

New Procedure for Co-Ownership Division and Closed Auctions Enters into Force

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As of 1 April 2025, significant amendments to the Civil Procedure Law have entered into force, operationalizing earlier adopted provisions of the Civil Law related to the division of co-ownership. Among the key changes is the introduction of a new form of auction – a closed auction between co-owners.

Closed Auctions Now Mandatory Before Open Sales

Under the amended framework, when executing a judgment ordering the sale of immovable property (or a share thereof), the procedure must begin with a closed auction among co-owners, unless the court has explicitly ordered an open auction. This auction is conducted by a sworn bailiff, who authorizes only co-owners to participate. While the closed auction will be visible on the e-auction platform, third parties may not take part.

Auction Starting Price Based on Market Value

Both the closed auction and the initial open auction will begin from the market value of the property, as determined by a certified property valuer, rather than the forced sale value used in debt recovery cases. This ensures fair compensation for co-owners being excluded from the property. The aim is to avoid bad faith situations where co-owners acquire another's share at artificially reduced prices.

Execution Rules Depend on Legal Basis

The amendments also introduce a differentiated system for covering enforcement costs, which varies depending on the specific provision of the Civil Law invoked in the judgment. For example, if the division is based on Section 1075 of the Civil Law, costs are to be shared equally among all co-owners, reflecting the presumption that the division benefits them all.

Execution Not Blocked by Insolvency

Importantly, the initiation of insolvency, legal protection, or out-of-court legal protection proceedings by a co-owner – or even the termination of a co-owner – will no longer be grounds to halt or terminate enforcement proceedings related to co-ownership division.

Background of the Reform

The legal framework for closed auctions was originally added to the Civil Law via Section 1074.1 in May 2022. This provision allows a majority of co-owners (by share size) to request the alienation of a co-owner's share who, by abusing their rights or failing in their duties, causes significant harm. Such a share is to be transferred to one or more other co-owners for monetary compensation or sold in a closed auction. If this fails or is deemed inappropriate, the court may order an open auction.

To implement this regime, Section 617.1 of the Civil Procedure Law was introduced, detailing the enforcement of judgments on co-ownership division. It supplements other relevant norms, such as Section 565 (governing the return of enforcement documents) and aligns with Chapter 73 of the law regarding enforcement against immovable property, unless otherwise specified.

Significance for Practice

Although these amendments offer a more equitable and structured process for dividing co-owned property, legal practitioners, including the Latvian Council of Sworn Bailiffs, approach the new rules cautiously. The real test will be how effectively the framework balances the interests of co-owners and prevents misuse in practice.