



Newsletter

Statute of Limitations on Debts in Panama

Bill No. 388 proposed creating an administrative procedure so that debtors could request, directly from banks and financial institutions, the recognition of the statute of limitations on obligations, without initially having to start a judicial process.

The main objective was **to provide a more accessible tool for people with old or inactive obligations to request directly from the financial institution an assessment** of whether the debt could be time-barred. If recognized, the obligation would have to be removed from the corresponding records, including credit reports.

In addition, the proposal sought to reduce the burden on courts, avoiding the need for debtors to always bring a formal process to claim the statute of limitations. It also aimed to strengthen financial consumer protection by requiring greater clarity on the status of the debt, interest, terms, fees and any acts that may have interrupted the limitation period. In the same vein, it sought to facilitate the extinguishment of inactive obligations when the applicable legal period had elapsed, as well as increase transparency in the banking and financial system, especially in cases of debts sold or assigned to third parties.

The bill was introduced in September 2025, **approved in first debate by the Commerce Committee** and then advanced until its approval in third debate in March 2026.

During the public debate, different sectors warned of potential risks. Among them, that the measure could affect payment culture, create uncertainty in the credit market and generate tensions with the current banking regime.

On April 23, 2026, President José Raúl Mulino returned the bill to the National Assembly without sanctioning it. The Executive Branch objected to the initiative, considering it inconvenient and unconstitutional, noting potential negative impacts on credit, conflicts with rules applicable to the financial sector, and doubts about the administrative authority to recognize effects that could fall within the judicial sphere.

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