

Chile's La Polar finally released from bankruptcy protection

Thomas Muskett-Ford 23 June 2017

Nelson Contador & Cía and Larrain y Asociados Abogados have helped retail chain La Polar become the largest publicly traded company in Chile to be freed from bankruptcy protection, nearly six years after revelations of accounting fraud devastated the company's finances.



Banco de Chile led the efforts of La Polar's creditors / [wikimedia.com/Superzerocool](https://www.wikimedia.com/wiki/Superzerocool)

La Polar's bondholders – led by Banco de Chile and represented by [Garrigues \(Chile\)](http://www.garrigues-chile.com/) (/11250/firms/1134598/garrigues-chile) – unanimously voted to release the company from a judicial reorganisation agreement signed (<http://latinlawyer.com/article/1091215/la-polar-scandal-could-restrict-corporate-independence>) in 2011. Nelson Contador & Cía advised La

Polar on restructuring and insolvency matters, while Larrain y Asociados provided banking, corporate labour and securities counsel. The vote occurred on 7 June and signals La Polar's return to business as usual.

Andrés Silva, a partner at Larrain y Asociados and one of the lawyers representing La Polar, says it was high time for the vote. "The company had fulfilled all its obligations under the agreement, and it was appropriate that it be approved at the meeting of creditors," he affirms.

La Polar's debt problems began in 2011 when a lawyer representing its shareholders uncovered (<http://ciperchile.cl/wp-content/uploads/Inquietudes-sobre-Estado-Financiero-La-Polar.pdf>) **evidence** that the company had unilaterally restructured over 400,000 customers' debt. The deception's alleged aim was to hide the company's debt load by keeping reported credit card delinquency rates artificially low. This fuelled rumours La Polar was in serious financial trouble, devastating its share value and leading to the resignation of its president, Pablo Alcalde.

The second reorganisation proved especially complicated, because it allowed debtholders to convert their bonds for company shares. Despite resistance from existing shareholders opposed to the dilution of their ownership of the company, a deal was eventually pushed through to prevent outright bankruptcy.

Pedro García, a partner at Garrigues and representative of La Polar's creditors, is relieved the case has come to an end. "After being hit hard by accounting fraud and with its creditability at a low point, La Polar and its creditors were able to forge a solution that sees the company back to business as usual," he says.

La Polar must still iron out several other matters. Among these are its tax bills with Chile's internal revenue service, the SII. The two parties are currently locked

(<http://www.pulso.cl/empresas-mercados/la-polar-se-desiste-todos-los-juicios-tributarios-miras-llegar-acuerdo-sii/>) in a dispute over whether La Polar should be fined for inconsistencies over its tax reporting between 2008 and 2011. Meanwhile, Chile's securities authority has said (<http://www.latercera.com/noticia/svs-va-la-suprema-revertir-nulidad-multa-pablo-alcalde/>) it will go to the Supreme Court to prosecute La Polar's former president for his alleged role in the scandal. Its announcement in May came one month after an appeals court threw out the fine originally levelled at Alcalde.

Counsel to La Polar

In-house counsel – Álvaro Lavín

For corporate, banking, labour and securities matters

Larrain y Asociados Abogados

Partners Arturo Bulnes and Andrés Silva and associate José

Pedro Ruiz

For bankruptcy and insolvency matters

Nelson Contador & Cía

Partners Nelson Contador and Luis Felipe Castañeda and
associate Juan Cristóbal Pino

**Counsel to Banco de Chile as representative of
Bondholders**

Garrigues (Chile) (/II250/firms/1134598/garrigues-chile)

Partner Pedro García and associates Gabriela Morales and
Sofía Duralde

Practice area :

Restructuring & insolvency

Country :

Chile, International