

# COVID-19 NOTICE TO BUSINESS

## Six-month moratorium on loan repayments

Press Release by Central Bank of Malta, 13.04.2020

The Minister responsible for public health, with the concurrence of and in consultation with the Minister for Finance and Financial Services, issued the Moratorium on Credit Facilities Regulations in Exceptional Circumstances through Legal Notice 142 of 2020. Credit and financial institutions licensed by the Malta Financial Services Authority have been directed by these Regulations to offer a six-month moratorium on repayments on capital and interest for borrowers who have been negatively affected by COVID-19.

Pursuant to these Regulations, the Central Bank of Malta issued Directive 18 to define the eligibility for the moratorium and other conditions related to the implementation of the provisions of the Regulations. The moratorium applies to credit facilities sanctioned prior to 1 March 2020 - whether to individuals, households or businesses - and who can show that they have been negatively affected by the pandemic. Applications by borrowers are to be made with their respective credit or financial institution until 30 June 2020. The Minister for Health, in consultation with the Minister for Finance and Financial Services, may decide to extend the duration of the moratorium and the duration of the application period. The six-month moratoria period will start with effect from the date of approval of the application.

A moratorium is a temporary suspension of a borrower's repayment obligations. Therefore, borrowers eligible for this moratorium will be permitted to postpone capital and/or interest repayments to a later date - without any penalties or restructuring/administrative fees.

These are some of the key points in the Directive:

- The moratorium is not granted automatically, and the borrower will need to apply to the respective credit or financial institution. The moratorium comes into effect once the application has been approved. Borrowers have until 30 June 2020 to apply. If you have already taken up a moratorium offered by your lender, but feel that the terms under the Directive are more advantageous, you can renegotiate the terms subject to agreement with the credit or financial institution.
- Credit and financial institutions have the right to refuse the application as long as this is done within the terms of the Directive. However, please note that borrowers who have been in arrears prior to 1 March 2020 are not eligible for the moratorium.
- Borrowers can apply to forego payments of both capital and interest completely for six months, and can also opt to continue to pay the interest but not the capital.
- The payments missed during the moratorium will be paid during a six-month extension to the term of the credit facility. If the credit facility was due to mature at retirement age, the missed payments would be spread evenly throughout the remaining term of the credit facility after the end of the moratorium period.

Directive 18 was issued following consultations with the Malta Financial Services Authority and the Malta Bankers' Association.

