed of, but it has rather become a manifestation of feeling responsible for the condition of our economy. According to 64% of persons questioned, the operation of the National Debt Register is beneficial for the economy. According to 68.28% of persons questioned entrepreneurs using the services of the National Debt Register are facing less problems with debtors, and 69.46% of persons questioned claim that the debtors fear of being entered into the database of the bureau and so they decide to pay off their debts. 66% of the Poles believe that debtors, who have been entered into the National Debt Register, are to blame for that. Among the most troublesome consequences of being entered into the National Debt Register for entrepreneurs-debtors are: refusal to obtain credit or leasing, losing reliability and customers [The National Debt Register 2007].

Strong enterprises having funds for investments are the pillars of economy. It is hard for an enterprise to create new challenges and objectives if the basic problems that it has to deal with are non-paid debts of its business partners. The basis for development of every entrepreneur, as well as for the whole economy is to maintain financial liquidity. Economic information exchange system in Poland, on the one hand, enables every entrepreneur to verify information concerning potential contractor prior to concluding agreement and, at the same time, to minimise the risk of transactions. On the other hand, the fact of making information about a particular debtor publicly known encourages many unreliable entrepreneurs and consumers to pay off their debts in due time. Therefore, the National Debt Register plays such a significant part. Operations of this bureau contribute to increasing financial liquidity of enterprises and to minimizing payment gridlocks within the whole economy. If entrepreneurs recover their money from debtors amicably it results in decreasing the number of litigations. Verifying financial reliability of potential contractors constitutes an effective protection against insolvent customers. It means gaining new customers more cheaply, significant minimising of reserves appropriated for covering outstanding liabilities and having a possibility to prepare more attractive offer for reliable customers.

According to the author the National Debt Register undoubtedly plays a significant part in the process of economic information exchange. What is more, the operations of the Bureau are being approved of by the whole society. Conducted research and statistics prove that the National Debt Register has become a crucial element of the Polish economic life. Within the European Union public information registers concerning financial standing of enterprises and consumers have existed for many years have constituted an important source of information about potential customers. Nowadays a debate is pending with respect to amending the contents of the Access to Economic Information Act. Both entrepreneurs and financial institutions should take advantage of this opportunity and eliminate all barriers of economic information exchange system in Poland, which obviously would be beneficial for the whole economy.

Literature

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