

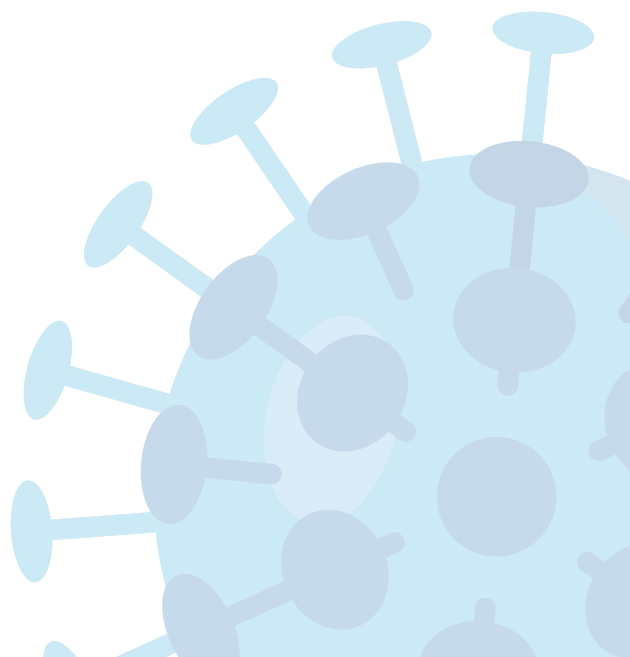
**STAKEHOLDER DIALOGUE OUTCOME**



# **BEST PRACTICES**

*IN RELATION TO RELIEF MEASURES  
OFFERED TO CONSUMERS AND  
BUSINESSES IN THE CONTEXT OF  
THE COVID-19 CRISIS*

**BRUSSELS, 14 JULY 2020**



**DISCLAIMER**

*This document reflects the outcome of the high level dialogue between all participants of two roundtables on best practices organised in May and June 2020 by the European Commission in light of the COVID19 crisis. All participants agree to continue the dialogue on the COVID19 crisis and its impacts in the coming months.*

**LIST OF PARTICIPANTS**

AGE PLATFORM EUROPE

ASSOCIATION OF CONSUMER CREDIT INFORMATION SUPPLIERS (*ACCIS*)

BETTER FINANCE

BEUC THE EUROPEAN CONSUMER ORGANISATION

BIPAR

BUSINESSEUROPE

EUROCHAMBRES

EUROFINAS

EUROPEAN ASSOCIATION OF CO-OPERATIVE BANKS (*EACB*)

EUROPEAN ASSOCIATION OF GUARANTEE INSTITUTIONS (*AECM*)

EUROPEAN ASSOCIATION OF PUBLIC BANKS (*EAPB*)

EUROPEAN BANKING FEDERATION (*EBF*)

EUROPEAN CONSUMER DEBT NETWORK (*ECDN*)

EUROPEAN FEDERATION OF BUILDING SOCIETIES (*EFBS*)

EUROPEAN MORTGAGE FEDERATION (*EMF*)

THE ASSOCIATION OF MUTUAL INSURERS AND INSURANCE COOPERATIVES IN EUROPE (*AMICE*)

THE CONFEDERATION OF FAMILY ORGANISATIONS IN THE EUROPEAN UNION (*COFACE*)

THE EUROPEAN SAVINGS AND RETAIL BANKING GROUP (*ESBG*)

EUROPEAN SMALL BUSINESS ALLIANCE (*ESBA*)

FEDERATION OF EUROPEAN NATIONAL COLLECTION ASSOCIATIONS (*FENCA*)

FINANCE WATCH

INSURANCE EUROPE

LEASEUROPE

PAN-EUROPEAN INSURANCE FORUM (*PEIF*)

SMEUNITED

## **LIST OF OBSERVERS**

EUROPEAN BANKING AUTHORITY (EBA)

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

EUROPEAN RETAIL FINANCIAL FORUM (ERFF)

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

*The roundtables were organised by the European Commission who helped facilitate the whole process.*

## INTRODUCTION

The economic shock caused by the COVID-19 pandemic and the exceptional containment measures are having a far-reaching impact on businesses and consumers. Most businesses are facing disruption in supply chains, temporary closures and reduced demand, while many households are confronted with unemployment and a fall in income resulting in many cases in difficulties for the repayment of loans.

To help address these challenges, Member States as well as banks, non-bank lenders and insurers have implemented a broad range of relief measures, in particular temporary moratoria on credit payments, deferrals on the payment of insurance premiums, and special credit lines for SMEs. At the same time, providers of financial services, including intermediaries, have sustained the services which they provide to the public. The overarching aim of these measures is to ensure that customers are adequately supported during the current pandemic. The European Commission acknowledges and welcomes these efforts, which show the engagement of both public and private institutions in supporting consumers and businesses to navigate through the financial aspects of this crisis.

At the same time, in order to mitigate the economic impact of the pandemic, national and European supervisory authorities relaxed certain supervisory requirements for financial institutions and released counter-cyclical buffers for banks, while central banks provided extra liquidity to the financial system. Insurers have been given some flexibility in meeting reporting deadlines. The objective of these extraordinary actions was to allow financial firms, to continue supporting the economy during the downturn with the necessary credit and insurance services whilst remaining mindful of their risk management obligations.

In addition, on 28 April 2020, the Commission adopted a banking package<sup>1</sup>, comprising an interpretative communication and targeted legislative changes aimed at facilitating bank lending to support the economy and help mitigate the economic impact of COVID-19. The Commission welcomes the swift agreement reached by the co-legislators, which allowed these targeted legislative changes to be in place already for the second quarter 2020 reporting of banks. As part of this package, the Commission announced a dialogue with the European financial sector as well as business and consumer representatives to explore how different actors should participate in efforts to support citizens and businesses through the crisis period and during the subsequent recovery.

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<sup>1</sup> [https://ec.europa.eu/info/publications/200428-banking-package-communication\\_en](https://ec.europa.eu/info/publications/200428-banking-package-communication_en)

On 28 May, the Commission organised a first Roundtable meeting with stakeholders to discuss relief measures offered to consumers and businesses by banks, non-bank lenders and insurers in the context of the COVID-19 crisis. All represented parties declared their openness to cooperation and dialogue in order to address some of the divergences between the level of support offered in different Member States and challenges related to the implementation of relief measures. The roundtable participants agreed a set of best practices to facilitate the convergence and implementation of relief measures – in accordance with the EBA Guidelines on legislative and non-legislative moratoria<sup>2</sup> and the EIOPA statement of 1 April 2020 on action for insurers and intermediaries to mitigate the impact of COVID-19 on consumers<sup>3</sup>, and considering the EIOPA supervisory expectations on product oversight and governance requirements amidst the COVID-19 situation<sup>4</sup>. The roundtable participants appreciate the usefulness of existing, oftentimes ambitious, national measures and voluntary efforts undertaken by financial institutions.

Against this background, and driven by a desire that all consumers and businesses in the Union are spared avoidable financial hardship, the roundtable participants encourage financial institutions in the EU to follow the best practices in this document on a best-effort basis in accordance with EU legislative requirements including competition law and without prejudice to regulatory obligations and supervisory expectations. During the meeting on 29 June, the providers of financial services emphasised that they share a natural interest in supporting their customers in this unprecedented situation with client-specific advice and services to preserve their customers' long-term financial health.

While recognising there may be limits set by competition law and prudential regulations for the private sector to provide certain relief measures, participants in the meeting agreed to make the necessary effort to inform and encourage their members to implement, whenever appropriate, on a best-efforts basis, the best practices set out below. They should be temporary and applied as long as they are still relevant depending on the situation in Member States.

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<sup>2</sup> *EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis*  
<https://eba.europa.eu/regulation-and-policy/credit-risk/guidelines-legislative-and-non-legislative-moratoria-loan-repayments-applied-light-covid-19-crisis>

<sup>3</sup> *Call to action for insurers and intermediaries to mitigate the impact of Coronavirus/COVID-19 on consumers*  
[https://www.eiopa.europa.eu/content/call-action-insurers-and-intermediaries-mitigate-impact-coronaviruscovid-19-consumers\\_en](https://www.eiopa.europa.eu/content/call-action-insurers-and-intermediaries-mitigate-impact-coronaviruscovid-19-consumers_en)

<sup>4</sup> *Supervisory expectations on Product Oversight and Governance requirements amidst the COVID-19 situation*  
[https://www.eiopa.europa.eu/content/supervisory-expectations-product-oversight-and-governance-requirements-amidst-covid-19\\_en](https://www.eiopa.europa.eu/content/supervisory-expectations-product-oversight-and-governance-requirements-amidst-covid-19_en)

## BEST PRACTICES FOR BANK AND NON-BANK LENDING TO CONSUMERS

### *Credit payment moratoria*

1. Banks and non-bank lenders are encouraged to demonstrate flexibility towards consumers experiencing financial difficulties in the context of COVID-19 crisis.
2. Banks and non-bank lenders are encouraged to offer borrowers who temporarily find themselves in financial difficulties as a result of the COVID-19 pandemic, the possibility to defer the payment of the instalments of their credits for a period appropriate to their situation (e.g. 3 to 6 months unless circumstances would indicate that a different period is appropriate). Banks and non-bank lenders are encouraged to extend deferral period when circumstances call for it.
3. Borrowers are encouraged to resume the repayment of instalments as early as possible – given the potential accumulation of obligations during the deferral period – and to seek debt counselling, where appropriate.
4. The eligibility conditions for the payment deferral should be clearly articulated allowing to apply to large groups of borrowers predefined on the basis of broad criteria.
5. The payment deferral should apply to mortgage and consumer credit granted before the date when the moratorium was announced and should cover the repayment of the loan principal, interest, or both when appropriate unless otherwise agreed already at national level.
6. Beyond the interest and other costs and charges agreed in the original contract, the provision and repayment of deferral should be free of any charge for the time of the deferral (such as late payment interest or other surcharges for the deferral).
7. For particularly vulnerable borrowers, banks and non-bank lenders, subject to their capacity, are encouraged to show the greatest possible flexibility in order to enable a long-term continuation of the contractual relationship together with the borrowers and to avoid payment defaults. . They are also encouraged to refer such borrowers to debt counselling agencies with view to preventing payment defaults. The concept and definition of a particularly vulnerable borrower should be based on the domestic legislation in which a bank or non-bank operates. In the absence of a legal definition, a vulnerable borrower refers to a borrower who has lost a substantial part of

their income compared to other affected borrowers as a direct consequence of COVID19 and has thereby significant financial constraints to pay back their loans – given particularly low income<sup>5</sup>.

8. Consumers should always receive clear and comprehensive information about the consequences of the payment moratoria, in particular about the costs involved.
9. Banks and non-bank lenders should endeavour to provide a fast and easy, on-line where possible, procedure for granting the moratoria.
10. Banks, non-bank lenders and credit reference agencies are encouraged to process the information related to the granting of the moratoria in a way that it does not negatively impact credit files nor has an automatic impact on the credit rating (or equivalent measure of risk) of consumers. In this respect, they should follow the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis and the recommendations from the International Committee on Credit Reporting for the treatment of credit data in credit information systems in the context of the COVID-19 pandemic.
11. Banks, non-bank lenders and borrowers are encouraged to cooperate to try to find a solution in individual cases of requests for payment deferral of loans, if needed with the help of an ombudsman, where available.

### **Cash availability and payments**

12. Banks and businesses are encouraged to continue to enable the use of cashless payments as a form of payment that reduces health risks, including through improving accessibility to digital retail payments.
13. Banks are encouraged to make best efforts to ensure sufficient cash availability, including in remote areas, taking into consideration vulnerable groups of consumers such as older people for whom cash remains the most used means of payment.
14. Businesses should make best efforts to ensure that cash, alongside other means of payment, is accepted in shops.

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<sup>5</sup> *for reference, once could consider the poverty threshold in each Member States that would be calculated at the time of request for deferral*



## BEST PRACTICES FOR BANK AND NON-BANK LENDING TO BUSINESSES

### *Credit payment moratoria*

1. Banks and non-bank lenders are encouraged to demonstrate flexibility towards their business clients experiencing financial difficulties in the context of COVID-19 crisis.
2. Banks and non-bank lenders are encouraged to offer borrowers who temporarily find themselves in financial difficulties as a result of the COVID-19 pandemic the possibility to defer the payment of the instalments of their credits for a period appropriate to their situation (e.g. 3 to 6 months, unless circumstances would indicate that a different period is appropriate).
3. Borrowers are encouraged to resume the repayment of instalments as early as possible given the potential accumulation of obligations during the deferral period.
4. The eligibility conditions for the payment deferral should be clearly articulated allowing to apply to large groups of borrowers predefined on the basis of broad criteria.
5. The payment deferral should apply to credits granted before the date when the moratorium was announced and should cover the repayment of the loan principal, interest or of both.
6. Beyond the accumulated interest and other costs and charges agreed in the original contract, the provision and repayment of deferral should be free of any charge for the time of the deferral (such as late payment interest or other surcharges for the deferral).
7. Banks and non-bank lenders should endeavour to provide a fast and easy procedure for granting the deferral.
8. Businesses should receive clear and comprehensive information about the consequences of the payment deferral, in particular about the costs involved.
9. Banks, non-bank lenders and credit reference agencies are encouraged to process the information related to the granting of the moratoria in a way that it does not negatively impact credit files nor has an automatic impact on the credit rating (or equivalent measure of risk) of businesses. In this respect, they should follow the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis and the recommendations from the

International Committee on Credit Reporting for the treatment of credit data in credit information systems in the context of the COVID-19 pandemic.

10. Banks, non-bank lenders and borrowers are encouraged to cooperate to try to find a solution in individual cases of requests for payment deferral of loans, if needed with the help of an ombudsman, where available.

### ***New loans and credit guarantees provided in the context of COVID-19***

11. Banks and non-bank lenders should grant credits without prejudice to their financial stability and prudential obligations and maintain high standards of risk and creditworthiness assessment.
12. Banks and non-bank lenders are encouraged to make all the necessary effort to ensure that loans aiming to mitigate the impact of the COVID-19 crisis on businesses are provided swiftly and without unnecessary delays and administrative burden, taking into consideration the situation of each borrower. They should do so within the possibilities offered by prudential rules and in adherence to the principles of responsible lending, and whilst maintaining sound and effective risk oversight and management.
13. Banks and non-bank lenders are encouraged to ensure that no excessive fees or interest rates are charged for these special loans, beyond what can be considered a fair fee and fair interest rate, reflecting market conditions and credit risk assessment.
14. Without prejudice to the EBA Guidelines and the ECB's recommendations to maintain high standards of borrowers' creditworthiness and credit risk assessment, the eligibility criteria for businesses to access the loans should be fair and sound. In particular, emphasis should be given to businesses with temporary liquidity problems but good prospects going forward.
15. Where possible and in line with market conditions, the maturity of the loans offered should be sufficient to allow borrowers to plan the repayment of the loan within a period of time corresponding to the envisaged business recovery.
16. For the purpose of a more streamlined process of granting loans under the public or private guarantee scheme, the banks and non-bank lenders are encouraged to contribute to the optimal

use of these schemes as follows:

- Work closely with the national and regional guarantee institutions as well as the government bodies to ensure that the potential clients are well informed of the government's requirements and any inconsistencies are flagged early;
- Ensure that the credit secured by the public guarantee granted to businesses follows as much as possible the conditions set out in the scheme, taking into account the bank's duties under the scheme and its compliance with supervisory requirements;
- Work with borrowers to seek a solution in individual cases of requests for information or redress with the use of mechanisms such as ombudsman, where they exists.

## BEST PRACTICES FOR INSURERS

1. Insurers are encouraged to take into consideration various practical implications of the COVID-19 crisis for the day-to-day activities of consumers and to demonstrate flexibility towards consumers and business clients who may not be able to fulfil contractual obligations, or who may be forced to change their normal behaviour, or who may be experiencing financial difficulties.
2. All market participants are encouraged to continue to act in the best interests of consumers, throughout the lifecycle of their relationship with the consumer.
3. Insurers are encouraged to process and assess claims and pay out legitimate claims as quickly as possible in the current circumstances. This also means to quickly assess and settle any disputes over coverage and exclusions, keeping in mind the interests of all policyholders.
4. Insurers are encouraged to be open to requests from policyholders who temporarily find themselves in financial difficulties as a result of the COVID-19 pandemic to temporarily postpone regular payments of due premiums free of interest and charges, as far as the insurer's financial capacity permits.
5. The eligibility conditions for the payment deferral, which apply on a case by case basis, should not be too strict so as not to exclude or discourage policyholders from availing themselves of this possibility.
6. Policyholders should always receive clear and comprehensive information about the consequences of the payment deferrals, in particular about the cost.
7. Insurers are encouraged to continue assessing whether the insurance products whose main features, risk coverage or guarantees have been materially impacted by the COVID-19 outbreak, remain consistent with the needs, characteristics and objectives of the identified target market .
8. Insurers are encouraged to adjust insurance tariffs to reflect any change in cost and risks as well as claims on insurance during the pandemic, taking into account the overall period of cover and giving due consideration to company and national circumstances.
9. Insurers, with the support of distributors and intermediaries, are encouraged, in accordance with applicable legal requirements, to protect the interests of savers in long-term savings products by discouraging any hasty redemptions or reallocations of funds, which realise short-term losses due to falls in asset values caused by the pandemic.

Brussels, 14 July 2020

