

KRS: Rules for calculating repayments of foreign currency-denominated loans stipulated by the National Bank of Hungary (Part 1.)

The President of the National Bank of Hungary has issued its first decree on the general rules governing the calculation method concerning retail loan agreements – informed the legal column of Origo Kovács Réti Szegheő Attorneys at Law. Dr Mónika Kapetz in this three-part series provides a comprehensive overview of the calculation methods regarding foreign currency-denominated loans, and covers the main questions that those may bring up. You are reading the first part of this series.

The decree issued by the president of the National Bank of Hungary (MNB), effective as of 8 November, will be applicable and mandatory in respect of all loan agreements which comply with the two conditions set forth by the decree.

Firstly, the borrower must meet the condition of having no existing accumulated arrears at present, and the same applies for former payments, he or she may not have fallen into arrears any time in the past during the existence of the loan agreement, i.e. the borrower is expected to have paid all payment instalments punctually prior to the due date.

The second criteria retail borrowers must meet is not having benefited from any previous relief programmes or reductions, in other words the borrower does not and did not pay lower instalments than the originally determined amount – introduced the rules at issue the legal expert at Kovács Réti Szegheő Attorneys at Law.

What is considered a retail loan agreement?

Foreign-currency based (loans denominated in a foreign currency and those denominated in HUF but tied to a foreign currency) or Forint-based credit or loan agreements and financial leasing arrangements concluded between 1 May 2004 and 26 2014 July by financial institutions and retail borrowers, whenever those contain general terms and conditions enabling the option of unilateral contract amendment, the application of an exchange rate spread, or contractual terms not individually settled.

Furthermore, foreign currency credit or loan agreements and financial leasing arrangements concluded within the same time frame which are not considered foreign-currency based, yet contain the above mentioned stipulations, are also considered as retail loan agreements.

Retail loan agreements comprise housing loans, loans for car purchases, and general purpose loans – pointed out Dr Mónika Kapetz.

What is considered a borrowers' relief programme?

Borrowers' relief programmes are agreements concluded by the bank and the debtor aimed at a temporary reduction of the payment obligations resulting from the loan agreement, based on which the debtor's monthly payment instalments for the residual maturity will be lower than the ones payable prior to such agreement.



Beneficial terms are financial advantages or allowances stemming from the bank's release of principal, interests or fees or the application of favourable rates, or preferential rates applied by the bank, which result in reduced payment obligations for the retail borrower.

The MNB Presidential decree will not apply to cases where payment delay occurred as mentioned above, or to cases where preferential repayment schemes were utilized for the loan in the past. Additionally, any court decision proclaiming the loan agreement unlawful will provide another reason to exclude the application of the calculation method laid down by the decree.

In cases where loan agreements meet the above requirements, financial institutions may adopt any of the three methods of calculation laid down by the decree.

(In the second part of this series Dr Mónika Kapetz, legal expert at Kovács Réti Szegheő Attorneys at Law is giving detailed information about the three alternative calculation methods to be applied by financial institutions – the editor.)