50,000 foreclosures expected to be enforced in Greece this year

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16 July 2024

There has been a sharp upturn in electronic foreclosures in Greece, with 50,000 expected to take place this year. Electronic foreclosure is the process by which the assets of people with bank debt arrears or outstanding tax liabilities are forcibly auctioned off in specially created internet platforms. Last year saw 35,401 auctions.

Alongside the introduction of electronic foreclosures has been the systematic offloading of "non-performing loans" (NPLs) from the ledgers of Greek banks through the so-called Hercules Scheme.

Initially introduced in October 2019 at the behest of the European Commission (EC), the scheme oversaw the transfer of bad loans by Greek banks to funds who in turn packaged the loans and sold them to investors as securities. Third-party entities acting on behalf of the funds, known as "servicers", were set up to aggressively pursue debtors for the funder to make good on their acquisitions. By the end of 2022, the proportion of non-performing loans held by Greek banks was reduced from 42 percent to 8.2 percent.

According to recent figures, the NPL industry in Greece is managing 90 billion euros worth of loans which correspond to 2.4 million debtors—amounting to over a fifth of the country's population! In the last five years only 800,000 debtors have come to a financial arrangement while more than a million are reportedly avoiding all contact with the servicer companies.

Electronic foreclosures have failed so far to deliver for the banks since being introduced in 2017.

In its Post-Programme Surveillance report for Spring 2024 published last month, the EC bemoaned the slow pace of foreclosures, stating that it "remains a difficult and laborious task." In particular, it cited the backlog of foreclosures due to "low recoveries from collateral liquidations owing to the suspension of enforcement proceedings during the COVID-19 pandemic." The EC complained of "delays in court procedures, a high ratio of unsuccessful auctions and the illiquid secondary market for NPLs are also slowing down the process."

Konstantinos Mitsotakis' conservative New Democracy (ND) government introduced legislation late last year to address these concerns. The laws formalised last year's decision of Greece's Supreme Court to allow servicers to be able to foreclose on properties even though they are not formally the debt titleholders. Prior to this ruling many legal challenges hinged on this point.

The new legislation built upon ND's bankruptcy law passed in 2020, which did away with previous protections against a household's primary residence being foreclosed.

At the last minute the new law was even amended so as not to incorporate the token provisions under the 2020 law for so-called "vulnerable households". These were set at woefully paltry levels—€7,000 or less for a single person with an additional €3,500 for each child up to a maximum of €21,000. Even then the property is still essentially foreclosed with the family only able to remain in the property for a maximum of 12 years in exchange for paying rent. Even this was considered too big a burden on the profits of the NPL industry.

Countless stories in the media over the past few years have laid bare the devastation these foreclosures have wrought upon Greek working-class families. In May, a 49-year-old mother of two committed suicide after three attempts to foreclose on her house. A further attempt to auction the dead woman's house off at the beginning of June was cancelled after the local outcry.

In an interview with the weekly satirical newspaper *To Pontiki*, lawyer Katerina Fragkaki laid bare the outright criminality with which foreclosures are carried out: "There are many instances where someone is officially certified as vulnerable, their property is auctioned off illegally and they insist on putting a vulnerable person out on the street. I have one such case. At the same time there are instances where they poison a family dog because when there is a dog at the property it makes the process harder to remove it."

Fragkaki's worst experience was with an 85-year-old bedridden woman: "When the officers of the court turned up at [her property] with the police I asked them for a delay due to the circumstances. They told me that the previous week they had evicted a cancer patient who was taken away in an ambulance."

The most high-profile eviction case was that of Ioanna Kolovou, a retired journalist. She was evicted from her home along with her 28-year-old disabled son at the end of January this year. According to reports a large crowd gathered outside her home which was attacked with tear gas by the riot police, who then arrested Kolovou and her son.

Previous attempts to evict her were forestalled, most notably in November 2022, after court officials and police were faced with protests.

At that time former Syriza (Coalition of the Radical Left) leader Alexis Tsipras visited Kolovou and cynically told her, "You're holding on strong. The best security door is the solidarity of simple people." He added, "we will see this sort of thing all the time because of the Mitsotakis government's bankruptcy law," while claiming that "during the bailout programme period, despite facing pressure from the troika, people's first homes were protected."

The exact opposite is true. Syriza's tenure in power under Tsipras between 2015 and 2019 set the stage for the devastating attacks currently carried out by ND. Having been swept to power in January 2015 on an anti-austerity ticket, Syriza junked its mandate and signed a new austerity package in summer of 2015. In coalition with the far-right Independent Greeks for the next four years, Syriza went on to impose successive rounds of austerity even more brutal than its conservative and social democratic predecessors. This included junking their pre-election pledge of "No homes in the hands of bankers."

A law passed by Syriza in 2015 set the ball rolling in phasing out the legislation that offered protection against foreclosures on primary residences, by imposing a deadline of December 31, 2018 for anyone seeking to apply for protection under that legislation. After that the protection ceased to apply to any new debtors while the protection afforded to cases pre-dating the cut-off point was only extended until the end of 2019.

By this time Syriza's collaboration with the banks in seizing people's homes was so pervasive that an estimated up to 1 million people—some of the poorest and amounting to one in 10 of the national population population—were impacted and further pauperised.

The same applies to electronic foreclosures, first introduced in 2017 at the behest of the EU and International Monetary Fund as part of the austerity package signed by Syriza.

Praising the measure in November of that year Syriza's Finance Minister Euclid Tsakalotos stated: "electronic auctions are important, not just so we have good functioning banks but also for development and social reasons. For instance if banks can't lend to small and medium-sized businesses we have a problem. If banks can't give money and new loans to young couples we have a social problem."

The real "social problem" Tsakalotos had in mind was the fact that electronic foreclosures would minimise the disruption of real-time auctions. Around the same time as Tsakalotos made his remarks, riot police were called to a court in Athens to attack protesters who were disrupting repossessed properties from being auctioned off.

Syriza's commitment to the offloading of non-performing loans to the mafia funds was made clear in September 2016, with then Finance Minister Giorgos Stathakis declaring, "the deregulation of the 'red' loans market was an explicit commitment in the memorandum agreement in August. To say otherwise would therefore be misleading."