NPL DEALS POSE PARTICULAR CHALLENGES IN SPAIN - BAKER MCKENZIE

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Spain is one of the most active markets for non-performing loan (NPL) sales because there are many sellers willing to divest in this type of product in order to improve their balance sheets, says Marcel Enrich, partner at Baker McKenzie.

“The sellers are usually financial institutions that accumulated non-performing loans because of the global financial and real estate crisis, which particularly affected Spanish banks,” he adds. Enrich says the value of an NPL deal depends on factors such as the type of non-performing assets, the size of the portfolio and whether the debt is secured or unsecured, for example. In one of the biggest NPL deals in 2017, Banco Santander sold 51 per cent of Banco Popular’s real estate owned (REO) and NPLs for an estimate value of €10bn.

Enrich says NPL deals have been a significant source of work for almost all leading law firms in Spain in recent years. Such deals generate instructions for law firms “both acting for sellers or for potential investors in tender processes to acquire NPL portfolios”, says Enrich. “From a legal perspective, these kind of deals include numerous areas of law – related to finance, mortgages, real estate, bankruptcy, litigation and tax, for example – so these transactions are usually carried out by law firms with sufficient size to offer comprehensive legal advice to the client."

According to Enrich, while NPL transactions in Spain are similar as in other countries, there are important practical issues that should be taken into account by legal advisors when a portfolio is sold or acquired in Spain. "Well thought out due diligence processes are needed on both sides of the deal (seller and buyer)," he explains. "The Spanish banking sector was restructured through several mergers and acquisitions and banks may not have all the information on the products inherited."