
23/04/2020

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A survey carried out by Finantsinspektsioon has found that all the banks and leasing companies and most creditors are allowing clients that have fallen into difficulty because of the spread of the coronavirus to change the conditions of their loan repayments. Four banks, including branches, and four leasing companies also responded that they have mitigation measures that depend on other factors.

“The spread of the coronavirus is causing difficulties for people and companies in paying their loans, and this then affects the financial sector. So that clients are treated equally and transparently, the banks should apply the same conditions for postponing payments by clients”, said Chair of the Finantsinspektsioon Management Board Kilvar Kessler. “We have set clear conditions for the banks to defer loan agreements through payment moratoriums, and we hope that this will encourage the banks to consider allowing moratoriums for borrowers. Equally, other professional lenders may respond to the guidelines issued by Finantsinspektsioon on 20 April by creating equal conditions for their clients if they consider it necessary”, he added.

Before issuing the guidelines, Finantsinspektsioon surveyed 81 loan and lease providers to map the situation on the market and highlight flexibility in dealing with clients facing difficulties. Finantsinspektsioon wanted to emphasise with its enquiries that professional lenders should not take advantage of clients facing short-term difficulties, but should be reasonable and flexible and avoid unfair fees, conditions and rises in interest rates when handling restructuring or breaches of loan agreements.

Applications to extend loans have in general been handled in the disciplined fashion, but there have been differences between lenders. Some of the lenders responding to the survey had set requirements on how much time should have passed since the loan agreement that has fallen into difficulties was signed. In some cases they also required documents to confirm or prove the causes of the payment difficulties. One bank stated that they were updating the general conditions applicable to client loan agreements, and the updated conditions have also been in use for new clients since November 2018. When changing the conditions for consumers or refinancing existing loans, some lenders also assessed the creditworthiness of customers.

Five creditors out of 47 required an additional fee for applying a grace period. Two companies out of nine among the banks required a fee, and none of the bank branches did so. Four of 11 leasing companies charged a fee. Lenders and lease companies that did not waive the fee for changing the contract conditions applied discounts to the fee from their price lists.

Creditors mainly gave clients a grace period from payments of 1-12 months depending on the business and the type of loan. Full grace periods were given in some cases, as were reductions in the size of payments, extensions of the contract maturity, and refinancing of loan liabilities. Conditions for permitting the grace period depended on the creditor and included submission of an application and the absence of problems or actual payment difficulties prior to the emergency situation. The conditions of some creditors are more detailed, running from the date of redundancy or the date a member of the household was put on unpaid leave, to the percentage of income that has been lost.

Finantsinspektsioon published a memo aimed at creditors on the principles for responsible lending on 26 March. The memo was in response to the impact on the credit market and the whole of the economy of the spread of the COVID-19 coronavirus. Finantsinspektsioon carried out a survey of lenders and leasing companies on 2 April to highlight the problems people faced in paying loans in consequence of the spread of the coronavirus, and to map the situation in the market. On 20 April Finantsinspektsioon issued advisory.

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