

The Competition Council sets to change the practice of debt collection of AS „Latvijas Gāze”

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AS „Latvijas Gāze” as the only natural gas supplier in Latvia has abused its dominant position in the market by refusing to conclude natural gas vendor contracts with new clients before debts accumulated by previous clients were paid, stated the Competition Council (CC). In order to restore the conditions of fair competition, the CC imposed AS „Latvijas Gāze” remedies to cease the violation and a fine at the amount of 2 229 896.24 €.

The decision of the CC can be appealed in the court, however, AS “Latvijas Gāze” has to cease the established infringement upon obtaining the decision.

Natural gas consumers, both households and enterprises that have incurred damages as a result of the illegal conduct, can claim compensation from AS „Latvijas Gāze”. In case compensation is refused, consumers may claim damages in court.

During the case investigation, the CC received complaints from consumers and enterprises on more than 500 occasions, when AS „Latvijas Gāze” refused to conclude new contracts for supplying natural gas before they have covered other consumers’ debt commitment. While analysing applications, the CC identified following types of infringements:

the payment was claimed from the new owner of a property, but the debt was caused by the previous owner or the tenant of the previous owner;the payment was claimed from the owner of a property, but the debt was caused by the enterprise, which leased it for its economic activities;the payment was claimed from the new tenant, if the debt was caused by the previous (not the current) owner of a property or the tenant of the previous owner;the payment was claimed from the enterprise, which leased premises for its economic activities, but the debt was caused by the previous owner of a property or other enterprise, which leased the premises from the previous or current owner.

Without recovering debts from consumers, who have caused the debt, AS „Latvijas Gāze” shifts to the new consumers not only the debt itself, but also the costs of debt recovery, explains the CC. Such actions increase the amount of debts, as the consumers are aware that they will not be held responsible for their debts and thus are not motivated to pay for gas received. Likewise, AS „Latvijas Gāze” is not motivated to initiate debt recovery and to minimize the amount of debts.

Within the decision, the CC indicates exceptions when the refusal to conclude vendor contract with a new client due to the debt caused by other person, was not considered to cause an abuse:

if the new holder, tenant or leaseholder and current owner of a property has a debt for natural gas supply – it is easy for these potential consumers to choose other premises. Furthermore, the owner of a property is motivated to recover the debt, as the debt hinders the possibilities to rent out premises. The same rule applies if the debt was caused by the previous tenant of the current owner of a property;the contract has not been concluded with the owner or holder of a property, if the tenant has caused the debt. This order is set by the Regulation for the Supply of Natural Gas, which says that the owner of a property is responsible for the tenant to make the payment for consumed natural gas in the deadline specified within a contract;to avoid situations when debtors maliciously change ownership of a property in order to evade debt recovery, the CC does not object to the practice of AS „Latvijas Gāze” not to conclude a contract for natural gas supply with those new owners of a property, who live in the same household with the previous owner (for example, they

are declared at the same place of residence). Also, it is justified if, AS „Latvijas Gāze” does not conclude a contract with the enterprise, which forms a single undertaking with the debtor (for example, there is single ownership of both enterprises).

Taking into account the large number of natural gas consumers, there might be other exceptions, AS “Latvijas Gāze” has to assess them on case by case basis in order not to abuse its market power.

According to the existing methodology of calculation of natural gas tariffs, the decision of the CC cannot serve as a reason for AS “Latvijas Gāze” to increase the tariffs, emphasises the CC. Moreover, the amount of debts that has been recovered unlawfully is insignificant – it constitutes approximately 5 per cent of the total amount of debts.

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