

Catalonian Civil Code Reform for Pledges to Secure Multiple Obligations Is Finally Approved

The Catalonian Parliament approves the same measure it passed in 2019 but abrogated by failing to ratify it in time.

On 21 May 2019, the Catalonian legislature passed Decree 9/2019 to modify certain articles of the Catalonian Civil Code to allow pledges to secure multiple obligations, as we [previously highlighted](#). However, the Parliament voted against the decree's ratification on 26 June 2019, effectively abrogating it (as [previously discussed](#)). On 30 April, law 5/2020 was published in the Catalonian Public Gazette and the prohibition against creating successive pledges was finally removed.

Amendments introduced by law 5/2020

Before the approval of Decree 9/2019, it was commonly understood that pledges subject to the civil laws of Catalonia could not secure multiple obligations. This was a limitation for all financial market players. Nevertheless, this limitation did not apply to pledges subject to Spanish common law, as no similar limitation is contained under the Spanish Civil Code. However, Decree 9/2019 was not confirmed by the Parliament and the prohibition on creating successive pledges came back into force after 26 June 2019.

Law 5/2020, approved 30 April allows similar measures to those included under Decree 9/2019; in particular, it eliminates the prohibition on securing multiple obligations under a single pledge agreement. Article 18 modifies the following articles of the Catalonian Civil Code as follows:

569-13.3 – requirements for the creation of a pledge

The debtor of pledged credit rights is released from its obligation upon payment to its creditor before acknowledging the creation of the pledge. With this change the regulation under the Catalonian Civil Code now mirrors the Spanish Civil Code.

569-15.1 – multiplicity of pledges and indivisibility

A pledged asset can now be pledged again, unless otherwise agreed by the parties. The pledgor must represent, when the new pledge is created, the existence and the terms of the existing pledge(s).

569-15.1bis – prior in tempore potior in iure

Unless otherwise agreed by the parties, in case of enforcement, the ranking of the pledges will be determined by the date of their creation.

569-20 – realization of the value of the pledged asset

In case of enforcement of the pledge, the non-debtor pledgors, as well as other creditors under other pledges, must be called to the bid.

Conclusion

The Spanish financial market has welcomed this reform, which entered into force on 1 May 2020 and does not need to be confirmed by the Catalanian Parliament. This new regime will be used extensively in financing transactions.

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