



COVID-19'S IMPACT BRIEF REVIEW OF THE MEASURES DIRECTLY AFFECTING CREDIT ENTITIES

18th March, 2020

On 14th March, 2020, Real Decreto 463/2020, of March 14th, was published, which established the alarm state in order to manage the health crisis caused by COVID-19, and that was supplemented on 18th March, through the Real Decreto Ley 8/2020, of 17th March, for urgent extraordinary measures to face the economic and social impact of COVID-19.

Much information foresees that this situation shall be extended for a longer period of time. In this scenario, many will be the measures to be taken by the government in the development of this regulation, some of which have already been taken by the main Ministries that are leading the control of the crisis and, for whose analysis, we recommend the reader to the many notes that Ontier is preparing in the past few days.

The finance sector shall also be impacted by these measures and those that may be passed in the near future. Proof of this impact is the special attention that the Real Decreto 463/2020 and Real Decreto Ley 8/2020 deserve as we point out below.

As the conduit for the charges and payments, as well as for the liquidity availability of the economy, the finance sector shall be critical in the following days in order to maintain the stability of goods and services, as well as to execute the measures taken by the Government.

With regard to the Real Decreto 463/2020 and in the area affecting the financial entities (banks and insurance companies) and their clients, there is an exception to the limitation of movement, to those going to financial and insurance entities (Article 7.1.f).

Therefore, these movements shall be allowed and as a consequence, it must be understood that the “measures to limit mobility in the areas of commercial activity, culture, recreational places and activities, food industry activities and restaurants, and other additional” are not to be applied to banks or insurance offices, that may be open to the public. Allowing the people going to these entities when they are close would otherwise make no sense.

In any case, these places must make use of the recommended measures to avoid crowds and control that clients and employees maintain a security distance of at least a meter to avoid potential infections (Article 10.2), all in compatibility with the provision of their services.

Additionally, the Real Decreto-ley 8/2020, establishes several specific measures in the development of the existing exceptional situation which materialize in the financial sector in the possibility to take advantage of a deferral in the mortgage debt for the acquisition of basic housing by debtors in an extraordinary and difficult situation, the approval of a credit line to cover by the State the financing given by financial entities to entities and individual

workers, and an insurance line for exporting credits.

In this sense:

- (i) A possibility to obtain a deferral (which may be requested until 15 days after the termination of the Real Decreto Ley and shall be compulsory for the credit entities) is granted for the payment of mortgage debt for basic housing, as well as for its interests to those who are in a vulnerable economic situation (Articles 7 and ff.).

The possibility for guarantors, and bondsmen who are in a situation of economic vulnerability to request that the entity exhausts the assets of the main debtor before claiming the guaranteed debt from them, even in those cases where the “*derecho de excusión*” has been expressly waived in the contract, is to be highlighted.

The wording of Article 13 is also interesting, since it allows the credit entities to communicate the Banco de España those deferrals granted to avoid the obligation to provision those credits.

(*) For greater depth in the analysis of this matter, we recommend reading the note prepared by our colleagues in real estate in which they carry out further analysis.

- (ii) A new line of bonds for an amount of 100,000 million euros is opened for the financing granted by the credit entities, financial credit, electronic money and payment entities for companies and independent workers to afford

their necessities derived from, among others, invoice management, working capital, financial obligations becoming due and other liquidity needs. The details of these lines shall be regulated by decision of the Consejo de Ministros (Article 29).

- (iii) Extraordinarily and for a period of 6 months from the publishing of the Real Decreto Ley 8/2020, the creation of an insurance line of up to 2,000 million euros is authorized, to be charged to the Fondo de Reserva de los Riesgos de la Internacionalización, for export capital credits on PYMES and some bigger companies under specific requirements (Article 31).

All these measures intend to directly impact the activity of the credit entities, on the one hand favoring the concession by them of credit transactions to specially damaged groups by the current situation through the existence of additional guarantees by the State to the granting entities and, on the other hand, trying to avoid a situation of failure in mass that may create a greater problem similar to the one existing a few years ago with the subprime mortgages, due to a situation which we all hope is temporary and from which it shall be able to recover as soon as the pandemic is controlled.



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