

Translation from Finnish

Legally binding only in Finnish and Swedish

Ministry of Justice, Finland

Act on the Limitation of Debts

(728/2003; amendments up to 324/2016 included)

By decision of Parliament, the following is enacted:

General provisions

Section 1

Scope of application

This Act applies to the limitation of debts. In this Act, *debt* means monetary debts and other obligations.

This Act does not apply to:

- 1) a tax, public fee or other monetary receivable that may be collected through enforcement measures without a judgment or decision;
- 2) a fine, confiscation or other criminal sanction, or a conditional fine, enforced compliance or enforced suspension;
- 3) a pension, compensation, support or other benefit paid under pension legislation or social welfare legislation, based on statutory insurance, or from public funds; or
- 4) child support referred to in the Child Maintenance Act (704/1975) or a municipality's recourse claim that is based on child maintenance allowance paid to a child under the Maintenance Security Act (671/1998).

The Maintenance Security Act 671/1998 was repealed by the Act on Child Maintenance Allowance 580/2008.

Section 2

Relationship to specific provisions

If another act contains specific provisions derogating from this Act on the limitation period of a debt or other circumstances related to limitation, they shall be complied with instead of this Act. If the creditor may make claims based on different grounds for liability, the limitation period determined in the specific provision only applies to a debt that is based on the grounds referred to in the act in question.

Even if a specific provision otherwise applies to the limitation of a debt, the debt becomes time-barred in accordance with this Act when a final judgment, or other grounds for enforcement that may be enforced as a final judgment, has been issued on the debt.

The provisions of subsections 1 and 2 apply, as appropriate, to a specific provision under which an action concerning a debt shall be brought within a given time limit. However, the period for bringing an action may only be interrupted by a measure referred to in section 11. If the creditor has forfeited their right of action, the debt is considered to have become time-barred as provided in this Act.

Section 3

Mandatory nature of provisions

The provisions of this chapter cannot be derogated from by agreements to the detriment of a debtor.

Nor can the provisions of this Act be derogated from to the detriment of a consumer, a private guarantor or a private pledgor by an agreement under which the law of a foreign state shall be applied to the debt if this Act would otherwise apply to the debt.

Limitation period and its starting date

Section 4

General limitation period

A debt becomes time-barred after three years from the date referred to in sections 5–7, unless the limitation period has been interrupted before that.

Section 5

Start of limitation period when the due date has been agreed on

The limitation period starts to run from the due date if it is specified in advance in a manner binding on the debtor.

If it is possible to demand performance of a debt before the specified due date based on a breach of contract by the debtor or for some other reason, the limitation period starts to run when the debt has fallen due in consequence of such measures.

Section 6

Start of limitation period for a purchase price when the due date has not been agreed on

If no due date for the payment of a purchase price or other consideration has been predetermined in a binding manner, the limitation period starts to run when the seller has handed over the object of sale to the buyer or when another contracting party acting as the creditor has fulfilled their performance obligation.

Section 7

Start and maximum duration of limitation period for damages

The limitation period for damages or other indemnification begins to run:

1) in the case of indemnification based on a breach of contract, from the date on which the buyer noticed a defect or non-conformity in the object of sale or the date on which another contracting

party who is the creditor noticed or should have noticed an error in the performance of the contract;

2) in the case of damages that are based on an error or omission by an agent, representative or other contractor, from the date on which the contractor gave an account or, if the grounds for the compensation are not indicated in the account, from the date on which the client noticed or should have noticed the error or omission;

3) in the case of damages that are based on something other than a contractual relationship, from the date on which the injured party became or should have become aware of the damage and of the party responsible for it; and

4) in the case of restitution for unjust enrichment, from the date on which the party presenting the claim became or should have become aware of the payment made in error, invalidity of the contract or other event on which the restitution is based and of the recipient of the unjust enrichment.

However, the limitation period for damages or another debt referred to in subsection 1 shall be interrupted before ten years have elapsed from the breach of contract or from the event that led to the damage or the event on which the restitution is based. However, this time limit does not restrict the right of the injured party to claim damages for personal injury or environmental damage.

Debts arising from an offence shall not be considered time-barred under this Act or another act as long as charges can be brought in a criminal matter or as long as criminal proceedings are pending in court.

Section 8

Limitation period in other cases

In the case of a debt granted until further notice or arising on a conditional basis, or another debt with a limitation period the starting point of which is not determined under sections 5–7, the debt becomes time-barred after ten years from the date on which the legal basis for the obligation has arisen, unless the limitation period has been interrupted before that.

However, after the debt has fallen due as a consequence of a claim made by the creditor or for some other reason, the three-year limitation period calculated from the due date shall apply.

Subsection 3 was repealed by Act 1126/2014.

Section 9

Exclusion from limitation of deposits

Deposits received by a deposit bank or other funds taken from the public and repayable on demand, or interest paid thereon, shall not become time-barred.

Interruption of limitation

Section 10

Informal measures to interrupt limitation

The limitation period of a debt is interrupted when:

- 1) the parties agree on a payment arrangement, security or other amendment to the terms and conditions of the debt or on the interruption of the limitation period;
- 2) the debtor performs part of the debt or otherwise acknowledges the debt to the creditor; or
- 3) the creditor demands performance from the debtor or otherwise reminds the debtor of the debt.

The interruption of the limitation period of a debt requires that the debt is specified in the interruption measure. In the case of damages or indemnification referred to in section 7, the reminder issued by the creditor shall indicate the grounds for and the amount of the debt in a manner that can be reasonably required, unless they are known to the debtor.

Section 11

Judicial measures to interrupt limitation

The limitation period of a debt is interrupted as provided in subsection 2 if:

1) the creditor brings an action concerning the receivable against the debtor or presents a claim concerning the receivable before a court, the Consumer Disputes Board or another body or in a procedure provided by law in which a decision or a recommendation for a decision may be issued, or before an entity notified to the European Commission in accordance with Article 20(2) of Directive 2013/11/EU of the European Parliament and of the Council on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC; (1700/2015)

2) the creditor reports the receivable due to a public summons concerning the debtor or due to the bankruptcy or other insolvency proceedings of the debtor, or when the debt is otherwise taken into account in connection with the proceedings;

3) the creditor initiates an enforcement matter or the debt is otherwise taken into account in enforcement proceedings; or

4) the receivable is taken up for consideration in court mediation or in such mediation where the settlement reached can be confirmed enforceable as provided in the Act on Mediation in Civil Matters and Confirmation of Settlements in General Courts (394/2011).

(396/2011)

The limitation period is interrupted for the duration of the proceedings when a matter referred to in subsection 1, paragraph 1 or 3 becomes pending, when a decision to initiate the proceedings referred to in paragraph 2 or a decision on an interim prohibition concerning the debt in question is made, or when a decision or agreement to initiate mediation referred to in paragraph 4 is made. The limitation period is considered to have been interrupted on the date on which the final judgment was issued or the consideration of the matter was otherwise concluded. (324/2016)

The limitation period is not considered to have been interrupted if the creditor withdraws their application or the consideration of the matter is concluded for some other reason without serving the debtor with such a notice or other notification concerning the creditor's claim that should have been served under law. In this case, however, the debt becomes time-barred one year after the conclusion of the procedure at the earliest. The limitation period may be extended in this manner only once. (324/2016)

The provisions of subsection 3 also apply to the period for bringing an action when the matter referred to in subsection 1, paragraph 1 has been ruled inadmissible or removed from the docket after service has been effected on the debtor.

Section 11a (118/2008)

A dissolved corporate entity or an insolvent death estate as debtor

A debt does not become time-barred even if the creditor fails to direct interruption measures at a debtor corporation that has been dissolved or removed from the Finnish Trade Register. The provisions of this subsection on a debtor corporation do not, however, apply to a general partnership or a limited partnership.

If, according to the estate inventory, a debtor's death estate does not, after paying other debts for the settlement of the estate, have sufficient assets to pay the estate administrator's fee and expenses or if the debtor's death estate has been declared bankrupt, the limitation of the debt in respect of the death estate does not affect the liability of the other debtors or guarantors liable for the same debt. The provisions of this subsection on the guarantor's liability also apply to a pledgor who has given their property to the creditor as security for the deceased person's debt.

Section 12

Ancillary and partial performances

The interest, interest for late payment and other ancillary costs of a debt as well as the repayments towards the principal and other partial performances become time-barred independently. However, if the debt principal becomes time-barred, the interest and other ancillary costs related to the debt also become time-barred.

In addition to the debt principal, an interruption measure also interrupts the limitation of the interest and other ancillary performances related to the debt regardless of their due date.

Section 13

Effects of interrupting the limitation period

A new limitation period of the same duration begins to run when the limitation period of a debt has been interrupted.

However, the limitation period is five years from the date on which a final judgment or another ground for enforcement that can be enforced as a final judgment has been issued on the debt. If a final judgment or decision is revoked, the debt is not considered to have become time-barred during the period elapsed since the judgment was issued.

If the performance obligation only begins after the issue of the ground for enforcement referred to in subsection 2, the limitation period is calculated from the beginning of the performance obligation.

Final limitation (1126/2014)

Section 13a (1126/2014)

Final limitation

A monetary debt of a natural person that is based on a contract becomes time-barred after 20 years from the due date of the debt at the latest. If the creditor is a natural person, the limitation period is 25 years. The limitation period referred to here cannot be interrupted.

Chapter 2, section 27 of the Enforcement Code (705/2007) contains provisions on the limitation of a debt due to the expiry of the time limit for enforceability of the grounds for enforcement.

The limitation period referred to in this section does not prevent the extension of the time limit for the grounds for enforcement laid down in chapter 2, section 26 and section 27, subsections 2–4 of the Enforcement Code.

Effects of limitation

Section 14

Expiry of performance obligation

The debtor's obligation to perform a debt expires when the debt becomes time-barred.

The debtor does not have the right to recover from the creditor a performance that the debtor has made towards a time-barred debt. However, in the case of a trader's receivable that is based on

the conveyance of consumer goods or the granting of credit to a consumer, or in the case of a creditor's receivable from a private guarantor or a private pledgor, the debtor is entitled to a refund for a performance that they made without knowing that the debt had become time-barred. The creditor shall pay interest on the amount to be refunded in accordance with section 3, subsection 2 of the Interest Act (633/1982) from the date on which the creditor received the payment towards the time-barred debt.

Section 15

Set-off and reversal of payment

The creditor may use a time-barred receivable for set-off if the conditions for set-off were met before the receivable became time-barred or if the receivables of the parties relate to the same legal relationship.

If the payment or set-off of a debt is later reversed or turns out to be otherwise ineffective, the debt is not considered to have become time-barred during the period that has elapsed after the payment if the creditor had reasonable grounds to assume that the payment or set-off of the debt had resulted in the expiry of the debt.

Section 16

Security right

Limitation does not prevent the creditor from receiving performance from the debtor's property pledged as security and on which the creditor has a lien or a right of retention.

When a debt relating to a purchase price becomes time-barred, any condition under which the seller may declare the contract of sale avoided or to claim restitution of the object of sale lapses if the provision in question was not entered in a statutory register.

Section 17

Insolvency proceedings

If the creditor's claim has been taken into account in the bankruptcy judgment, the expiry of the limitation period does not prevent the receipt of payment from assets belonging to the bankruptcy

estate. The provisions of section 13, subsection 2 apply to the effects of a bankruptcy judgment on a debtor who is personally liable for the debt.

With respect to a claim taken into account in a payment scheme confirmed by a court, each instalment becomes time-barred separately in accordance with section 13, subsection 3. If the payment scheme lapses, the limitation period is considered to have been interrupted when a final decision has been issued on the lapse.

Subsection 3 was repealed by Act 708/2008.

Section 18

Taking limitation into account

The limitation of a debt is admissible in a court or in other official proceedings only on the basis of a claim made by a party.

Separate provisions are issued on the obligation of the enforcement authority to take into account the limitation period of a debt by virtue of office.

Limitation when there are several liable parties

Section 19

Limitation in respect of one debtor

If there are several debtors, the limitation period is calculated separately for each debtor. The limitation period of a debt is interrupted only in respect of the debtor in whose name the interruption measure is carried out or against whom the measure is directed.

If the debtors are jointly and severally liable for the same debt and the debt becomes time-barred in respect of one of the debtors, each of the remaining debtors is only liable for the performance of their own share. The shares are calculated based on the amount to which the debtors originally committed or which they were ordered to perform. The shares are determined based on the number of debtors unless a different division of liability has been agreed on or imposed.

If one of the debtors has performed part of the debt without knowing that the debt had become time-barred with respect to one of the other jointly and severally liable debtors, the debtor who made the performance has the right to claim a refund of the part exceeding that debtor's own share. The creditor shall pay interest on the amount to be refunded in accordance with section 3, subsection 2 of the Interest Act from the date on which the creditor received the partial performance of the time-barred debt.

Section 20

Limitation of the right of recourse

If one of the jointly and severally liable debtors has performed or partially performed a debt that has fallen due, the limitation period of that debtor's right of recourse towards the other debtors begins to run when the debtor made their performance. If a debt was performed or partially performed before it fell due, the limitation provisions in force between the original creditor and the other debtors shall apply to the limitation of the recourse claim.

Provisions on entry into force

Section 21

Entry into force and transitional provisions

This Act enters into force on 1 January 2004.

This Act repeals the Decree on Time Limits in Debt Matters and on Public Summons for Creditors of 9 November 1868 (32/1868), as amended. After the entry into force of this Act, any reference in other legislation to the Decree referred to above are references to this Act, or in the case of a public summons for creditors, to the Act on Public Summons (729/2003).

This Act also applies to a debt the legal basis for which arose before the entry into force of this Act. However, a debt becomes time-barred under this Act at the earliest three years after the entry into force of this Act, unless the debt in question would become time-barred sooner under the provisions previously in force.

If a matter concerning a debt is pending upon the entry into force of this Act, the limitation period of the debt is interrupted in the manner referred to in section 11 when this Act enters into force.

In a pending enforcement matter, an additional requirement is that the debtor has been notified of the creditor's claim or that the limitation period has been interrupted in some other way before the debt would otherwise become time-barred.