



AMENDMENT TO THE RECOMMENDATION OF THE BANCO DE PORTUGAL WITHIN THE LEGAL FRAMEWORK OF NEW CREDIT AGREEMENTS FOR CONSUMERS

Preamble

In its capacity as the national macroprudential authority, the Banco de Portugal is entrusted with defining and implementing macroprudential policy. In accordance with its mandate, in July 2018 the Banco de Portugal implemented a macroprudential measure in the form of a Recommendation within the legal framework of new credit agreements for consumers (the 'Recommendation').

The Recommendation introduces limits to some of the criteria institutions should observe when assessing borrowers' creditworthiness, aiming to ensure that credit institutions and financial companies do not take excessive risks when granting new credit. This is to reinforce financial sector resilience to potential adverse shocks and promote access to sustainable funding by consumers, thereby minimising default risk. Among these, the Recommendation set out a principle of gradual and linear convergence of the average maturity of new credit agreements for house purchase, credit secured by a mortgage or equivalent guarantee towards 30 years, by the end of 2022. Note that the average maturity of new credit agreements for house purchase in Portugal is high compared to other European Union countries.

The Banco de Portugal has been monitoring developments in new loans, to ensure the effectiveness of the Recommendation. The assessment shows that credit institutions have broadly complied with the guidelines set out in the Recommendation. The Banco de Portugal considers that, in order to maintain the objective originally pursued by the Recommendation, as well as the convergence process towards the recommended limit, the average maturity of new credit for house purchase, credit secured by a mortgage or equivalent guarantee should not exceed 30 years from 1 January 2023 onwards. To prevent any abrupt fluctuations in the course of the year, the analysis of compliance with this requirement will focus on the set of new loans granted each quarter of every year.

This amendment to the Recommendation applies to agreements concluded from the date of its publication.

In view of the above, pursuant to Article 16-A of its Statute, the Banco de Portugal, as the national macroprudential authority, hereby adopts the following change to the Recommendation:

Article 1

Amendment to Article 7 of the Recommendation of the Banco de Portugal within the legal framework of new credit agreements for consumers

Article 7 of the Recommendation of the Banco de Portugal within the legal framework of new credit agreements for consumers is amended as follows:

«Article 7

Recommendation C: Limits to maturity

1. [...]

(a) 40 years for borrowers aged 30 or under;



(b) 37 years for borrowers aged over 30 and up to and including 35;

(c) [...]

2. [...]

3. It is recommended that the average maturity of the set of new credit agreements for house purchase and credit secured by a mortgage or equivalent guarantee granted each quarter by each institution does not exceed 30 years.

4. [...]

5. [...]

6. [...]»

Article 2

Date of application

This amendment to the Recommendation of the Banco de Portugal within the legal framework of new credit agreements for consumers applies to agreements concluded from the date of its publication.