

Banking Supervision Department
Supervisor's Office

June 24, 2020
20LM3285

To: Banks and credit card companies
Attn: CEO and Chair

Re: Providing a response for customers enduring economic difficulties against the background of the coronavirus crisis

Dear Sir or Madam,

In the initial stages of dealing with the coronavirus crisis, broad assistance steps were taken by the Bank of Israel and Banking Supervision Department as well as the banking corporations, in order to provide a response to cash flow and liquidity difficulties suddenly experienced by customers. In order to assist households and businesses to weather the crisis, clarifications and accounting leniencies¹ were published, as well as a comprehensive framework for deferring loan repayments.²

During the course of the crisis, there was an increased need for acting with sensitivity toward customers enduring difficulties due to the crisis, including customers who were already in debt collection proceedings prior to the crisis and whose situation has become more severe due to it. Conversations that we have held with you indicate that the banking corporations took those customers' situations into account, and on their own initiative adopted various leniencies in general, and in collection proceedings in particular.

In recent weeks, the banking system has returned to routine activity alongside the coronavirus, as most limitations were removed and the economy began to return to ongoing economic activity. However, the coronavirus crisis and its ramifications have not yet ended, and it appears that many households and businesses are affected and will continue to be affected by the ramifications imposed on them by the crisis in the short and medium terms as well. Against the background of the high unemployment rate and the adverse impact to the financial resilience of customers from a range of sectors and industries, those

¹ Banking Supervision Department letter from April 21, 2020, on "The coronavirus event—supervisory emphases on handling debts and reporting to the public":
<https://www.boi.org.il/he/BankingSupervision/LettersAndCircularsSupervisorOfBanks/LettersOfTheBankingSupervisionDepartment/202016.pdf>

² Press release dated May 7, 2020, on a comprehensive framework for deferring loan repayments as assistance to bank customers in dealing with ramifications of the coronavirus crisis:
<https://www.boi.org.il/en/NewsAndPublications/PressReleases/Pages/7-5-2020b.aspx>

customers are facing significant challenges, as their income and earnings capacity are adversely impacted notably and for an unknown length of time.

Against the background of this reality, we remind you that Proper Conduct of Banking Business Directive no. 450 on “Debt Collection Proceedings” establishes that even during routine times, in a case where a customer is encountering economic difficulties and finds it hard to meet commitments vis-à-vis a banking corporation, the banking corporation is to try to exhaust various ways to collect the debt, in all its components, from the customer, before turning to the courts system. This should be done while maintaining fairness and transparency throughout the debt collection proceedings.

The above is even more correct at this time, and therefore the banking corporations are required to continue acting in this manner to an even greater extent than during routine times. This is with the goal of identifying difficulties and assisting their customers to get through this challenging period, at as early a stage as possible, in order to assist in avoiding spiraling debts and their future deterioration.

In view of this, the banking corporations are to keep on acting responsibly and to continue displaying fairness, flexibility, and sensitivity vis-à-vis their customers, and to strengthen the role and place of the banking system as part of the economic and social fabric. Within the framework of these activities, there is great importance in acting in a focused manner in allocating the required resources so that they are available for customers and to reach the most beneficial arrangements possible with them, before taking legal steps. This includes, similar to steps that we found were implemented in Israel and in various other countries, being able to act via a range of tools in order to assist customers and avoid to the extent possible entering into legal proceedings. Such tools include extending the timeframes for handling debts compared to routine times; proactively contacting customers who are late in their payments within a short period of time in order to examine possibilities of assistance; proposing convenient payment arrangements; providing leniencies in fees and interest on arrears; and restructuring loans for longer repayment periods.

The banking system is a central and important pillar in the social economic system, and we hope that these tools and steps will be able to assist customers and the Israeli economy to endure this challenging and complex period.

With wishes for good health for all,

Yair Avidan
Supervisor of Banks