

# Buying real estate in Latvia from Russian citizens: problems, sanctions, bank restrictions and money transfers

In recent years, our clients - Latvian and EU citizens - have encountered problems when buying real estate in Latvia from Russian citizens, which has become a real challenge. The restrictions created by sanctions and political measures significantly complicate the transaction process, especially considering the strict requirements of European Union (EU) banks. Let's analyse the main difficulties.

## 1. Restrictions on banking operations and sanctions

Most real estate purchase and sale transactions are carried out using the so-called Escrow account, which is opened only for a specific transaction, in which the bank acts as a guarantor for both the seller and the buyer (the bank will not transfer money to the seller until the real estate is re-registered in the buyer's name, and if the real estate is not passed into the buyer's ownership within the specified time, the bank will return the money to the buyer). However, banks in Latvia and other European countries often refuse to open escrow accounts if one of the parties is a Russian citizen, fearing the risks of sanctions.

Of course, a transaction can also be carried out without an Escrow account. However, firstly, in this case, transferring money from a Latvian bank to Russia is not possible in most cases too.

Secondly, one of the parties must take a significant risk:

- either the buyer must make an advance payment, but in this case, if for some reason the transaction is not implemented, for example, the Land Registry Office refuses registration for some technical reason or some other obstacles occur, the buyer will face the problem of getting money back. And even if the seller, who has already received money in Russia, acts actively, a number of difficulties will arise - the first is the return of money from a Russian bank to a Latvian bank (since there will be problems with transferring money to Latvia from a Russian bank), and the second is the acceptance of money from a Russian bank by a Latvian bank. But if the seller turns out to be dishonest or simply does nothing to return the money, then the issue of getting the money back becomes illusory;
- or the seller must agree to re-register the property in the buyer's name and only then wait for a transfer from him, which is usually unacceptable for the seller.

## 2. Prohibitions on opening new accounts

In many cases, Latvian banks are ready to carry out a transaction only if a citizen of the Russian Federation has an account in Latvia, the EU or at least in the third country (which is not in the Russian Federation).

Since 2022, access to banking services for Russian citizens in the EU has become very limited. Opening new accounts for Russian citizens who do not have a residence permit in Latvia is not possible. Moreover, old accounts are being closed.

Since there is no possibility to open an account to make a purchase, the parties are often forced to look for alternative solutions, which nevertheless exist.

## 3. Difficulties with transferring money to Russia

Even in the case when real estate was successfully purchased and the money has been credited to an escrow account in Latvia, transferring money from Latvia to Russia is still an extremely difficult task. Many European, inter alia Latvian banks are raising the issue of the possibility of transferring the sale amount of real estate to a Russian citizen if it exceeds 100 thousand euros.

In addition, most banks introduce their own prohibitions or restrictions on money transfers to Russian citizens

## 4. Legal and administrative obstacles

Along with financial restrictions, the parties also face legal difficulties. For example, a situation may arise when a Latvian notary refuses to execute a transaction. The sales process may be delayed due to the need to provide additional documents and information, etc.

## 5. What is provided in the law

Neither European nor Latvian regulatory enactments prohibit banks from making payments to Russian banks (of course, those that are not subject to sanctions).

The prohibition of exceeding the threshold of 100,000 euros for bank transfers, set out in EU Regulation No. 833/2014 concerning restrictive measures in view of Russia's actions destabilizing the situation in Ukraine does not apply to money transfers to Russian citizens outside the EU, in particular when selling real estate. There is also no prohibition on the Latvian bank accepting an amount exceeding 100,000 euros into the escrow account.

Thus, the general situation does not constitute a legal prohibition on purchasing real estate from citizens of the Russian Federation and receiving money by citizens of the Russian Federation, however, to achieve this in practice, careful work with notaries and banks is required, which can be done by professional attorneys-at-law who know the legal aspects and financial restrictions very well.



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