

FINANCE

COVID-19: Supports announced for affected customers of banks and other lenders

20 March 2020

This week has seen considerable engagement between the Minister for Finance (the Minister), the Central Bank, the five retail banks and the Banking & Payments Federation Ireland (BPF), culminating in a series of announcements setting out supports that are to be made available by those banks, and the main non-bank mortgage lenders and credit servicing firms, to customers affected by the COVID-19 pandemic.

Supports proposed by the Retail Banks

On 18 March, the Minister met with the CEOs of the five retail banks (AIB, Bank of Ireland, KBC, permanent tsb and Ulster Bank), and representatives of the BPF, to discuss a range of measures designed to support customers (both business and personal) affected by COVID-19.

Following that meeting, various measures were **announced by the Minister for Finance**, including the availability of flexible arrangements for personal and business customers of those banks impacted by COVID-19, such as three-month payment breaks.

Both the Department of Finance and BPF have emphasised the importance of early engagement by customers seeking those flexible arrangements. The BPF, in its **press release**, also confirmed that it is working with the banks to implement straightforward application procedures (and to ensure that supports are made available in a manner that is aligned to the way in which supports are being offered by the Department of Employment Affairs and Social Protection).

The BPF noted the banks' commitment to providing working capital support to businesses, while the Minister highlighted

that buy-to-let mortgage customers whose tenants are affected by COVID-19 will be able to use payment breaks to exercise forbearance in respect of rental payments from those tenants.

Court Proceedings

The BPF indicated on behalf of the five retail banks that they would defer Court proceedings for three months. Additional clarity on the scope of this deferral would be welcome as it is unclear whether those entities will both refrain from issuing new proceedings **and** refrain from progressing or stay existing proceedings, and it is also unclear whether this measure will be limited to cases where the customer is impacted by COVID-19, or whether it is a blanket measure. In respect of business loans, it is not clear how receiver appointments will be managed where a loan default is triggered by the impact of COVID-19.

Non-Bank Mortgage Lenders and Credit Servicing Firms

It was confirmed via a **further statement from the BPF on 19 March** that eight¹ key credit servicing firms and non-bank mortgage lenders support the measures developed by the retail banks and the

BPF, and also plan to introduce three-month payment breaks and to defer court proceedings for three months.

The BPF signalled that those eight firms would need:

- guidance from the Central Bank in respect of certain key matters, including customer documentation, process, the operation of the Central Credit Register and the possible impact on securitisation; and
- time to deal with various operational issues to enable them "**...to provide meaningful supports to customers as appropriate**".

The retail banks would also clearly benefit from receiving the same guidance from the Central Bank.

Meeting between the Central Bank, the Retail Banks and the BPF

The five retail banks and the BPF met with the Central Bank on 19 March, following which **the Central Bank confirmed** that there is no impediment to the introduction of three-month payment breaks for customers affected by the COVID-19 pandemic. Central Bank Governor Gabriel Makhoul emphasised

1 Dilosk/ICS Mortgages, Finance Ireland, Investec Private Finance Ireland Limited, Lapithus, Link Group, Mars Capital, Pepper and Start.

that those impacted by COVID-19 *"...must be provided with whatever reasonable arrangements and/or assistance may be necessary in dealings with regulated entities"*. He reiterated the Central Bank's expectation that all regulated firms take a consumer-focused approach and act in the best interests of their customers, and confirmed that all existing protections for customers in financial difficulties will continue to apply.

Payment breaks and the Central Credit Register

The Central Bank also confirmed that it is working with lenders to develop a solution that enables any COVID-19 payment break to be appropriately recorded on credit reports produced by the Central Credit Register.

Classification of Loans

Confirmation is awaited as to whether agreement can be reached with the European Banking Authority whereby loans in respect of which a COVID-19 payment break is granted are not re-classified as non-performing loans solely as a result of availing of such a payment break.

Reduction of Countercyclical Capital Buffer by the Central Bank

The ECB took a number of policy decisions in recent days (summarised in [this statement by ECB President, Christine Lagarde](#)) that are designed to support households, businesses and banks, and to help ensure the continued provision of credit to the real economy and also [announced a €750 billion Pandemic Emergency Purchase Programme](#).

The ECB measures were [welcomed by Central Bank Governor, Gabriel Makhoul](#), and the Central Bank [also announced](#) that it is reducing the Countercyclical Capital Buffer from 1% to 0%. This should enable the banks to use capital that they would otherwise have been required to hold to provide credit, and facilitate loan restructurings and extensions for individual and SME customers. This reduction is expected to free up more than €1 billion of bank capital which, according to the Minister, could support up to €13 billion of loan restructurings, and taken together with the impact of the temporary capital and operational relief provided by the ECB, greatly increase the banks' resources to support customers affected by COVID-19.

Other Notable Announcements

- **Other Retail Bank Measures**
The Minister also signalled that other supports will be made available by the retail banks to business customers, including credit, cash flow, supply chain support, extension of credit lines, risk guarantees and trade finance.
- **Residential Tenants**
Minister for Housing, Planning and Local Government, Eoghan Murphy, commented in the [Minister for Finance's press release](#) and in a [further statement on 19 March](#) that additional measures would be forthcoming to protect residential tenants affected by COVID-19. Our Real Estate Group will issue a briefing on the relevant legislation once it is brought before Dáil Éireann next Thursday, 26 March.
- **Systemic Risk Buffer**
The Minister has decided to delay the introduction of this buffer, which would

have enabled him to impose further capital requirements on banks, while the banks are working together to support affected customers.

- **Payments**
The Minister has asked industry to increase the limit on contactless payments from €30 to €50.
- **Stamp Duty on Credit Cards**
The Minister has signalled that the April 2020 stamp duty charge on credit cards will be pushed out to July (legislation will be needed to underpin this).

Comment

Through these measures, the Government, the Central Bank, the banks and the main non-bank mortgage lenders and credit servicers have sought to act quickly to assist customers through this period and to deal with the potential payment difficulties. The measures taken are similar to measures introduced in other European countries. Guidance will be necessary from the Central Bank in relation to some of the conduct of business-related implications of the measures, and it seems likely that further measures will be necessary as the fall-out from the COVID-19-induced economic shock becomes clearer.

Securitisations of Irish residential mortgages and SME loans are expected to face their own unique challenges. It is anticipated that market participants will work together to minimise the impact of the temporary measures on the functioning of an effective securitisation market, which continues to be a vital funding tool.

KEY CONTACTS

FINANCE

Glenn Butt

Partner
+353 1 920 1197
glenn.butt@arthurcox.com

Darragh Geraghty

Partner
+353 1 920 1045
darragh.geraghty@arthurcox.com

Orla O'Connor

Partner
+353 1 920 1181
orla.oconnor@arthurcox.com

Brendan Wallace

Partner
+353 1 920 1069
brendan.wallace@arthurcox.com

Robert Cain

Partner
+353 1 920 1050
robert.cain@arthurcox.com

Gráinne Hennessy

Partner
+353 1 920 1202
grainne.hennessy@arthurcox.com

Niamh Quinn

Partner
+353 1 920 1189
niamh.quinn@arthurcox.com

Maedhbh Clancy

Of Counsel
+353 1 920 1225
maedhbh.clancy@arthurcox.com

Phil Cody

Partner
+1 212 782 3290
phil.cody@arthurcox.com

Cormac Kissane

Partner
+353 1 920 1186
cormac.kissane@arthurcox.com

Ultan Shannon

Partner
+353 1 920 1188
ultan.shannon@arthurcox.com

Declan McBride

Of Counsel
+353 1 920 1065
declan.mcbride@arthurcox.com

Matt Dunn

Partner
+353 1 920 2020
matt.dunn@arthurcox.com

Kevin Lynch

Partner
+353 1 920 1199
kevin.lynch@arthurcox.com

Imelda Shiels

Partner
+353 1 920 1070
imelda.shiels@arthurcox.com

Sinéad Cantillon

Professional Support Lawyer
+353 1 920 1083
sinead.cantillon@arthurcox.com

Kathleen Garrett

Partner
+44 207 832 0205
kathleen.garrett@arthurcox.com

David Molloy

Partner
+44 207 832 0207
david.molloy@arthurcox.com

Aiden Small

Partner
+353 1 920 1072
aiden.small@arthurcox.com

LITIGATION, DISPUTE RESOLUTION AND INVESTIGATIONS

Richard Willis

Partner
+353 1 920 1154
richard.willis@arthurcox.com

Deirdre O'Mahony

Partner
+353 1 920 1058
deirdre.omahony@arthurcox.com

Dublin

+353 1 920 1000
dublin@arthurcox.com

Belfast

+44 28 9023 0007
belfast@arthurcox.com

London

+44 207 832 0200
london@arthurcox.com

New York

+1 212 782 3294
newyork@arthurcox.com

San Francisco

+1 415 829 4247
sanfrancisco@arthurcox.com