

EU PolicyWatch

Database of national-level policy measures

Eurofound's EU PolicyWatch collates information on the responses of government and social partners to the COVID-19 crisis, the war in Ukraine, rising inflation, as well as gathering examples of company practices aimed at mitigating the social and economic impacts.

Factsheet for measure MT-2020-16/932 – **Updated** – measures in Malta

Moratorium on loan repayments

Moratorju fuq hlasijiet lura tas-self

Country	Malta , applies nationwide
Time period	Temporary, 14 April 2020 – 30 September 2021
Context	COVID-19
Type	Legislations or other statutory regulations
Category	Supporting businesses to stay afloat – Deferral of payments or liabilities
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Measure added	06 July 2020 (updated 01 June 2022)

Background information

Through Legal Notice 142 of 2020, Moratorium on Credit Facilities in Exceptional Circumstances Regulations, credit and financial institutions licensed by the Malta Financial Services Authority (MFSA) have been directed to offer a six-month moratorium on repayment of capital and interest to support individuals, households and organisations who have been materially affected by the COVID-19 outbreak.

Content of measure

Regulations entitled 'Moratorium on Credit Facilities in Exceptional Circumstances' was issued through Legal Notice 142 of 2020. Via these regulations, credit and financial institutions in Malta were directed to offer a six-month moratorium on repayments on capital and interest for borrowers who have been negatively affected by COVID-19. The moratorium is for credit facilities sanctioned prior to 1 March 2020 and is applicable to individuals, households and businesses who can show that COVID-19 had a negative impact upon them. The six-month moratoria period starts from the date of approval of the application. Those affected were originally asked to apply with their respective credit or financial institution until 30 June 2020. The moratorium was subsequently extended by a further six months and applicants for this extension were asked to apply by 30 September 2020.

As the moratorium is a temporary suspension of the borrower's repayment obligations, capital and/or interest repayments are postponed to a later date without any penalties or administrative fees being imposed. Borrowers who have been in arrears prior to 1 March 2020 are not eligible for the moratorium.

Updates

The following updates to this measure have been made after it came into effect.

14 January 2021	It was announced that this measure would be extended by a further nine months, until the end of September 2021. Borrowers were given until 31 March 2021 to apply. Borrowers who had never been provided with a moratorium are entitled to one of up to nine months. Those who were already benefitting from a moratorium of shorter than nine months could apply to have this extended up to a maximum of nine months in total. No extensions were offered to those already benefitting from a moratorium period of nine months or more.
15 December 2020	The Finance minister announced on 15 December 2020 that the Moratorium scheme on loan repayments will extend into 2021, however no further details were provided.

Overview

War in Ukraine

Countries



Types



Categories



Target groups



Search database

Use of measure

7,327 household and commercial loans were subject to a moratorium by end April for a value of €1.3 billion. The loans constituted 11.3% of all bank loans. Of these, 5,656 were household loans, which represents 8% of all loans held by households. In terms of industry, the sector that made most use of the moratorium with the Accommodation, Food and Services sector where 41% of those who held a loan made use of the moratorium. This was followed by 19.1% of the Real Estate sector and 16% of the manufacturing sector.

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An Economic Update issued by the Malta Central Bank in November 2020 announced that as of the end of September, 8,335 loans were subject to a moratorium on repayments. The total value of these loans stood at €1.8 billion, or 15.6% of total outstanding loans to Maltese residents. The value of these loans was a slight decrease when compared to August, and was the first decline since the scheme started, indicating that some loan holders had recommenced repaying their loan. Whilst moratoria continued to increase in the accommodation and food services sector, declines were evident in the household, transport and storage, and real estate sectors.

It was reported that in December 2020 (Malta Central Bank, Economic Update 2/2021) that the number of loans subject to a moratorium had decreased to 2,373 (value of €0.7 billion or 6.4% of outstanding loans). The largest declines in euro and volume terms were observed in the household, wholesale and retail as well as real estate sectors. Forty-two percent of loans held by the accommodation and food services sector were subject to a moratorium (€213.1 million in loans), 25% of loans (or €188.9 million in loans) held by the real estate sector were also subject to a moratorium.

By February 2021, loans subject to a moratorium had decreased further to 1,687. The total value of these loans stood at €656.9 million, or 5.5% of total outstanding loans to Maltese residents. Declines were reported in the real estate, wholesale and retail, and information and communication sectors. The value of loans however increased in the manufacturing, construction, transport and accommodation sectors (Malta Central Bank, Economic update 4/2021).

By the end of July 2021, only 141 loans were subject to a moratorium on repayments, with the value of these at €79.9 million, or 0.7% of total outstanding loans to Maltese residents. In value terms, the accommodation and food services activities sector remained the largest beneficiary (Malta Central Bank, Economic update 9/2021).

By the end of September 2021, the number of loans subject to a moratorium had dropped to 54. The value of these loans stood at €38.8 million (0.3% of total outstanding loans to Maltese residents). The largest number and value of loans continued to be held by the accommodation and food services sector, however these have declined dramatically when compared to September 2020 when over 40% of outstanding loans were subject to a loan; by September 2021, this stood at 2.6% (Malta Central Bank, Economic update 11/2021).

By the end of 2021, only seven loans were subject to a moratorium, the value of which stood at €14.1 million (0.1% of total outstanding loans to Maltese residents). The largest number and value of loans subject to a moratorium was held in the sector comprising professional, scientific and technical activities (Malta Central Bank, Economic update 2/2022)..

Target groups

Workers	Businesses	Citizens
Applies to all workers	Applies to all businesses	Applies to all citizens

Actors and funding

Actors	Funding
National government	National funds

Social partners

Social partners' role in **designing the measure** and form of involvement:

	Trade unions	Employers' organisations
Role	Unknown	Consulted
Form	Not applicable	Direct consultation outside a formal body

Social partners' role in the **implementation, monitoring and assessment phase**:

- No involvement
- Main level of involvement: Unknown

Involvement

The moratorium was enacted by the Minister responsible for public health, with the concurrence of and in consultation with the Minister for Finance and Financial Services, having held consultations with the Malta Financial Services Authority and the Malta Bankers' Association. The Malta Bankers' Association, represents the interests of banks that are licensed to operate in Malta.

It is worth noting that throughout this period direct consultations were occurring between the government and various social partners including general unions and employer associations. It is not known if involvement occurred with respect to this measure.

Views and reactions

Limited views were expressed about the introduction of the moratorium. The Malta Hotels and Restaurants Association (MHRA), which represents a sector which was amongst the worst hit by the global pandemic, however, publicly called for a moratorium to be offered to their members and reacted positively to its introduction.

In their 2022 pre-budget recommendations, the Malta Chamber, recommended that all existing moratoria should be extended and the repayment periods are extended.

Sources

- 13 April 2020: Central Bank of Malta - Moratorium
- 19 November 2020: Central Bank of Malta - Economic-Update-11-2020 (www.centralbankmalta.org).

- 14 January 2021: Malta Today - Nine-month extension of bank loan moratorium announced (www.maltatoday.com.mt).
- 22 February 2021: Malta Central Bank - Update 2/2021 (www.centralbankmalta.org).
- 21 April 2021: Malta Central Bank - Economic Update 4/2021 (www.centralbankmalta.org).
- 01 September 2021: Central Bank Malta - Economic Update 9/2021 (www.centralbankmalta.org).
- 13 September 2021: Malta Business Weekly - Malta Chamber of SMEs presents 26 budget proposals for 2022 (maltabusinessweekly.com).
- 01 November 2021: Central Bank Malta, Economic Update 11/2021 (www.centralbankmalta.org).
- 14 February 2022: Central Bank of Malta - Economic update 2/2022 (www.centralbankmalta.org).

Citation

Eurofound (2020), *Moratorium on loan repayments, measure MT-2020-16/932 (measures in Malta)*, EU PolicyWatch, Dublin, https://static.eurofound.europa.eu/covid19db/cases/MT-2020-16_932.html

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12 September 2022

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