

## **INSOL Europe/LexisNexis coronavirus (COVID-19) Tracker of Insolvency Reforms—Hungary update**

24/04/2020

**Restructuring & Insolvency analysis: We look at the reforms to the insolvency law of Hungary prompted by the coronavirus (COVID-19) pandemic. Written by Zoltan Fabok, Special Counsel at DLA Piper Budapest, Hungary. Member of INSOL Europe.**

### **Judicial enforcement**

Certain provisions of the Act 53 of 1994 on Judicial Enforcement have been suspended or amended until the end of the state of emergency period, as set out below. The statute implementing the amendments is: Government Decree No 57/2020. (III. 23.):

- tax related judicial enforcement proceedings are suspended by law until the end of the state of emergency period for COVID-19
- courts may suspend judicial enforcement proceedings upon request of the debtor in case the debtor claims that the reason of non-performance is related to the consequences of COVID-19
- residential premises owned by natural persons cannot be evacuated via judicial enforcement until the end of the state of emergency period for COVID-19
- new bailiff orders may not be delivered during the state of emergency period for COVID-19
- where the debtor requests payment in instalments, such claim shall be accepted even if the creditor does not consent
- bailiffs cannot meet customers in person, and
- enforcement proceedings on site are suspended

**In force:** since 24 March 2020.

**Duration:** Indefinite—the general rule is that during the period of the State of Danger (also indefinite) the changes remain in place.

### **Protection of lease agreements in some sectors**

Real estate lease agreements for non-residential premises cannot be terminated by unilateral termination until 30 June 2020 in the following sectors: tourism, hospitality, entertainment, gambling, the film industry, event management, sport related services and the performance artist industry. The rental fee may not be increased during the period of the State of Danger.

The statute implementing the amendments is: Government Decree No 47/2020. (III. 18.).

**In force:** since 19 March 2020.

**Duration:** As for the exclusion of termination the protection ends on 30 June 2020 but the government may extend that period. As for the price freezing, the duration is indefinite—the general rule is that it remains effective during the period of the State of Danger.

### **Filing for insolvency**

There is no explicit duty to file in Hungary. However, the director is obliged to summon the shareholders' meeting if the company's equity or liquidity decreased critically or it is threatened by insolvency; in that case the shareholders' meeting needs to address the situation or, as a last resort, resolve to dissolve the company without succession.

Government Decree No102/2020. (IV. 10.) has somewhat relaxed the above provisions and provided that in certain cases the shareholders' meeting may be postponed until no later than 90 days after the expiry of the State of Danger.

**In force:** since 11 April 2020.

**Duration:** Indefinite—the general rule is that during the period of the State of Danger the changes remain in place.

### **Payment moratorium**

A payment moratorium until 31 December 2020 will apply with respect to all credit facilities, loans and financial leases provided in a business context. During the moratorium the borrower (who may be a natural or legal person with any exceptions specified by law) is not obliged to pay any principal, interest or fees. The moratorium period may be extended or reduced by the government. The interest and fees accrued during the moratorium will not increase the principal but will be repayable in equal instalments after the moratorium. After the moratorium the term shall be extended so that the amount of the repayment instalments and the amount of interest payable in instalments accrued during the moratorium together shall not exceed the amount of the original repayment instalments.

The payment moratorium applies to loans already drawn under contracts existing at midnight on 18 March 2020.

Any person who is subject to debt settlement procedures as well as persons who are liable for such person's debt repayment obligations shall qualify as debtors.

The statute implementing the amendments is: Government Decree No 47/2020. (III. 18.).

**In force:** since 19 March 2020.

**Duration:** 31 December 2020 but the government may extend the moratorium.

### **Update**

Hungarian Government Decree No 249/2020. (V. 28.) published in the Official Gazette of 28 May 2020 extended the period open to settle creditors' claims by the debtor before the creditor is able to initiate 'liquidation proceedings aimed at debt collection'. Liquidation proceedings aimed at debt collection (somewhat similar to the statutory demand procedure in some common law countries) have become widespread in Hungary in the last few decades. The main characteristic of those proceedings are that a creditor, in order to exercise pressure, initiates liquidation proceedings against their debtor. The debtor, if they want to avoid being liquidated, has to pay off the sole creditor initiating liquidation proceedings or settle the case. The recent amendment appears not to extend the period during which the creditor's claim may be disputed but only grants additional 75 days for the debtor to settle the debts. Beyond, the statutory minimum to initiate liquidation proceedings aimed at debt collection increased from HUF 200,000 to HUF 400,000 (approx. EUR 1,150).

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LexisNexis has partnered with INSOL Europe to produce this tracker of insolvency reforms worldwide: [Coronavirus \(COVID-19\) Tracker of insolvency reforms globally](#).