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BANKING AND FINANCE

Coronavirus: Changes to the rules on public moratoriums on financing

**Analysis of the changes to the special legal rules
on the credit and financing moratorium.**

Through Decree-Law 26/2020 of 16 June (“DL 26/2020”), the Government has approved, a set of amendments to the special rules on the moratorium on financing approved by Decree-Law 10-J/2020 of 26 March¹.

¹ Analysis of Decree-Law 10-J/2020 available [here](#).

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These amendments are essentially intended to: (i) allow the extension of the moratorium until 31 March 2021; (ii) broaden the group of potential beneficiaries; and (iii) broaden the scope of credit transactions eligible for the moratorium.

"Families, companies and other beneficiary entities that have not yet signed up for the moratorium, but intend to do so, must communicate their intention to the institutions by 30 June 2020."

1. Extension of the financing moratorium period

Decree-Law 26/2020 allows for the extension of the effects of the moratorium until 31 March 2021.

Beneficiary entities that signed up for the moratorium are automatically covered by the extended period.

Beneficiary entities that have signed up for the moratorium but do not wish to benefit from the extension of its effects after 30 September 2020 must communicate this fact to the institutions by 20 September 2020. In the absence of this communication, the effects of the moratorium are automatically extended, under the conditions established in Decree-Law 10-J/2020, until 31 March.

Families, companies and other beneficiary entities that have not yet signed up for the moratorium, but intend to do so, must communicate their intention to the institutions by 30 June 2020.

2. Eligibility requirements for beneficiaries

We would highlight the following amendments regarding the beneficiaries and their eligibility requirements:

- o **Default or breach** – The new wording of article 2(1)(c) requires that, on 18 March 2020, companies are not in default or in breach of the obligation to pay instalments for more than 90 days “*to the institution*” (and not “*to the institutions*”). Thus, it is made clear that it is only necessary for the beneficiary not to be in default with the institution to which the request for a moratorium is made (but not necessarily with other financial institutions);
- o **Individuals** – The group of potential beneficiaries is broadened, with residence in Portugal no longer being a requirement. Therefore, Portuguese emigrants also become eligible as beneficiaries of the moratorium. Individuals (or any of the members of their household) who are in one of the following situations also become eligible for the public moratorium:
 - i) Preventive isolation;
 - ii) Provision of care for children or grandchildren;
 - iii) Reduction in normal working hours or suspension of employment contract due to a business crisis;
 - iv) Unemployment registered at the Instituto do Emprego e Formação Profissional, I.P. (Employment and Vocational Training Institute);

- v) Workers eligible for extraordinary support for a reduction in the economic activity of the self-employed;
 - vi) Employees of entities whose establishment or activity has been subject to closure determined during the period of a state of emergency or during the situation of calamity by a legal or administrative order; or
 - vii) Temporary fall of at least 20% in the household's overall income as a result of the COVID-19 pandemic.
- o **Covered transactions** – The following operations are included within the scope of the public moratorium:
- i) Mortgage credit (and not just permanent home mortgages);
 - ii) Financial leasing of residential property; and
 - iii) Consumer credit for education, including academic and professional training.

3. Relationship between the public moratorium and private moratorium schemes

Anyone who has benefited from a private moratorium and now becomes eligible for the public moratorium can benefit from it by giving notice to their lending institution by 30 June 2020.

4. Entry into force

The changes to the public moratorium come into force on 17 June 2020 and take effect on that date. ■

"The following operations are included within the scope of the public moratorium: Mortgage credit, financial leasing of residential property and consumer credit for education, including academic and professional training."