

Financial leasing to retail clients

A new era for financial leasing companies

As of 4 February 2022, the scope of financial leasing extended to retail clients, while financial leasing companies (FLCs) became eligible providers of residential financing and potential purchasers of non-performing residential loans (NPLs).

Recent Greek development law 4887/2022 introduced amendments to the provisions of Greek law 1665/1986 on financial leasing, opening the market for retail clients.

What's new?

Up until now, financial leasing was only available for professional use, thus not allowing retail clients to opt in the leasing of real estate for residential use. Article 131 of Greek law 4887/2022 extends the scope of financial leasing to retail clients, who are now able to acquire movable assets as well as real estate property through financial leasing both for professional and personal use.

Why is this important?

The new law aims, amongst others, to the opening-up of the leasing market, regardless of whether the lessee is a business, freelancer or retail client, and to the strengthening of the real estate market, as real estate leasing is no more exclusively available for professional use.

The above extension of scope benefits both the borrowers and the financial system, as there are now more alternatives available for the rescheduling of the obligations arising from residential NPLs, including the ones subject to the Hellenic Asset Protection Scheme framework.

A few notable merits:

- Prospective home owners enjoy greater flexibility, since borrowers may defer (part of) the equity portion of the purchase price of a residence to the maturity of the financial leasing agreement and/or pay increased monthly payments. This particular characteristic of financial leasing can shine in non-performing cases where the borrower faces temporary difficulties but may return to solvent status in the future: the borrower may become part of the solution for the banks and the FLCs, by deferring the borrower's liabilities in the future (through monthly payments and bullet instalment at maturity), while being provided with liquidity at present through the sale of the real estate.
- The ownership remains with the banks/the FLCs, so if the borrower is unable to pay its monthly instalments, no auction is required, thus avoiding time and money spent, as well as any social imprint, while in general, this leads to lowering the backlog of auction proceedings.
- It is an additional restructuring tool through sale & lease back arrangement without tax considerations, since the Real Estate Transfer Tax (RETT) is suspended, when the real estate is owned by an FLC.
- No levy of Greek law 128/1975 is imposed on financial leasing provided by FLCs.

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