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# Payment moratorium in Hungary

*Measures to mitigate the impact of a coronavirus pandemic on the national economy*



Dr. Zsolt HAJNAL

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## *Measures to mitigate the impact of a coronavirus pandemic on the national economy*

The Hungarian Government has adopted in a frame of a legislative package measures in order to mitigate the impact of a coronavirus pandemic on the national economy. The subject of the current report is the legal institution of the so called payment moratorium, which was laid down by the [47/2020 \(III.18\) Government Decree](#) and the [62/2020 \(III.24.\) Government Decree](#). This report refers to the provisions of the above-mentioned measures and its interpretation issued by the Hungarian Central Bank.

## The scope of the payment moratorium

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Payment moratorium declared by the Government ensures credit debtors the option to receive a temporary payment moratorium for principal, interest and other fee payments obligations arising from **the credit agreements, loan agreements and financial leasing contract**.

So, there won't be a remission of the debt (nor the principal debt, not the interest, nor the fees). During the moratorium the unpaid principal, interest and fees should be payed by the debtor after the moratorium ends by an extended duration of the contract.

According to government decrees, the state, the local government and - with the exception of financial enterprises and investment funds – institutions corresponding to the [Act CXXXVII on the Hungarian Central Bank](#) § 39 (supervised institutions), namely the banks, investment firms, insurance companies and other financial sector organizations do not qualify as debtors according to the decree. So, it is not possible for these individuals alone to avail themselves of the payment moratorium. Everyone else, including **natural persons** (consumers) and **other persons** not listed above (**businesses, regardless of company form or size**) can benefit from a payment moratorium. The government decrees do not differentiate between individual debtors according to whether they are performing or delay. It provides a **uniform moratorium for all debtors with an existing** (unannounced) **contract** (there is one exception regarding to debtor under the private bankruptcy)

**Contracts that have been terminated or are in execution are not subject to the moratorium.** If the client's income (salary, pension) has been blocked as part of execution, the moratorium does not apply. Pursuant to the 62/2020. 7 § (2) of the Government Decree, the debtor may exceptionally request the court to suspend the

enforcement if the debtor is in a life situation in connection with the epidemiological measures, which is a justifiable circumstance. The court decides on the debtor's request.

In case of **cession** of the debt to a claims manager (debt collector), the lender has terminated the contract, since there is no more existing contract between the lender and the debtor, the moratorium couldn't be applied.

It is important to emphasize that **the payment moratorium is an option and not an obligation**, at least not for the debtors. The debtor can still choose not taking the option of the payment moratorium, in this case the lender shall be notified explicit regarding to this intention.

## For how long does the payment moratorium apply?

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The beginning and the end of the payment moratorium are determined by government decrees on the payment moratorium. According to this, the payment moratorium will start on March 19, 2020. The payment moratorium will last until December 31, 2020, but its date may be extended in the future by a Government decree. So, the possibility of the payment moratorium supervenes automatically without any notification of the lender to the debtors.

## Substantial scope: which credit contracts are affected by the moratorium?

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### Loans granted by financial institutions

Government decrees in this regard stipulate, as a general rule, that the payment moratorium applies to **credit agreements, loan agreements and finance lease agreements for which the contract already existed at 24:00 on 18th March 2020 and have been disbursed by that time**. Thus, the payment moratorium applies to credit, loan and lease agreements. This includes any credit agreement, loan agreement and financial lease agreement taken by individuals and companies from banks, financial enterprises: retail mortgages and real estate leases, car loans and car leases, personal loans, commodity loans, credit card loans, value-added loans, payment account loans with state support, student loans, as well as corporate working capital loans, investment loans, project loans, bank account loan.

### Other cases of payment moratorium

In addition, the payment moratorium also applies to the obligation of natural persons participating in the National Asset Management Program (Nemzeti Eszközkezelő Program) to pay the installment price and rent. In this respect, the government decrees

stipulate that Nemzeti Eszközkezelő Zrt. may not exercise its right of termination due to non-payment of the rent until 31 December 2020.

The payment moratorium also covers debtors subject to the procedures specified by the Act CV 2015 on Debt Settlement of Natural Persons., as well as persons obliged to meet their debt repayment obligations.

Last but not least, employer loans are also covered by the moratorium.

## Costs, fees any other consequences during the payment moratorium

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The debtor **does not incur any costs** in connection with the use of the payment moratorium. If the contract affected by the payment moratorium was notarized, **no notarial fee is charged** for notarizing the amendment to the contract, because the amendments resulting from a payment moratorium override the relevant content of the previous notarial deed by the government decree. In the case of baby waiting loans, the guarantee fee incurred due to the state guarantee will be waived for the period of the payment moratorium.

**The lender cannot charge default interest**, “penalty interest” because of the moratorium. Given that the payment moratorium provides for a deferral of the payment of the debtor due to the force of law, he cannot be in arrears during the period of the moratorium. Thus, the lender is not entitled to charge default interest or any other payment obligation resulting from the non-performance of the payment obligation and is therefore not entitled to impose any other legal consequences on the customer due to the non-payment.

However, during the period of the payment moratorium, there are also costs that must be paid later: the debt also bears interest during this period, and a fee may arise in connection with the fulfillment of contractual obligations. These will not be released; they will have to be paid by the debtor after the payment moratorium.

Government decrees stipulate **that the amount of installments** to be paid after the payment moratorium **may not exceed the amount of installments under the original contract**. (This does not preclude the possibility of prepayment at any time). The payment of installments, fees and interest for the period of the moratorium that have not been paid during the period of the moratorium can be realized without increasing the installments, by **extending the term**.

On the other hand, the duration of the obligations securing the contract (eg guarantee) will be also extended.

It is important to note that the **interest and fees accrued during the moratorium may not be capitalized by the lenders**, i.e. the amount of the principal debt under the contract may not be increased by the amount after the end of the moratorium on payments. This means that the debtor continues to pay the contractual interest on the contractual principal debt, which shouldn't include unpaid interest or fees during the payment moratorium

In addition, default interest may not, as a general rule, be charged by lenders for the duration of the moratorium.

## Other measures

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The government has **increased the general limit for touch transactions** from HUF 5,000 to HUF 15,000 which can be performed without entering a PIN code in order to minimize the contacts between citizens.

The Central Bank has taken **measures in order to disinfect the banknotes** before placing them back into the circulation.

Dr. Zsolt Hajnal

senior lecturer

University Debrecen, Faculty of Law

+36 30 6066330