

National Assembly passed the legalization of Resolution 42/2017

On June 27, 2025, the National Assembly passed the legalization of three main policy groups under Resolution 42/2017-QH14 on the pilot handling of bad debts during the 2017-2023 period, specifically:

1. Credit institutions (CIs) are entitled to seize secured assets in cases where there is an agreement between the borrower and the CI.
2. Assets of the party subject to enforcement used as security for bad debts can only be seized to enforce judgments or decisions related to alimony, compensation for damage to life or health, or with the consent of the CIs.
3. For secured assets that are evidence in criminal cases, after completing evidence verification procedures and determining that it does not affect the handling and enforcement of judgments, the competent authorities shall return such evidence to the CIs.

To prevent abuse, the seizure of secured assets is not unilateral or unconditional but must comply with the scope, limits, and conditions of seizure. At the same time, regulations on the process and procedures for seizure ensure fairness, publicity, transparency, and protection of the legitimate rights and interests of the obligor, CIs, and related parties.

The State Bank of Vietnam stated that legalizing the right to seize secured assets will protect the interests of banks, thereby encouraging banks to lend more and reduce lending interest rates by lowering the costs associated with handling bad debts and secured assets. This enables businesses and individuals to access and mobilize capital at reasonable interest rates to develop production and business, contributing to increased state budget revenue. During the pilot period of 2017-2023, Resolution 42/2017-QH14 demonstrated effectiveness in addressing bad debts in the banking system. Specifically:

Criteria	Resolution 42 Implementation Period (15/8/2017-31/12/2023)	Pre-Resolution 42 Period (2012-2017)
Total bad debt processed	443,000 billion VND (5,800 billion/month)	128,400-136,800 billion VND (2,140-2,280 billion/month)
Percentage of self-repaid bad debt	161,300 billion VND (36,35% of total NPLs)	22.8% of total NPLs
Processing of secured assets	92,500 billion VND (20.85% of total NPLs)	No specific data available
Impact on credit flow	Facilitated credit flow, reduced lending rates, increased credit supply	Credit flows are constrained by bad debt pressure and high credit costs

Source: SBV

Overall, Resolution 42/2017 increased the efficiency of bad debt resolution by 2.5-3 times compared to the previous period. After 31/12/2023, bad debt rose again (~734,000 billion VND by the end of 2024), partly due to the lack of a legal framework for handling secured assets. Therefore, the legalization of Resolution 42/2017 promises to provide banks with tools to handle secured assets, enhance borrowers' awareness of debt repayment, and thereby improve the efficiency of bad debt recovery in the banking system.

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