

Payment Holidays in loans and other relevant measures triggered by Covid-19

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The effort to tackle the economic and social consequences of the Covid-19 crisis in Greece and support the short-term operational and liquidity challenges faced by affected borrowers, has led to a range of general short-term loan payment moratoria and suspension of enforcement procedures.

Part of those measures have been generally imposed by the Greek Government (public/legislative measures), while others emerged through general industry-wide private initiatives (private/non-legislative measures).

Summary of loan payment moratoria in Greece:

Measures of the Greek Government (legislative measures):

- Retail exposures of obligors-individuals submitted to the settlement mechanism for over-indebted individuals of L. 3869/2010¹, who have been affected by the measures taken in response to the Covid-19 crisis, are granted a 3month suspension of repayment

of installments (art. 5 of Legislative Act dated 30.03.2020);

- Both Retail & Business exposures of obligors-individuals submitted to the settlement mechanism and interest subsidy programme for the protection of the primary residence of individuals of L. 4605/2019², who have been affected by the measures taken in response to the Covid-19 crisis, are granted a 3month suspension of repayment of installments (art. 5 of Legislative Act dated 30.03.2020);
- Business exposures of obligors submitted to the out-of-court Settlement of Business Debts mechanism of L. 4469/2017³, who have been affected by the measures taken in response to the Covid-19 crisis, are granted a 3month suspension of repayment of installments (art. 5 of Legislative Act dated 30.03.2020);
- The dates of expiry, presentment for payment and payment of negotiable instruments (i.e post-dated cheques)

¹ *Legislated mechanism of debt settlement.*

² *Legislated mechanism of debt settlement.*

³ *Legislated mechanism of debt settlement.*

payable, from March 30, 2020 until May 31, 2020, by businesses that have been affected by the Covid-19 crisis, are suspended for 75 days. The 75-day period begins from the date of expiry of the instrument (art. 2 of Legislative Act dated 30.03.2020);

- the deadlines for obligors-individuals, with both Retail & Business exposures, meeting the eligibility requirements to apply for a debts settlement, pursuant to L. 4605/2019 and 4469/2017 are extended until July 31, 2020 (art. 1 of Legislative Act dated 01.05.2020).

Industry-wide measures of the Hellenic Bank Association⁴ (non-legislative measures/soft law):

- Performing obligors-individuals, who have been affected by the Covid-19 crisis (employees of affected businesses, self-employed, freelancers and sole proprietors) and therefore considered eligible to receive the special state financial support of EUR 800⁵, with either Retail or Business exposures, are entitled to agree a 3month

suspension of repayment of principal installments;

- Performing obligors-companies and other legal entities operating into business sectors affected by the Covid-19 crisis, with Business exposures, are entitled to agree the suspension of repayment of principal installments due as from March 18, 2020 until, at least, September 30, 2020 and either repay them after the expiry of the moratorium or by extending the repayment period of the loan. For the period of the suspension, the contractual interest shall be normally paid.

Industry-wide measures of the Servicers of Non-Performing Loans Association⁶ (non-legislative measures/soft law):

- Performing obligors affected by the measures taken in response to the Covid-19 crisis, with either Retail or Business exposures, are entitled to agree a 3month suspension of repayment of principal installments and/or any other tailor-made forbearance agreement.

⁴ *The Hellenic Bank Association is the association of the broad majority of financial institutions legally operating in Greece. The decisions of the Hellenic Bank Association are industry-wide and have a broad scope of application.*

⁵ *In order to facilitate the assessment of the financial institutions on the persons meeting the conditions for said suspension of instalments, a special mechanism is set. Upon request, the competent Ministries shall transfer to the financial institutions and the servicers,*

the data required for the identification of the persons who receive the special state financial support of EUR 800.

⁶ *Servicers of Non-performing Loans Association is the association of the majority of servicers of non-performing loans legally operating in Greece. The decisions of the Servicers of Non-performing Loans Association have a broad scope of application.*

Moratoria and forbearance

Most of the above payment holidays applied in Greece, both legislative and non-legislative, meet the criteria of the recent [Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis](#) of EBA⁷ and do not themselves lead to a reclassification of exposures under the definition of forbearance (art. 47b of Regulation (EU) 575/2013) nor should they be considered as distressed restructuring (art. 178(3)(d) of Regulation (EU) 575/2013) for the purposes of assessment of large exposures.

That is mainly because these moratoria schemes have a generally preventative nature and are not borrower specific. I.e., they:

- are either based on Greek legislation or on an initiative of industry representative private bodies, i.e. the Hellenic Bank Association and the Servicers of Non-Performing Loans Association;
- have been introduced prior to June 30, 2020, in response to the Covid-19 pandemic;
- apply broadly and uniformly to large predefined groups of obligors, i.e. those who had been performing until December 31, 2019 and have been affected by the Covid-19 crisis⁸ or those who have been submitted to

a legislated debt settlement mechanism and have been affected by the Covid-19 crisis;

- only provide for a suspension or postponement of payments for a limited period, without amending any other loan terms;
- do not apply to new loan contracts.

However, in the present difficult economic circumstances, even where general payment moratoria are not classified as forbearance measures, institutions should continue to assess the credit quality of exposures benefiting from these measures and adequately identify those situations where short-term payment challenges may transpose into long-term financial difficulties and eventually lead to insolvency, in accordance with the applicable requirements and the normal policies.

In addition, where institutions apply forms of individual measures and renegotiate loans taking into account the specific situation of individual obligors, they have to assess separately whether such tailor-made measures meet the definition of forbearance and therefore constitute distressed restructuring, in accordance with Regulation (EU) 575/2013.

⁷ The European Banking Authority.

⁸ The definition of persons "affected by the Covid-19 crisis" is laid down by Greek Ministerial Decisions, on the basis of objective criteria.

Enforcement measures

According to consecutive legislative provisions, all auctions are suspended during the period from March 13, 2020 to July 31, 2020 (as may be extended).

According to consecutive legislative provisions, all other procedures of compulsory enforcement are suspended during the period from March 13, 2020 to May 31, 2020.

For the period from April 28, 2020 onwards, several procedures for the purpose of securing exposures are excluded from the suspension (i.e. provisional measures for the provision of security, granting pre-notations of mortgage, precautionary seizures of movable and immovable property, judicial escrow, public deposit and European Account Preservation Order).

***Your Legal Partners** are actively advising clients in relation to the Covid-19 outbreak. Please do not hesitate to [get in touch with us](#) if your business has been affected.*

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