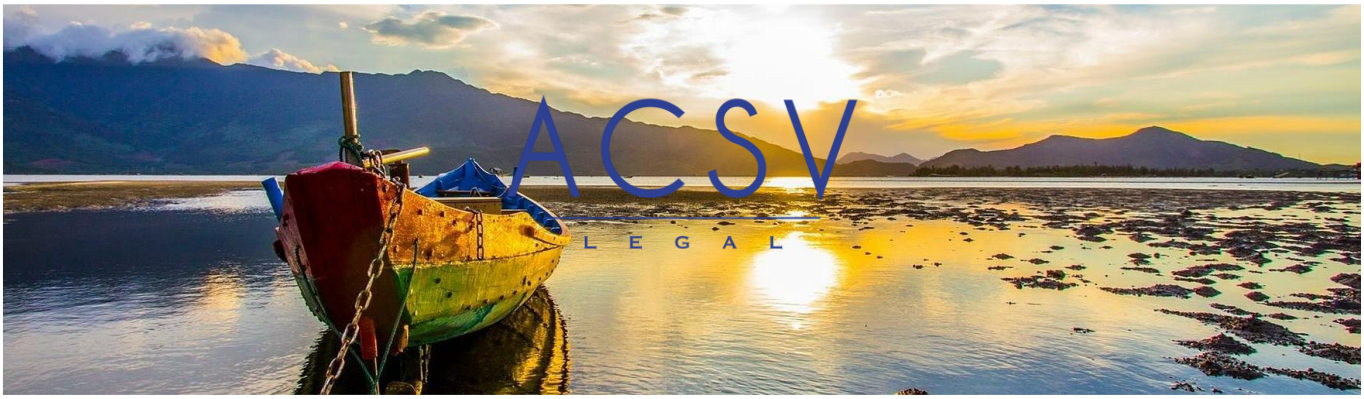


LEGAL UPDATE

VIETNAM'S NEW BANKRUPTCY LAW: WHAT REFORMS TO BE EXPECTED?

On 11 December 2025, the National Assembly of Vietnam passed Law on Recovery and Bankruptcy No. 142/2025/QH15 (**"2025 Law"**), which will come into effect on 1 March 2026. The 2025 Law replaces and substantially revises Law on Bankruptcy No. 51/2014/QH13 ("**2014 Law**"), addressing a number of long-standing procedural bottlenecks and structural shortcomings that have emerged in bankruptcy practice over the past decade. This article analyses the most significant reforms introduced by the 2025 Law and examines their practical implications for corporates in financial distress, investors, creditors, and legal practitioners.

I. From a Liquidation-Driven Model to a Recovery-First Framework

Under the 2014 Law, the reorganisation of business operations was not conceived as an independent mechanism, but merely as a stage embedded within bankruptcy proceedings. Recovery is considered by the court only after the court issues a decision opening bankruptcy proceedings and convenes a creditors' meeting, which then has discretion to adopt a resolution approving a reorganisation plan. This institutional design places both debtors and creditors in a largely passive position with respect to reorganisation. Moreover, the timeframe for a creditors' meeting to adopt a resolution on a reorganisation plan is approximately 190 days, and in practice often extends significantly beyond that period. By the time reorganisation is formally contemplated, most debtors were already in a state of severe financial distress, making any meaningful reorganisation unrealistic. As a result, this model proves largely ineffective in practice.[1]

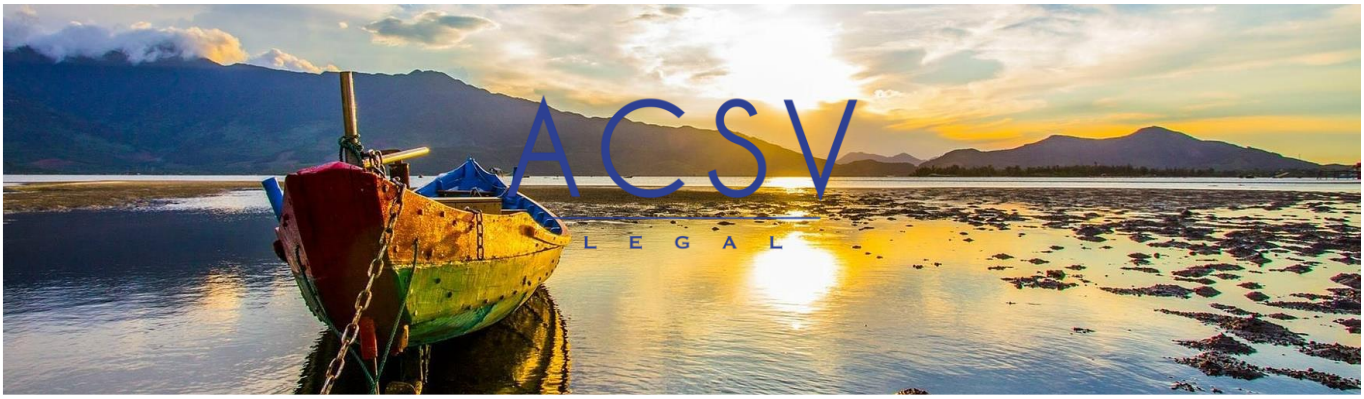
The 2025 Law fundamentally restructures this approach. Recovery under the new law is recognised as a separate and independent procedure, regulated in Chapter II, and clearly distinguished from bankruptcy proceedings governed by Chapter III. Article 3.1 of the 2025 Law establishes the priority application of reorganisation procedures as a core principle of insolvency law. The right to request the opening of reorganisation proceedings is vested in the legal representative of the enterprise, the Chairman of the Management Board or Members' Council, the owner of a single-member limited liability company, owner of the partnership, and the board of a cooperative. This reform aligns Vietnam's insolvency framework with the UNCITRAL Legislative Guide on Insolvency Law[2] ("**UNCITRAL Guide**"), which emphasises early intervention and reorganisation where a debtor faces a risk of insolvency, rather than delaying remedial action until insolvency has fully materialised.

1. Nature of Recovery Plans

The 2025 Law does not prescribe a rigid or standardised structure for recovery plans. Instead, it focuses on establishing priority rules for debt repayment during the recovery process, while allowing debtors and creditors flexibility to design restructuring solutions tailored to the scale, structure and complexity of the business. This approach is consistent with the guidance of the UNCITRAL Guide, which recognises that recovery plans may range from relatively simple compositions involving partial debt forgiveness or debt rescheduling, to more complex reorganisations involving financial restructuring, debt-to-equity conversions, disposal of non-core assets, divestment of business units, or the sale of the business as a going concern.

[1] According to the Supreme People's Court's report on the implementation of the 2014 Law, between 1 January 2015 and 30 September 2023, Vietnamese courts accepted 1,510 bankruptcy cases. Of the cases resolved, bankruptcy proceedings were formally opened in 554 cases. However, reorganisation procedures were applied in only six cases.

[2] <https://uncitral.un.org/sites/uncitral.un.org/files/media-documents/uncitral/en/05-80722_ebook.pdf> accessed 20 January 2026



2. Approval Thresholds and Creditor Voting

Under Article 33.6 of the 2025 Law, a recovery plan is approved when creditors representing at least 65% of the total debt of participating creditors vote in favour. In contrast to the 2014 Law, the 2025 Law does not impose statutory conditions for convening a creditors' meeting and does not distinguish between secured and unsecured creditors for voting purposes in standalone recovery proceedings. Where recovery is proposed after bankruptcy proceedings have already been opened, Article 61.5 of the 2025 Law requires approval by unsecured creditors representing at least 65% of the total unsecured debt.

The 2025 Law also introduces an expedited recovery procedure. Where this procedure applies, recovery plans are approved by creditors representing at least 5% of participating debt, and the expedited recovery proceeding will be a half shorter than a normal proceeding. Pursuant to Article 68.2 of the 2025 Law, the simplified recovery procedure may be applied to enterprises with no more than 20 unsecured creditors and total principal debt not exceeding VND 10 billion, small and micro small enterprises, and other cases as prescribed by law.

3. Supporting Measures for Recovery

Once the court accepts an application for recovery, the debtor benefits from a range of statutory protections under Article 27 and 30 of the 2025 Law, which are designed to stabilise the debtor's operations and preserve assets' value during the reorganisation process. These measures include:

i. suspension of civil enforcement proceedings in respect of the debtor's assets, subject to limited exceptions such as judgments or decisions requiring compensation for loss of life, health or honour, payment of severance allowances or wages to employees, decisions on the seizure of assets for remittance to the State budget, and judgments or decisions requiring performance of obligations secured by third-party assets;
ii. suspension of enforcement against secured assets;
iii. suspension of debt collection and coercive measures;
iv. tax deferrals and temporary suspension of pension and survivorship fund contributions;
v. suspension of payment of pre-acceptance debts;
vi. continued accrual of interest on outstanding payments, while the obligation to pay such interest is suspended.

4. Absence of an Explicit Stay in Recovery Proceedings

Notwithstanding the above protections, the 2025 Law does not expressly impose a stay on judicial or arbitral proceedings involving the debtor during recovery. As a result, disputes pending before courts or arbitral tribunals may continue to be adjudicated in parallel with recovery proceedings.

This approach diverges from the UNCITRAL Guide and prevailing international practice, where a stay is regarded as a central mechanism to provide the debtor with breathing space and to prevent individual creditor actions from undermining collective restructuring efforts. The absence of an explicit stay may therefore give rise to strategic uncertainty and may, in complex cases, reduce the overall effectiveness of recovery proceedings.

II. Enhanced Asset Realisation and Restructuring Tools

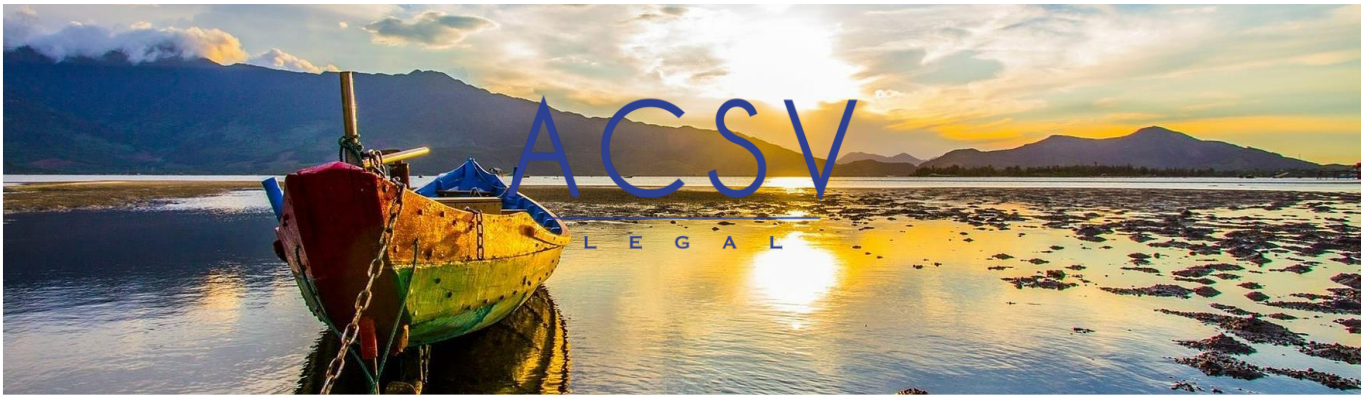
1. Sale of the Debtor's Business as a Going Concern

The 2025 Law introduces a significant clarification by expressly recognising transactions aimed at preserving assets' value of the enterprise through the transfer of business operations on a going-concern basis. Such transactions may take multiple forms, including the synchronised transfer of assets, the transfer of part or the entirety of a business line or operations, as well as the transfer of part or the whole of an enterprise or cooperative.[3]

A central innovation of this regime lies in the timing at which these transactions may be implemented. Under the 2025 Law, the transfer of business operations or enterprises may be carried out during recovery proceedings or during bankruptcy proceedings, pursuant to a resolution of the creditors' meeting that is recognised by the court, and before the court issues a decision declaring the debtor bankrupt. This represents a remarkable departure from the approach under the 2014 Law, under which dispositions of the debtor's assets were, as a matter of principle, associate with the compulsory liquidation phase following a formal bankruptcy declaration.

This shift enables value-preserving transactions to take place while the debtor remains operational. In doing so, it not only enhances prospects for maximising creditor recoveries, but

[3] Article 30.7, 42.4 and 61.6 (d) of the 2025 Law



also provides potential acquirers of distressed businesses with a clearer and legally more predictable pathway to acquire assets or business operations. As a result, legal uncertainty and transaction risk traditionally associated with insolvency-related acquisitions are materially reduced.

This 2025 Law's direction is consistent with the UNCITRAL Guide, which recognises that maintaining the integrity of a business, including its assets, workforce, contractual relationships and goodwill, often produces superior outcomes for creditors and for the economy more broadly than fragmented asset sales conducted after operational collapse.

2. Early Sale of Assets Where Preservation Costs Exceed Asset Value

The 2025 Law further introduces an important mechanism allowing the early disposal of assets whose preservation costs exceed their economic value. Specifically, Article 58.1(b) empowers the court, upon request by eligible parties, to apply an interim measure permitting the sale of goods or assets where the costs of preservation, storage or safekeeping are higher than the value of such assets. The parties entitled to request the application of this measure include the petitioner in bankruptcy proceedings and asset management officers or enterprises. This interim measure may be applied during bankruptcy proceedings prior to a bankruptcy declaration, thereby preventing unnecessary depletion of the estate through disproportionate maintenance expenses.

Under the 2014 Bankruptcy Law, the handling of low-value or perishable assets lacks a clear procedural basis, often resulting in prolonged preservation, accumulation of storage costs, and eventual erosion of creditor recoveries. The absence of an express legal mechanism means that asset management officers or enterprises have frequently faced practical difficulties in justifying early disposal decisions, particularly where assets is not easily liquidated or where market demand is weak.

The approach of the 2025 Law is consistent with the UNCITRAL Guide, which recognises that insolvency representatives should be empowered to dispose of assets that are burdensome or uneconomic to maintain.

III. Dispute Resolution During Bankruptcy Proceedings

1. Centralised and Single-Instance Adjudication by the Bankruptcy Court

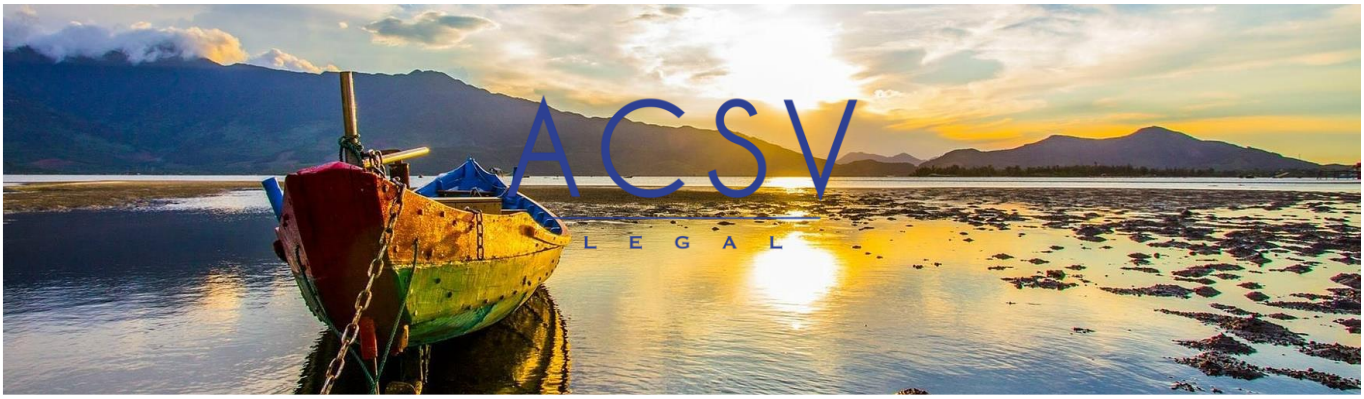
A notable procedural change introduced by the 2025 Law concerns the adjudication of disputes arising in connection with enterprises or cooperatives undergoing bankruptcy proceedings. Where such disputes are resolved by the court conducting the bankruptcy proceedings, they are adjudicated under a single-instance procedure, rather than the ordinary two-tier system of first-instance and appellate review.

Pursuant to Article 60 of the 2025 Law, disputes falling within the jurisdiction of the bankruptcy court are resolved by the judge in charge of the bankruptcy proceedings, and the resulting decision is not subject to appeal under the ordinary appellate procedure. Instead, such decision may be subject to a request for reconsideration by the debtor, the disputing parties, or other relevant agencies, organisations or individuals, or to a recommendation for review by the People's Procuracy at the same level. The Chief Justice of the court conducting the bankruptcy proceedings has authority to consider such requests or recommendations and to issue a decision either upholding or amending the judge's decision. The decision of the Chief Justice is final, as expressly provided under Article 60.2 (e) of the 2025 Law.

According to the Supreme People's Court, this procedural reform responds to persistent delays in resolving disputes related to enterprises and cooperatives in bankruptcy, which had been identified as a primary cause of congestion and prolonged resolution of insolvency cases. The single-instance adjudication mechanism is therefore intended to ensure greater procedural efficiency and to facilitate a more timely and coherent handling of bankruptcy proceedings as a whole.

2. No Exception to the Principle of Centralised Adjudication by the Bankruptcy Court

Under the 2014 Law, once a bankruptcy petition is accepted, courts and arbitral tribunals are required to suspend proceedings relating to the debtor's property obligations. Following the court's decision to open bankruptcy proceedings, such disputes are consolidated and resolved by the court conducting the bankruptcy proceedings. The 2025 Law maintains this principle of procedural centralisation and does not provide any explicit exception preserving arbitral



jurisdiction over disputes involving the debtor during bankruptcy proceedings. As a result, disputes that would otherwise fall within the scope of an arbitration agreement will be removed from arbitral forums and brought within the exclusive jurisdiction of the bankruptcy court.

This approach contrasts with the practice adopted in certain jurisdictions with well-developed international arbitration frameworks, where limited exceptions are recognised to balance insolvency objectives with the parties' autonomy in choosing arbitration as a dispute settlement forum.

In the United States, the general rule is that proceedings, including arbitrations, brought against an insolvent debtor are automatically stayed. However, a party to an arbitration agreement may apply to the bankruptcy court for relief from the automatic stay. Such relief may be granted where the dispute constitutes a non-core proceeding, meaning that the claim does not arise under the Federal Bankruptcy Code, does not stem from the bankruptcy itself, and would not necessarily be resolved by the bankruptcy court. In such cases, courts generally lack discretion to continue the stay, and the dispute may proceed in arbitration.[4]

French law also adopts a differentiated approach. Matters that are intrinsic to the bankruptcy process itself, such as the administration and conduct of insolvency proceedings, are regarded as non-arbitrable. By contrast, contractual disputes remain, in principle, arbitrable even after the commencement of bankruptcy proceedings. Nonetheless, arbitral tribunals must respect the public policy underpinning bankruptcy law. While a tribunal may determine the existence and quantum of a debt, it may not order payment in a manner that circumvents the collective insolvency process.[5]

By comparison, the 2025 Law adopts a more categorical model, prioritising procedural concentration and judicial control over disputes involving the debtor during bankruptcy proceedings. While this approach enhances efficiency and coherence in the administration of bankruptcy cases, it also reflects a policy choice to subordinate party autonomy in dispute resolution to the collective objectives of insolvency law.

IV. Conclusion

The 2025 Law marks a decisive shift in Vietnam's approach in insolvency. By recognising recovery as an independent and prioritised procedure, introducing flexible restructuring tools and establishing a structured framework for cross-border cooperation and recognition, the law significantly enhances the effectiveness and credibility of Vietnam's insolvency framework. As the 2025 Law is expected to enter into force in March 2026, its application will be closely observed by domestic and foreign stakeholders alike. If implemented consistently and supported by coherent judicial practice, the new regime has the potential to reposition insolvency proceedings in Vietnam from a mechanism of last resort into a functional tool for corporate reorganisation and economic reallocation.

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[4] IBA Toolkit on Insolvency and Arbitration, Questionnaire – National Report of the United States of America: <https://www.ibanet.org/MediaHandler?id=8A157F9D-7590-4CF4-B7F4-EB2CDDF3AA20> accessed 20 January 2026

[5] <https://www.nortonrosefulbright.com/-/media/files/nrf/nrfweb/knowledge-pdfs/international-arbitration-report---issue-14.pdf?revision=&revision=4611686018427387904> accessed 20 January 2026