



Bogotá's Legal Guide to Foreign Direct Investment

2026

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INSOLVENCY REGIME

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What is corporate insolvency?

The Colombian corporate insolvency regime, primarily structured under Law 1116 of 2006 and Law 2437 of 2024 and drafted in accordance with UNCITRAL Legislative Guides, aims to protect credit and preserve the company as an economic unit and source of employment. This regime applies to domestic companies, branches of foreign companies operating in Colombia, and trusts engaged in business activities.

The system provides two main proceedings: (i) reorganization, which seeks to preserve viable companies and restore their commercial and credit relationships through operational, administrative, asset, or liability restructuring via an agreement with all creditors; and (ii) judicial liquidation, which aims at the prompt and orderly liquidation of entities to maximize the debtor's estate.

Since 2020 and with Law 2437 of 2024, abbreviated reorganization and judicial liquidation procedures based on the debtor's asset size and composition, segmented reorganizations by creditor category, and expedited mechanisms such as business recovery proceedings before Chambers of Commerce have been incorporated, offering agile alternatives to formal proceedings.

During 2025, 1,981 insolvency filings were submitted, of which 704 were admitted for reorganization and 368 for judicial liquidation.

How long does an insolvency proceeding take?

In theory, a reorganization proceeding should last approximately six months and a judicial liquidation around eight months. In practice, however, these processes often extend to roughly two years.

A similar situation occurs with abbreviated proceedings and the negotiation of reorganization agreements: although legally designed to be completed in about three months, in practice they typically take around one year.

• Avenida Calle 116 - Cristian Martínez

How are professional fees determined?

Fees and expenses in insolvency proceedings are set by the judge based on the following criteria:

Category	Asset Range ¹	Promoter Fee Cap	Liquidator Fee Cap
A	More than approx. USD 16,000,000	Up to approx. USD 160,000	Up to approx. USD 460,000
B	More than approx. USD 3,700,000 and up to approx. USD 16,000,000	Up to approx. USD 90,000	Up to approx. USD 370,000
C	Up to approx. USD 3,700,000	Not less than approx. USD 11,000 and not more than approx. USD 44,000	Not less than approx. USD 11,000 and not more than approx. USD 170,000



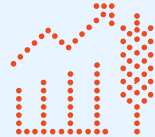
Who is covered by this regime?

Companies and individuals engaged in permanent business activities in Colombia, branches of foreign companies, and trusts performing business activities.

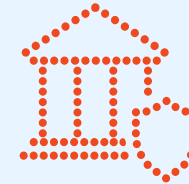
Who is excluded from the regime?



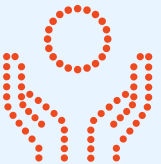
- a. Health Promotion Entities (*known in Spanish as EPS*), Administrators of the Subsidized Health Regime, and Health Service Providers.



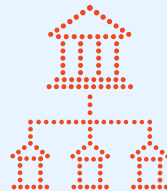
- b. Stock and agricultural exchanges.



- c. Entities supervised by the Financial Superintendency of Colombia (excluding securities issuers supervised solely by that authority).



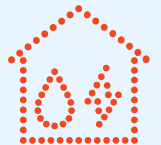
- d. Entities supervised by the Solidarity Economy Superintendency that engage in financial, savings, or credit activities.



- e. State owned companies and industrial and commercial state enterprises at any territorial level.



- f. Public entities, territorial entities, and decentralized entities.



- g. Public utilities companies.



- h. Non merchant individuals.



- i. Companies subject to special regimes for business recovery, liquidation, or administrative intervention.

Despite these exclusions, business recovery procedures before the Chambers of Commerce do apply to entities excluded from the corporate insolvency regime.

Who is the competent authority in an insolvency proceeding?

The Superintendency of Companies acts as the insolvency court for commercial companies, single-member companies, branches of foreign companies, and individual merchants. In other cases, jurisdiction rests with the Civil Circuit Court of the debtor's principal domicile.

Two technical roles are central in insolvency proceedings:

- a. En la reorganización, el promotor adelanta la negociación con los acreedores, elabora el acuerdo de reorganización y difunde la información financiera, administrativa, contable y legal de la entidad.
- b. En la liquidación judicial, el liquidador asume la administración y representación legal de la entidad y es responsable de la realización de los activos y el pago a los acreedores conforme a, las reglas concursales.
- c. In business recovery proceedings, the corresponding Chamber of Commerce appoints a mediator with functions similar to those of the promoter.

What is the priority of claims?

The priority of claims is the set of legal rules that determines the order in which claims are paid. Creditors are ranked as follows:

Class	Description
First	labor and tax creditors.
Second	Creditors holding security interests over movable assets (<i>garantías mobiliarias</i>).
Third	Creditors with real property security (mortgages or similar).
Fourth	strategic suppliers.
Fifth	unprivileged and unsecured creditors.



What exceptions apply to claim priority?

- a. **Administrative expenses:** obligations incurred after the commencement of the insolvency proceeding arising from the ordinary course of business.
- b. **Legally subordinated claims:** claims paid only after all others are satisfied.
- c. **Payment of small claims:** the judge may authorize early payment of claims that collectively do not exceed 5% of the debtor's external liabilities.
- d. **Exceptions under the secured transactions regime:** from the filing date of a reorganization proceeding, no execution actions or other collection proceedings may be initiated or continued against the debtor when involving assets essential to its economic activity, provided they were duly designated as such.

Execution of security over non essential assets may proceed at the secured creditor's discretion and with court authorization.

- e. **Obligations excluded from the process:** mandatory withholdings in favor of tax authorities, payroll deductions, and social security contributions are excluded from the reorganization process and must be paid for approval of the reorganization agreement.

What conditions must be met to initiate an insolvency proceeding?

- a. **Cessation of payments:** the debtor must have failed to pay two or more obligations owed to two or more creditors for over 90 days, or have at least two execution actions filed by two or more creditors.

The total value of such obligations must amount to at least 10% of the debtor's total liabilities as of the financial statements submitted with the filing.

- b. **Imminent inability to pay:** the debtor must show the existence of internal or external circumstances that seriously affect, or may affect, normal compliance with obligations falling due within one year. This ground applies only to companies and cannot be used to initiate judicial liquidation.

Who may request the initiation of an insolvency proceeding?

For cessation of payments, the petition may be filed by the debtor, by one or more creditors holding overdue obligations, or initiated by the relevant supervisory authority.

For imminent inability to pay, the petition must be filed by the debtor or by a group of unrelated external creditors.

For judicial liquidation, the requirements are stricter: the petition can be submitted by the debtor, or jointly by the debtor and a group of creditors representing at least 50% of the debtor's external liabilities; creditors cannot file independently.



What are the effects of commencing a reorganization proceeding and judicial liquidation?



a. **Effects of reorganization:** (i) suspension of execution and collection proceedings against the debtor, with automatic lifting of certain precautionary measures; (ii) prohibition on initiating or continuing eviction proceedings for lease or leasing payment defaults on assets used in the debtor's business; (iii) prohibition on unilateral contract termination or administrative termination, except for proceedings initiated beforehand; and (iv) from the filing date, the debtor may not amend bylaws, grant security interests, make payments or set-offs, enter into settlements, or transfer assets outside the ordinary course of business without prior court authorization.

b. **Effects of judicial liquidation:** (i) dissolution of the legal entity and cessation of functions of corporate governance, oversight bodies, and managers; (ii) termination of executory contracts not necessary to preserve assets, including trust arrangements securing own or third-party obligations; (iii) termination of employment contracts with payment of severance; (iv) interruption of prescription and suspension of limitation periods for obligations perfected before the proceeding; (v) immediate acceleration of all term obligations; and (vi) prohibition on managers, shareholders, and controllers from disposing of assets in the liquidation estate.

How does asset exclusion work?

Asset exclusion is a mechanism specific to judicial liquidation that allows third parties who own assets not belonging to the debtor—but which were nonetheless included in the liquidation estate—to request their removal from the liquidation mass.

Secured creditors may also request the exclusion of collateralized assets from the liquidation estate to ensure priority satisfaction of their claims.



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