



L A W G R O U P
PARADIGMA

CREDIT VACATION IN A PANDEMIC



As one of the measures to protect citizens and business most affected by the coronavirus pandemic, the President of the Russian Federation proposed introducing credit vacations – a delay in paying off loans for consumer, mortgage and other loans for borrowers.

The law providing for introduction of credit holidays was enacted on April 3, 2020. Pursuant to the Law, on April 6, 2020, the Government of the Russian Federation published threshold values for loans for which the borrower will be able to take credit vacations.

Terms of providing credit holidays for individuals and sole proprietors:

Borrower – an individual or an individual entrepreneur – will be able to qualify for a credit vacation on the following conditions:

- loan agreement was concluded before April 03, 2020;
 - there was a decrease in the borrower's monthly income before applying for a credit vacation by more than 30 percent compared with his average monthly income in 2019;
 - at the time of the borrower's request for a credit vacation, no earlier established grace period applies to such a loan agreement;
 - size of the loan does not exceed the following threshold values:
 - a) 250,000 rubles – consumer loans to individuals;
 - b) 300,000 rubles – consumer loans to sole proprietors;
 - c) 600,000 rubles – car loans;
 - d) 1,500,000 rubles – mortgage loans;
 - e) 100,000 rubles – consumer loans to individuals with a credit limit.
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Conditions for providing credit vacation for small and medium-sized businesses:

Small and medium-sized businesses will be able to apply for credit vacation subject to the following conditions:

- loan agreement was concluded before April 03, 2020;
 - a small and medium-sized business carries out activities in the [area](#) most affected by the spread of coronavirus infection (a list of industries that are most affected by the consequences of the spread of coronavirus infection is currently approved by the Government of the Russian Federation).
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The procedure for granting credit vacation for individuals, sole proprietors, small and medium-sized businesses:

- borrower has the right to apply to creditor with a request for a credit vacation no later than September 30, 2020 in the manner prescribed by a loan agreement;
 - borrower – an individual or sole proprietor - is also entitled to apply to creditor by calling him by phone;
 - creditor, having received the borrower's request, considers it within 5 days and if the borrower's request meets the conditions for granting a credit vacation, the creditor notifies the borrower of relevant amendments to the loan agreement;
 - if within 10 days the borrower has not received a response from the creditor, credit vacation are considered as granted from the date the borrower sends a request (unless a different date is set out in borrower's request).
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Features of the provision of granting the credit vacation for individuals, sole proprietors, and small and medium-sized businesses:

- borrower has the right to determine the duration of the grace period, as well as the date the grace period starts from;
- borrower's request, instead of suspending the fulfillment of borrower's obligations, may include a decrease in the amount of payments during the grace period;
- during the grace period, it is not allowed to charge a penalty (fine) as well as to demand early fulfillment of obligations or to foreclose on the subject of pledge or mortgage;
- borrower has the right at any time during the credit vacation to terminate their action by notifying the creditor thereof.

However, when applying for a credit vacation, the borrower must remember:

- credit vacation is given for a period of up to 6 months without the possibility of extending them; therefore it makes sense to use them only if the decrease in income does not really allow servicing a loan;
- credit holidays do not relieve the borrower from the need to pay interest on the use of funds that must be paid to him after repayment of the loan in monthly installments;
- the bank may ask the borrower – an individual or a sole proprietor – for documents confirming a 30% decrease in its income. Such documents in accordance with the law can be a 2-NDFL certificate, an extract on the registration of a citizen as unemployed, a sick leave;
- non-presentation by the borrower – an individual or a sole proprietor – of documents confirming a decrease in his income by 30% may result in the creditor's refusal to provide credit vacation.

You can contact PARADIGMA lawyers for advice and any personal recommendations on doing business in a pandemic by telephone +7 495 649-41-41. Alternatively, you may send a request by [e-mail](#).

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