



Covid-19: New extension of the moratorium on bank credits

The Portuguese Government has approved an additional extension of the moratorium on bank credits until 30 September 2021.

The new extension covers a suspension of principal payments for all credits, with the suspension of interest being limited to mortgage loans, consumer loans and loans to the companies most affected by the pandemic.

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The Portuguese Government approved Decree-Law 78-A/2020, which extends the public moratorium from 31 March 2021 to 30 September 2021 and amends Decree-Law 10-J/2020 for the fourth time.

The new extension has different rules regarding principal and interest payments.

From 1 April 2021, as a rule, only the principal payments will be suspended, which means the beneficiaries will have to pay interest accrued from that day onwards.

However, the following credits may continue to benefit from the suspension of both principal and interest payments:

- Mortgage credit, as well as residential property leasing;
- Consumer credit granted under Decree-Law 133/2009, as currently drafted, for education, including for academic and professional education; and
- Credits granted to companies in sectors that were most affected by the pandemic and whose main activity is covered by the CAE code listed in the Annex to Decree-Law 78-A/2020.

Companies whose main activity is included in the CAE code list also benefit from a 12-month maturity extension, in addition to the extension already contemplated in the moratorium regime.

However, this maturity extension will cease immediately in the case of (i) default by the beneficiary entity of any payment obligation towards any institution or (ii) in the event of judicial enforcement requested by a third party of any payment obligation of the beneficiary entity or in the event of seizure or any act of judicial apprehension of the assets of said entity. In these cases, the original reimbursement profile plus the extension originally granted shall be resumed.

As of 1 October 2021, the moratorium will cease to apply and from that date the principal and interest must be repaid.

Although the additional extension will automatically apply to persons or entities already covered by the moratorium, those who do not wish to benefit from the moratorium must notify their intention to the banking institution at least 30 days before the date on which they intend to end the moratorium effects.

If the beneficiary entity distributes profits, reimburses credits to its shareholders or acquires its own shares or quotas it will cease to be eligible to the moratorium.

Notwithstanding the extension of the moratorium, the deadline for the application (30 September 2020) remained unchanged.

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