

Newsletter

Payment holidays for mobilized citizens and their families

02 November, 2022

Dear Ladies and Gentlemen,

On 7 October 2022, Federal Law No. 377-FZ (the "**Law**") came into force. The Law granted mobilized citizens and their family members the right to receive preferential payment holidays on loans (including mortgages). The text of the Law is available in Russian [here](#).

Categories of citizens

Per the Law, the following citizens ("**Borrowers**") may request that lenders suspend payment obligations for a grace period:

- Citizens called up for military service due to mobilization (including individual entrepreneurs)
- Contract military servicemen who are participating in the special military operation (SMO)
- Volunteers deployed under contracts to participate in the SMO
- Family members of all the above categories

Borrowers may submit such a request along with the supporting documents no later than 31 December 2023 as prescribed by the Law.

These payment holidays apply only to loan agreements concluded before 21 September 2022.

Payment holidays term

Per the Law, the payment holidays are provided for:

- The duration of mobilization
- The term of a military service contract
- The period of participation in the SMO

and for 30 days afterwards.

In the event of combat injuries or illnesses resulting from participation in the SMO, the payment holidays term shall be extended for the treatment period.

Borrowers may determine the starting date of the payment holidays themselves (but no earlier than 21 September 2022), otherwise it will start from the date on which a request is filed with the lender.

Additional guarantees for Borrowers

(1) Termination of loan obligations

This guarantee is provided in the event of the death of a military serviceman during the SMO or afterwards, but as a result of an injury or illness from the SMO, or also if a military serviceman is deemed to fall in the first degree of disabled persons.

In such cases, the loan obligations of both the military serviceman themselves and their family members shall be terminated. This guarantee shall apply to relations that have started from 24 February 2022.

(2) Suspension of debt recovery

Enforcement proceedings for debt collection for a loan provided to servicemen or members of their family may be suspended for the duration of the payment holidays. In this case, enforcement proceedings may be resumed no earlier than 30 days after the expiration of the payment holidays term.

(3) Penalty relief

This guarantee applies to contract military servicemen participating in the SMO, as well as

to **volunteers deployed under contracts for military tasks** (participating in the SMO). During the period from 24 February 2022 to 7 October 2022, no **penalty (forfeit)** for the failure to fulfil or the improper fulfilment of loan obligations by such individuals **shall be charged**, and any penalties that have **already accrued shall be written off**.

In addition, the payment holidays and corresponding additional guarantees shall extend to **border guards participating in the SMO**, as well as **their family members**.

Other regulations

During the payment holidays, **interest on the principal debt of loans**, except for mortgage loans, shall continue to be charged in the amount of **2/3 of the average market value of the total cost of the loan** set by the Bank of Russia on **the date on which an application was submitted for the holidays** (but no higher than the initial interest rate under the agreement).

Clarifications of Bank of Russia

On 21 October 2022, **Bank of Russia** published clarifications on enforcement of the Law. The text of the clarifications is available in Russian **here**.

Bank of Russia indicated that the Law also applies to **individual entrepreneurs** deployed under contracts to participate in the SMO, as well as to their **family members**. These persons may **request** that lenders **suspend payment obligations for a grace period**, including those under **business loans**. During the payment holidays, **interest on the principal debt of business loans** shall continue to be charged no higher than the **initial interest rate** under the agreement.

Any authorized person with the supporting documents, including under **a simple written power of attorney**, may apply for the payment holidays. Bank of Russia has also clarified other provisions of the Law.

ALRUD Labour and Employment Team will be glad to provide legal support with any issues related to the current mobilization in the Russian Federation.

We hope that the information provided herein will be useful for you. If any of your colleagues would also like to receive our newsletters, please let us know by sending us their email address in response to this message. If you would like to learn more about our **Labour and Employment Practice**, please let us know in reply to this email. We will be glad to provide you with our materials.

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If you have any questions, please, do not hesitate to contact ALRUD Partner

Sincerely,
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