

Borrowers Rights during Covid19 outbreak

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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.**

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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.

Mortgage and other loan repayments

On March 19th, 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

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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.

At the end of April, it was announced that the facility of a payment break was being extended by a further three months to six months, with the CEO of the BPF, Brian Hayes further stating that *"These measures may need to remain in operation for some time or may only be lifted gradually with an unknown impact on the economy going forward"*.

In terms of borrowers maintaining their credit rating, the Central Bank added that borrowers availing of payment breaks of up to six months will not be classified as having missed payments on its Central Credit Register and the Irish Credit Bureau is expected to take the same position. It stated that:

"At the end of the agreed payment break, the Central Bank expects borrowers who can return to full repayments to be given the option to either repay the loan within the remaining term or extend the term of the loan,"

Rented accommodation

In terms of the situation for those renting accommodation, it was also announced on March 19th 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. These changes were then introduced in the Emergency Measures in the Public Interest (Covid-19) Act 2020 which came into effect in the late March.

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 much further during this crisis. The Courts Service announced on March 16th 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, were initially suspended until April 20th County Registrars are now dealing with their lists of cases on a reduced basis and parties to cases will be notified of any relevant dates. You can also check developments on the courts website, www.courts.ie.

It is also unlikely that any new legal actions in debt cases will be started during this period. You must make sure, however, to pay close attention to any correspondence you might receive from your creditors or from the courts during this time.

Utilities

The Commission for Regulation of Utilities (CRU) also announced that domestic disconnections of energy supply were suspended until March 29th (at least). On April 14th it was announced that the Commission, along with Gas and Electricity Suppliers, had extended the moratorium on domestic electricity and gas disconnections to 16 June following the recent extension of government measures regarding Covid-19.

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, if requested, 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 that the payment break does not involve any reduction of the amount payable on these loans. These missed payments will not be written off. This means that these payments will still be due when all this is over. It is also very 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. You will need to contact your lender to discuss this in more detail. 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 – 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 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. 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.