



Covid-19: Moratorium on credits

As from 27 March 2020, families and companies may request the suspension of their payment obligations under credit transactions until 30 September 2020.

On 26 March 2020, the Portuguese Government passed Decree-Law 10-J/2020, which approves exceptional measures to protect families, companies, private charitable institutions and social economy entities in connection with the Covid-19 crisis, including a moratorium on credits.

In this newsletter, we describe the main conditions for the application of the moratorium.

Protection measures:

- Prohibition of the cancellation, in whole or in part, of credit facilities and loans;
- In relation to bullet loans, extension of the maturity as well as of any ancillary obligations, including interest;
- In relation to other loans, suspension of payment of instalments, rents and interest and automatic extension of the payments schedule.

Moratorium period:

Until 30 September 2020.

Eligible entities / persons:

- Companies that:
 - (i) have their head office and perform their economic activity in Portugal;
 - (ii) are classified as micro, small or medium-sized enterprises;
 - (iii) as of 18 March 2020, were not in default of cash payments towards financial institutions for more than 90 days or, if they were, did not meet the materiality threshold established in the Bank of Portugal Notice 2/2019 and Regulation (EU) 2018/1845 of the European Central Bank of 21 November 2018;
 - (iv) as of 18 March 2020, were not in an insolvency, suspension or cessation of payments situation or subject to an enforcement proceeding; and
 - (v) are not in default towards the Tax Authority and Social Security.
- Other companies, regardless of their size, who meet conditions (i), (iii), (iv) and (v) above, excluding those of the finance sector;
- Individual entrepreneurs, private charitable institutions, non-profit organisations and certain social economy entities who have their domicile or head office in Portugal and fulfil the conditions (iii), (iv) and (v) above;

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- Natural persons, in relation to primary residence mortgage loans only, who reside in Portugal, fulfil the conditions (iii), (iv) and (v) above and fall in one of the following circumstances:
 - (i) prophylactic isolation or disease situation;
 - (ii) assistance to children or grandchildren;
 - (iii) reduction of normal working period or suspension of the employment agreement due to business crisis;
 - (iv) unemployment situation registered with IEFP;
 - (v) are eligible for the extraordinary support for the reduction of the economic activity of self-employed workers under Decree-Law 10-A/2020, of 13 March 2020;
 - (vi) are employees of entities whose establishment or activity has been closed or suspended during the state of emergency period pursuant to Decree 2-A/2020, of March 2020.

Eligible transactions:

Credit transactions carried out by:

- Credit institutions;
- Financial credit companies;
- Investment companies;
- Leasing companies;
- Factoring companies;
- Mutual guarantee companies;
- Branches of credit and financial institutions operating in Portugal.

Excluded transactions:

- Credits or financing for the purchase of securities or the acquisition of stakes in other financial instruments;
- Credits granted to beneficiaries of schemes, subsidies or benefits (e.g. tax benefits) to establish their head office or residence in Portugal, including for investment activities, with the exception of citizens covered by the Return Programme (*Programa Regressar*); and
- Credits granted to companies for the individual use of credit cards by members of board, supervisory bodies, employees or other workers.

Interest capitalisation:

The extension of the payment of principal, rents, interest, fees and other charges (where applicable) will not prevent the accrual of interest which shall be capitalised in the value of the loan.

Moratorium application:

The moratorium must be requested before the relevant financial institution. The eligible entities and persons may request the suspension of the repayment of principal only (or a part thereof).