

MARCH 2020

COVID 19

EXCEPTIONAL MEASURES FOR THE PROTECTION OF CREDITS TO HOUSEHOLDS, COMPANIES AND IPSS

A set of exceptional measures to protect credit to households, companies and IPSS (Private Social Welfare Entities), as well as other social economy entities, was approved yesterday in order to reduce the economic impact of the COVID-19 pandemic.

WHO CAN ACCESS IT?

A) Companies

Credit support measures are available to **(i)** Companies with head office and activity in Portugal; **(ii)** Self-employed people; **(iii)** IPSS; **(iv)** Non-profit organisations and other social economy entities, which meet the following requirements:

- Have no any pending payments to the Tax Authorities and Social Security;
- Are not, as of 18th March 2020, late or in default on their credits for longer than 90 days; or, being late or in default, are not insolvent, whose payments are not suspended or halted, nor are already subject to enforcement proceedings by any of the institutions on that date;
- Are not:
 - i) Companies of the financial sector¹;
 - ii) Associations, unions, federations of mutual confederations.

B) Individuals

All individuals residing in Portugal can access the support, as long as they meet the following requirements:

- The credit in question is for permanent owner-occupied housing;
- Have no pending debts to the Tax Authorities and Social Security;

¹ (i) banks; (ii) other credit institutions; (iii) financial corporations; (iv) payment institutions; (v) electronic money institutions; (vi) financial intermediaries; (vii) investment firms; (viii) collective investment schemes, pension funds, securitisation funds and correspondent management companies; (ix) securitisation companies; (x) insurance and reinsurance companies; and (xi) public bodies that administer public debt at the national level.

- Are not, as of 18th March 2020, late or in default on their credits for longer than 90 days; or, being late or in default, are not insolvent, whose payments are not suspended or halted, nor are already subject to enforcement proceedings by any of the institutions on that date;
- Are in one of the following situations:
 - a) Prophylactic isolation or illness or are caring for children or grandchildren;
 - b) Reduction of normal working period or suspension of employment due to business crisis;
 - c) Situation of registered unemployment in the IEFPP;
 - d) Self-employment, eligible for extraordinary support for the reduction of economic activity;
 - e) Employed by entities whose establishment or business was subject to closure during the period of state of emergency.

WHAT ARE THE SUPPORT MEASURES?

The following support measures have been approved and can be grouped into **(1)** Credit support measures; **(2)** State guarantee measures; and **(3)** Granting of mutual guarantee.

1) CREDIT SUPPORT

The Companies and Individuals mentioned above benefit from the following support from credit institutions:

- Prohibition of the revocation, in whole or in part, of credit lines contracted and loans granted, during the period in which the exceptional measures are in force;
- Extension of all credits with capital payment by the end of the contract for a period equal to the duration of the measure;
- Suspension of payment of capital, rent and interest in respect to claims which are repayable in instalments of capital or have other due instalment payments, for the duration of the exceptional measure.

The beneficiaries of the extension or suspension may request that only the capital repayments, or part of them, be suspended.

The measures referred to are expected to last until 30th September 2020.

OTHER CONDITIONS:

The request for extension of payment periods for capital, rents, interest, commissions and other charges does not give rise to any:

- Non-performance of contracts or activation of early maturity clauses;
- Suspension of interest due during the extension period;
- Ineffectiveness or termination of the guarantees granted.

The following types of credits are not eligible:

- Credit/financing for purchase of securities;
- Credit granted to beneficiaries of schemes, subsidies or benefits, namely tax benefits, to establish their head office or residence in Portugal, including for investment, with the exception of citizens covered by *Programa Regressar*;
- Credit granted to companies for individual use through credit cards for members of the management bodies, supervisory bodies, employees or other workers.

2) STATE GUARANTEES

While these measures are in place and upon request and in order to ensure liquidity or for any other purpose, the person in charge at the department of the Ministry of Finance may authorise the granting of personal guarantees by the State or other public bodies to companies, IPSS, nonprofits and other social economy entities.

3) GRANTING OF MUTUAL GUARANTEE

Similarly, the person responsible for finance or economy may also authorise mutual guarantee societies to grant guarantees to beneficiaries or other individuals or companies who are not shareholders, provided that the financial products covered by such guarantees are identified.

OTHER MEASURES

In addition, and still within the scope of the financial support to companies and individuals, we note that, yesterday, the government approved measures suspending the collection, increase or update of fees for the use of cards in automatic payment terminals by payment service providers.

We will update this information as and when legislative acts amending or supplementing the above are published.

PARES | Advogados is available to assist all individuals and companies with benefiting from the support measures, being able to offer all necessary support in regards to funding and submission of all required applications to benefit from these.

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