

Track Changes

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26 March 2020

HUNGARY: DETAILED PROVISIONS OF THE PAYMENT MORATORIUM INTRODUCED BY GOVERNMENT DECREE NO. 47/2020 (III.18.)

Developments related to COVID-19 are occurring rapidly. Wolf Theiss will continue to distribute regular Client Alerts via email and publish up-to-date analysis on our website. A list of daily updated resources can be found here:

<https://www.wolftheiss.com/covid19/>

Due to the COVID-19 outbreak, the Hungarian government declared a state of emergency on 11 March 2020.

On 18 March 2020 the Hungarian government introduced additional economic measures by adopting Government Decree 47/2202 (III. 18.) (Moratorium Decree), which impacts lending procedures. Pursuant to the Moratorium Decree, unless the parties otherwise agreed, a payment moratorium (moratorium) is applicable to the payment of principal, interest and fees arising from facility, loan and financial lease contracts (contracts) until 31 December 2020.

On 24 March 2020, the Hungarian government introduced detailed provisions relating to the Moratorium Decree by adopting Government Decree 62/2020 (III.24), which is effective from 25 March 2020.

Summary of the changes:

1. PAYMENT MORATORIUM

- a) If the debtor fulfils its payment obligations in accordance with the terms of the original contract, it does not affect the validity of the payment moratorium defined in the Moratorium Decree. In case of payments defined in the Moratorium Decree, such payment shall be accepted pursuant to the terms of the original contract as existed prior to the payment moratorium.
- b) The payment moratorium is applicable for employer loans as well.
- c) Financial enterprises and investment funds shall be considered as debtor as well.

- d) Contrary to the provisions of Section 8 of the Moratorium Decree, according to which the state, the local municipality and the entities falling under the scope of the acts listed in Section 39 of Act CXXXIX of 2013 on the Hungarian National Bank (such as credit institutions and financial enterprises, voluntary mutual insurance funds, home savings, payment service providers, investment funds, EXIM Bank, MEHIB, MFB, etc.) are not considered as debtors for the purposes of the Moratorium Decree, financial enterprises as defined in Act CCXXXVII of 2013 on credit institutions and financial enterprises and investment funds as defined in Act XVI of 2014 on collective investment funds and their managers, and on the amendment of financial regulations shall be considered as debtor for the purposes of the Moratorium Decree.
- e) Provisions relating to ancillary obligations (i.e. the security interests relating to the contracts are also changed by virtue of law, meaning that no separate confirmation or consent is required from the security providers, for the collateral provided by them keeps securing the contracts until the prolonged final repayment date) shall be applicable, mutatis mutandis, to guarantee agreements and guarantee declarations as well.

2. INTEREST

- a) The principal shall not be increased either during, or after the end of payment moratorium by the amount of interest which is not paid during the moratorium, in other words such interest shall not be capitalized.
- b) Accrued interest must be payed annually after the end of the payment moratorium together with the due principal in equal instalments.
- c) The term of the contracts will be extended so that the amount of principal due and the accrued interest (to be paid in instalments) shall not exceed the amount of the instalments set out in the original contract.
- d) The provisions relating to interest are applicable to fees as well.

3. ANNUAL PERCENTAGE RATE OF CHARGE

- a) The regulations relating to the annual percentage rate of charge introduced by the Moratorium Decree (i.e. the annual percentage rate of charge shall not exceed the national bank's base rate plus 5%) shall be applicable to consumer loan contracts not secured by mortgages or pledges, which are executed between the effective date of the Moratorium Decree (19 March 2020) and 31 December 2020. If the deadline of 31 December 2020 is not be extended, the annual percentage rate of charge set out in the announcement of the respective lender applicable as at the signing date of the relevant contract shall be applied from 1 January 2021.

- b) During the interim period defined above, the national bank's base rate is defined so that the national bank's base rate effective on the first day of the relevant calendar half-year applies to the entire period of the given calendar half-year.

4. OTHER CHANGES

- a) The guarantee fees payable in relation to newborn (*babaváró hitel*) loans are suspended for the time of payment moratorium.
- b) Contracts amended by virtue of payment moratorium shall not be incorporated in a notarial deed, even if the original contract was signed in the form of a notarial deed. The amendments shall be considered as if they were also incorporated in a notarial deed.
- c) The payment moratorium is applicable to purchase instalments and rental fee payment obligations of natural persons participating in the National Asset Management Programme.
- d) The National Assets Management Zrt. will not terminate contracts relating to non-payment of rental fees until 31 December 2020.

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