

Introduction of the electronic real estate register - Conversation with László Krüpl, an expert lawyer in real estate law

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"The practical learning of electronic administration will be painful for everyone, and it will also mean additional tasks and obligations for the legal profession. However, the regulations point to the future and it is worth moving with the times," says lawyer László Krüpl. We talked with the real estate law expert about the introduction of the E-ING system , the reasons for the delay in its implementation, the conditions for the right to legal proceedings, the process of e-administration and the most significant changes introduced by the new regulation.

Let's start with a more personal question. What path led you to real estate law, what cases are currently in your portfolio?

I have been working as a lawyer for almost seventeen years. After university, I completed a postgraduate course abroad and subsequently worked in several international law firms. Among them was one where, within the framework of a rotation system, I was able to participate not only in the work of the real estate law but also of the company acquisition group, and I gained experience in the field of bank financing, commercial contracts and litigation. The reason why real estate law became my main profile is that a real estate actually appears in its physical form, it cannot be moved, it remains within national borders. Where there is real estate, there will always be legal issues related to it. For me, it was always very important to work on tangible projects. Real estate law also has many other possibilities beyond classic transactions (so-called " *share-deals* " or " *asset-deals* "), for example, we also provide assistance in the implementation of green field investments. Our expertise in real estate investments also extends to extensive legal support for office buildings, residential real estate, industrial real estate, and renewable energy projects (primarily solar power parks).

We support customers from the initial contact to the closing of the deal, often managing the sales process or looking for a buyer for a specific project. We also deal with landlord and tenant representation. Our working method is characterized by the fact that we focus not only on legal but also on business issues, e.g. in the case of a rental contract, we examine not only the legislation, but also the business elements (e.g. amount of security, rent-free period, rent discounts, etc.); and in the case of an acquisition, we also provide advice on the development of the purchase price calculation mechanism, or the so-called we help in the earn-out phase. In addition to all this, we also provide legal representation in lawsuits related to real estate.

The rise of electronic procedures can be observed in public administrative procedures. Of these, the real estate register is almost the only one that still operates on a paper basis.

What justified the introduction of the E-ING system?

The implementation of the digital state is part of the central government strategy. The aim of the digital state is smoother administration, and that through this the state can serve its citizens more efficiently. The e-real estate register has already been introduced in neighboring countries - for example Austria, Poland, Slovakia, Romania - more than ten years ago, so the demand that we also catch up is justified. In these countries, in addition to the paper-based procedure, it is possible to conduct the administration electronically. Contrary to previous plans, it is expected that

in addition to the electronic procedure, the paper-based procedure will also work for an indefinite period of time.

I think this is a good decision, but we have to take into account that in the long run, the possibility of paper-based administration will disappear.

Will all lawyers be authorized to act in the E-ING system?

During the electronic real estate registration procedure, a lawyer who meets three professional requirements will be able to act: one is the completion of the theoretical part of the mandatory continuing education, which can be completed within the framework of the mandatory continuing education system operated by the regional bar association ; the second is the successful completion of the practical exam, which is a prerequisite for passing the theoretical exam. In addition to all of this, the acting lawyer must also take out additional liability insurance covering e-property registration cases. Anyone who fulfills these conditions can already request the

registration of the regional bar association that he is authorized to act electronically in real estate matters, *from January 15, 2025 at the earliest.*

According to the plans, after several postponements, the e-real estate register will enter into force on January 15, 2025, and the system will start operating. What is the reason for the delay in entry into force?

The legislator postponed the entry into force several times, the reason for which is that the new system is a very big change, and the live mode must be started well. Let's not forget that there are a total of 16 million independent topographical numbers, i.e. that is how many independent, registered properties are registered in Hungary today. Real estate is the main asset of most people. It is clear that the operation of such a large database requires a very careful, carefully developed system that works smoothly in practice. Let's remember that the current system has been in existence *since 1997*, which is not automatic in any way: the register is manually kept and paper-based, the content of which is also manually recorded on a machine data carrier.

The current system is not a "smart system", in contrast to the new system, which will be able to automatically communicate with other public registers (e.g. address register, monument protection register, company register). If a change is registered in these registers, this change will automatically appear in the real estate register as well.

The new system will use human resources to a lesser extent, because a currently narrow part of the cases will be judged by an automatic system. If the case is not a simple adjudication, it cannot be entered into an automatic decision procedure and the case will be adjudicated by an administrator, just as before.

The electronic system will have national competence, so according to the plans, the system will not allocate cases on a territorial basis, but according to workload. Therefore, it is conceivable that a case involving a property in a given settlement is transferred from the center to another settlement for the purpose of administration. Another advantage is that **in the future, no one will have to send submissions by post.**

If I, as a citizen, want to handle real estate matters electronically, what will I need?

First of all, you have to log in to the government window with the so-called *into the DÁP system* and download the *DÁP mobile application* (Digital Citizenship Program) . To my knowledge, Hungarian citizens are approx. 90% have not yet registered in this system. Secondly, a legal representative must be appointed to take care of the case.

What is the situation in the case of a foreign client, will a power of attorney issued abroad be accepted?

It will be possible for a foreign person who does not have the DÁP mobile application to initiate a case, but in this case the paper-based power of attorney given abroad and provided with appropriate formalities will be registered in the E-ING system by a Hungarian notary public.

What innovations would you highlight?

There will be several changes, two of which I would like to highlight.

In my opinion, the most important thing is that the suspension as a procedural right and the retention of ownership as a substantive legal institution are transformed. Until now, if the sales contract was concluded with retention of ownership, this fact was also recorded on the title sheet, and the administration of the application began immediately. In the event of a pending application, the fact of the application was notarized in the first part of the property's title page, however, the application itself was not processed immediately, but the procedure was put on hold for a maximum of six months, and this evening, due to this notation, subsequent applications were only notarized were incurred, and they were not processed by the land office, only after processing the pending application.

The legislator combined the two legal institutions and created a third one: the buyer's right related to the retention of ownership .

In my opinion, it is dogmatically correct and with practical considerations in mind. The parties will be able to request the registration of the buyer's right related to the retention of title for a definite or indefinite period (up to 5 years), after which the buyer's right will be deleted, regardless of whether the buyer's property right was registered or not. In the case of a request for the registration of the buyer's right, until 6 months from the date of notarization of the application, further requests regarding the property will only be registered and their registration will depend on

how the fate of the buyer's right develops. Furthermore, after 6 months, the scope of the registration of the buyer's right will be the same as the scope of the prohibition of alienation and encumbrance based on the contract, i.e. the consent of the holder of the buyer's right will be required for further acquisition of rights related to the real estate. To use an *example* : in the case of a real estate sale, if the purchase price is paid within 6 months of the registration of the buyer's right, then the owner of the buyer's right will be the owner of the property, and after the registration of the buyer's right, the rights according to the stamps registered on the title deed will also be registered. However, if the transaction fails, the buyer's right will be cancelled, there will be no change of ownership, and any subsequent trademarks that assumed the buyer's acquisition of ownership will also be cancelled.

In addition, it is worth talking about the *lawsuit registration* (which replaces the lawsuit memo). In the past, lawsuits related to real estate were not always and not immediately visible on the property sheet, despite the fact that this promotes public credibility and has an important legal interest.

Based on the new regulations, the court, at the same time as serving the claim to the defendant, is obliged to notify the land registry ex officio and request the registration of the fact of the lawsuit. Thus, third parties, for example those who want to buy the given property, are informed of the fact of the lawsuit in time.

Finally, I would like to point out that, according to the intention of the legislator, the fundamental requirements and guarantees appear in the law, and other practical provisions are defined in the executive decree. This approach also provides a kind of flexibility for the legislator, which can be said to be necessary in our rapidly changing world today.

Should we be happy about the new regulation?

I think the land offices work well, but the regulations no longer meet the expectations of the 21st century.

Practical learning of electronic administration will be painful for everyone, and it will mean additional tasks and obligations for the legal profession. However, the regulation points to the future and it is worth moving with the times.

I think that after the initial children's illnesses, the overall result will be positive, and I trust that the state will be able to perform its service function more effectively.