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Debt & Collection — Dunning Procedures, Counseling and Personal Bankruptcy

What to do about debt? Understand dunning procedures, use free debt counseling, and personal bankruptcy after 3 years.

Deutsche Begriffe: Schulden | Inkasso | Mahnverfahren | Schuldnerberatung | Privatinsolvenz | Pfändung | Mahnbescheid

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Debt in Germany

Debts can accumulate quickly — through job loss, illness, or unexpected costs. In Germany, there are clear rules and **free help**.

Dunning Procedure — What happens with unpaid invoices?

1. 1st Notice (Payment reminder) — usually free

2. 2nd Notice — Setting deadline, possibly dunning fee (approx. 2–5 €)

3. 3rd Notice — final deadline, threat of collection/legal dunning procedure

4. Collection Agency: The creditor hires a collection agency — additional costs (collection fees according to RVG)

5. Court Dunning Notice: The district court sends a **dunning notice** — you have **2 weeks** to object

6. Enforcement Order: Without objection → enforcement proceedings (garnishment)

Collection — Your Rights

• Collection fees must comply with **attorney fee regulations (RVG)**

• **Unjustified claims:** Raise objections in writing!

• Collection agencies **must not threaten, harass, or deceive**

• Carefully verify the claim — collection fraud is common (e.g., via email)

• Registration requirement: Legitimate collection agencies are registered in the legal services registry

Free Debt Counseling

If you have debt problems, you are entitled to **free counseling**:

• **Caritas, Diakonie, AWO:** Free debt counseling centers in every city

• **Consumer Centers:** Advice on debt and collection issues

• **Municipal Counseling Centers:** Through social services or job centers

• **Online:** meine-schulden.de (Caritas)

Counseling helps with:

• Getting an overview of all debts

• Negotiating with creditors (installments, partial forgiveness)

• Creating a debt settlement plan

• Preparing for personal bankruptcy

Personal Bankruptcy (Consumer Insolvency Procedure)

When debts become unbearable:

1. Attempt out-of-court settlement (with debt counseling)

2. If unsuccessful → **File for personal bankruptcy** at the district court

3. Good conduct phase: 3 years (shortened since 2020, previously 6 years)

4. Afterwards: **Debt discharge** — all remaining debts are forgiven

5. Garnishment exemptions protect your subsistence minimum (2026: approx. 1,491 €/month net for single persons)

Garnishment Protection

• **P-Account** (Protected account): Protects at least **1,491 €/month** from garnishment

• Apply at your bank — free of charge

• Everyone is entitled to **one** P-Account

Important Tips

• **Don't ignore notices** — costs escalate quickly

- **Debt counseling** is free and confidential
- Personal bankruptcy is not failure — it's a **legal fresh start**