

## Borrowers Rights during Covid19 outbreak

FLAC (Free Legal Advice Centres) is a voluntary, campaigning organisation which promotes equal access to justice for everybody in Ireland.

As an independent rights organisation, FLAC is not part of the state-funded Legal Aid Board, which is responsible for administering government-funded legal aid and advice.

This sheet provides some guidance for those in financial difficulty during the current Covid19 outbreak. As this is an evolving situation, **this information is subject to change.**

This document is for information purposes only and should not be considered as legal advice on your individual circumstances. For further information please contact the FLAC's Telephone Information line on **1890 350250** or **01 8745690** - Monday to Friday 9.30-1pm and 2-5pm.

### SHORT GUIDE FOR PEOPLE IN FINANCIAL DIFFICULTIES IN THE CURRENT ECONOMIC CRISIS

Large numbers of employees have lost their jobs, been put on temporary lay-off or had their hours of work reduced due to the Covid19 outbreak. Owners of businesses have been similarly affected and it is not clear right now how long this emergency situation will last.

The resulting cut in income has left many in a position where they cannot make full or any payments on their accommodation, whether as owner occupiers with mortgages or tenants in private or local authority housing. Many also have personal loans, car loans and credit card agreements that cannot now be paid because of lack of income.

On March 19<sup>th</sup>, following a meeting with the Banking and Payments Federation of Ireland (BPF) and the five principal banks (AIB, EBS, BOI, PTSB and KBC), the Central Bank announced that *'there is no impediment to the banks introducing a 3-month Covid-19 payment break for those affected by the pandemic'*.

The Governor of the Bank, Gabriel Makhlouf, also stressed following this meeting that *'We need to make sure that the financial system works well for everyone, and that consumers are protected, particularly those who may experience financial difficulties at this time'*.

The press release issued by the Central Bank then summed up the position as follows:

*Banks will introduce three-month payment moratoria on mortgages, and personal and business loans for some business and personal customers affected by COVID-19. The Central Bank understand all BPF members including non-banks will introduce this measure for affected customers. The*

*Central Bank expects all regulated firms, including banks, retail credit and credit servicing firms to take a consumer-focused approach and to act in their customers' best interests. Any customer facing potential difficulties in making loan repayments as a result of COVID-19, is advised to contact their bank or credit servicer as early as possible. All of the existing protections for customers who face actual or potential financial difficulties continue to apply.*

In terms of the situation for those renting accommodation, it was also announced on March 19<sup>th</sup> that 'a temporary ban on evictions as part of a series of measures to protect renters during the coronavirus pandemic' was being introduced'. Further measures to be introduced by Minister for Housing Eoghan Murphy include:

- a moratorium on rent increases for those affected by Covid-19
- an increase in the notice period for tenancies of less than six months is to be introduced from 28 days to 90 days.

The Minister said these measures will apply for the duration of the public health crisis and legislation was being prepared to put them into effect.

On the basis of these various announcements by or on behalf of government, some basic guidelines for people in financial difficulty to try to follow are as follows:

## **1. Don't worry too much about existing legal cases during the Covid19 crisis**

If a legal case in terms of a debt or repossession has been brought against you, it is not likely that it will progress further during this crisis. The Courts Service announced on March 16<sup>th</sup> that it was reducing the work of the courts with only urgent cases going ahead cases not involving witnesses, going ahead in the coming weeks. The sittings of County Registrars Courts, who manage repossession cases concerning family homes, have been suspended until April 20<sup>th</sup> (at least). It is also unlikely that any new legal actions in debt cases will be started during this period. Make sure, however, to pay close attention to any correspondence you might receive from the courts during this time.

The Commission for Utility Regulation has also announced that domestic disconnections of energy supply are suspended until March 29<sup>th</sup> (at least).

## **2. Contact your creditors.**

This situation has occurred for reasons completely outside your control. Let your creditors/landlord know how your financial situation has been affected by the crisis and provide what evidence you can to back it up in terms of letters, emails and other documentation. It may help in the future to show that you were up front and engaged with them. You should also check in writing with your lender exactly how they propose to apply the payment break in your case, as there is some evidence already of different approaches being applied by different lenders.

### **3. Make some payment but only if you can**

It is clear from media interviews that only a temporary payment break is going to be available on loans. These payments will not be written off. This means that the missed payments will still be due when all this is over. It is also likely that interest will be charged on the missed payments during the payment break.

Therefore, if the current budget of your household allows you to make some form of payment towards a debt, however small, you should do so, to avoid a potentially more difficult situation later on. However, it is vital that you first prioritise your needs and those of your family right now, in terms of food and shelter.

### **4. Keep records**

Keep records and notes of any efforts you have made to contact creditors, in terms of the outcome of calls, and maintain emails and copies of other written communications such as letters. That way, you will be able to show that you did not ignore the situation further down the line.

### **5. Follow guidance from the Money Advice and Budgeting Service (MABS)**

MABS is the state-funded service to help people with debt problems and has offices throughout the country. Although face to face appointments with MABS money advisors have been suspended until further notice, you can get the phone details of your local MABS service on its website - [www.mabs.ie](http://www.mabs.ie) – and telephone for further information. That website also provides some useful guidance on budgeting on a limited income and negotiating with your creditors. It will be updated as the situation develops.

### **6. Keep an eye on the media for developments**

Plans are being developed and revised on an ongoing basis to provide assistance to people economically affected by Covid19. It is vitally important that you avail of any income support that is available to you. FLAC has also produced a FLACsheet on Social Welfare supports, you can find this on our website [www.flac.ie](http://www.flac.ie). Keep an eye on media and relevant websites for news of any developments, particularly what you need to do to avail of any new schemes and the rules that may apply. Keep an eye also on FLAC's website and social media channels for updates.