



FREQUENTLY ASKED QUESTIONS ABOUT THE CBP Code of Best Practices

Banco Sabadell has adhered to the Code of Best Practices approved by Royal Decree Law 6/2012 of 9 March,¹ applying different measures to families experiencing difficulties in paying their mortgage. ([Royal Decree-Law 6/2012 of 9 March, on urgent measures to protect mortgage debtors without resources. \(boe.es\)](#)).

The Code of Best Practices is aimed at debtors of loans and credits secured by mortgages on their primary residence who are within the exclusion threshold. It is also aimed at mortgage guarantors and non-debtor mortgage guarantors with respect to their habitual residence and with the same terms and conditions as those established for the mortgagor.

Conditions to be fulfilled

1. That guarantee on the mortgage loan is the debtor's primary residence.
2. The acquisition price of the property does not exceed the limit established by the regulation (absolute limit of €300,000).
3. That the economic requirements for the "exclusion threshold" defined in the regulations must be met.

The full guide can be viewed at the following [link](#):

What is the exclusion threshold?

In order for a mortgagor to be covered by the measures of the Code, he or she must be situated in what the regulation calls the "exclusion threshold", which refers to his or her economic circumstances.

1. That the total income of the members of the household² does not exceed the limit of three times the annual IPREM (Multi-Purpose Public Income Index) for fourteen payments. The annual IPREM of 14 payments for the year 2022 is €8,106.28 and it is foreseen for 2023 that the annual IPREM of 14 payments will be €8,400.

The limit stipulated in the previous paragraph shall be four times the annual IPREM of fourteen payments in the event that any member of the household has a declared disability of more than 33%, a situation of dependency or an illness that is permanently incapacitating for work, or five times the IRPEM, in the event

¹ Amended by Law 1/2013 of 14 May 2013, Law 8/2013 of 26 June, Royal Decree-Law 1/2015 of 27 February, Law 25/2015 of 28 July, Royal Decree-Law 5/2017 of 17 March, by Law 5/2019 of 15 March and by Royal Decree-Law 19/2022 of 22 November

² Household shall be understood as the unit comprising the debtor, his or her spouse, who is not legally separated, or registered partner and the children, regardless of their age, residing in the dwelling, including those linked by a relationship of guardianship, care or foster care.

that a mortgage debtor is a person with cerebral palsy, mental illness, or an intellectual disability with a recognised degree of disability equal to or greater than 33%, or a person with a physical or sensory disability, with a recognised degree of disability equal to or greater than 65%, or in cases of serious illness that certifiably incapacitates the person or their caregiver to carry out a work activity.

2. That the mortgage payment is over 50% of the net income received by all the members of the household, where net income is the gross income minus taxes and social security contributions. This percentage shall be 40% of the net household income if the circumstances indicated in the previous paragraph are met.
3. That, in the four years preceding the time of application, one of the following conditions must have been met:
 - a. That the rate of effort to meet the mortgage payment, i.e. the mortgage burden as a percentage of total household income, has increased.
 - b. That the family circumstances of special vulnerability specified in the regulation have arisen, without the possibility of extending them to others not legally provided for. Let us see what these circumstances are:
 - Large families.
 - Single-parent households with dependent children.
 - Households with a minor.
 - Households in which one of its members has a declared disability of over 33%, a situation of dependency or an illness that is certified to have permanently incapacitated them for work.
 - Households where there is one or more persons living in the same dwelling who are related to the mortgage holder or their spouse by kinship up to the third degree of consanguinity or affinity and are in a certified situation of personal disability, dependency or serious illness that temporarily or permanently incapacitates them to carry out a work activity.
 - If the household has a victim of gender-based violence, trafficking or sexual exploitation.
 - The debtor is over 60.

The measures contained in the regulation

Once the formalities have been completed, and if the conditions are met, the measures set out in the Code of Best Practices would be implemented in phases:

- Firstly, the **restructuring** of the debt (main measure).
- If the above measure is not viable, **debt reduction** is considered (complementary measure).
- If neither of the above can be applied, **payment in kind** may be requested (substitute measure).
- Right to rent in the event of foreclosure of the primary residence.

Main measure: Mortgage payment restructuring

Entails the determination of a new payment plan that offers more favourable conditions to the debtor. This application cannot be made by debtors who are already being foreclosed in enforcement proceedings, in which the date of the auction has already been set.

The terms of the restructuring plan are as follows:

- A five-year grace period on capital repayments if the increase in the effort represented by the mortgage burden has multiplied by at least 1.5 and/or the household has a member in one of the circumstances of special vulnerability. This means that, for five years from the approval of the plan, the debtor will only pay on the interest. The grace period will be two years if the mortgage burden has increased by less than 1.5 and the household is not in one of the circumstances of special vulnerability.
- The principal forgone during this period is prorated over the remaining instalments.
- Extension of the debt repayment period up to 40 years from the date the loan was granted. However, if the mortgage burden has increased by less than 1.5 and the household does not find itself in one of the circumstances of special vulnerability, the extension of the term would be up to seven years, without exceeding the term of forty years from the granting of the loan.
- Reduction of the applicable interest rate to Euribor - 0.10% during the grace period. In the case of fixed-rate loans, the fixed rate applies during the grace period. However, if the mortgage burden has increased by less than 1.5 times and the household is not in one of the circumstances of special vulnerability, the interest rate applicable during the grace period shall be such as to reduce the net present value of the loan by 0.5% in accordance with the regulations in force.
- Floor clauses in loan contracts will cease to apply indefinitely.
- In addition, institutions may consolidate all the debts incurred by the debtor.
- In addition, early repayment of the loan requested during the ten years following the approval of the restructuring plan will not entail any compensation costs.

A debtor in such a restructuring plan who, at the end of the grace period for capital repayment, is situated within the exclusion threshold as defined in this Code, may apply for a second restructuring plan, provided that the end of the grace period is not the decisive factor for being in this exclusion threshold.

Once these conditions have been applied:

- If the instalment to be paid is less than 50% of the household's current income, the restructuring plan is viable and will be implemented.
- If the instalment is more than 50%, the plan will be considered non-viable and you will be informed of the successive measures provided for in the Code: debt reduction and payment in kind of the primary residence.

Accompanying measure: Debt reduction

Additional requirements in the case of debt reduction (also applicable to the substitute measure of payment in kind of the home):

1. The family does not have enough other assets or property rights with which to pay the debt.
2. The mortgaged property is the only home owned by the debtor(s) and the loan was granted for its acquisition.
3. The loan has no other guarantee, either collateral or personal, or, in the case of the latter, the guarantor lacks other sufficient assets or property rights with which to repay the debt.
4. If there are co-debtors who are not part of the household, they must be included in circumstances 1, 2 and 3 above.

Debt reduction is a write-off of the outstanding debt that implies that the amount of the new instalments is lower than the original amount.

Our entity is not bound by this measure, and may accept or reject it without having to give reasons for its decision.

The debt reduction can be applied when the restructuring plan is non-viable. Remember that this happens if the debtor is in the so-called "exclusion threshold" and the purchase price of the primary residence is within the limit, but the resulting instalments of the plan are higher than 50% of the household income.

There is no time limit for requesting debt reduction, which may be requested even if the bank has initiated foreclosure proceedings and the auction has been announced.

The bank must respond to the debt reduction request within one month of the bank's confirmation of the non-viability of the restructuring plan.

One of the following methods can be used to calculate the debt reduction:

- A 25% reduction of the outstanding principal to be repaid.
- Reduction equivalent to the difference between the principal repaid and the amount, having the same proportion to the total capital loaned as the number of instalments paid by the debtor to the total instalments due.
- Reduction equivalent to half the difference between the current value of the home and the value resulting from subtracting twice the difference of the loan granted from the initial appraisal value, provided that the former is lower than the latter.

Substitute measure: Payment in kind

This consists of handing over the house that guarantees the loan to the bank in exchange for the cancellation of the outstanding debt.

Given that the Code's measures are successive, in order to apply for payment in kind, the following circumstances must be in place:

- That the debtor is within the exclusion threshold.
- That the purchase price of the dwelling complies with the stipulated limit, with a maximum of 250,000 euros.
- That the debt restructuring plan is non-viable.
- That the entity has opted by not to apply a debt reduction.
- That even if the bank has initiated foreclosure proceedings, the notice of auction has not been issued.
- That housing not is not encumbered with subsequent liens.
- The request for payment in kind has been submitted within 24 months of the request for restructuring.
- Debtors who have an approved and ongoing restructuring plan and become aware of their inability to make payments 24 months after the request for restructuring may also submit such a request. In this case, the institution will consider the possible handover of the mortgaged property by the debtor to the institution itself or to a third party designated by it, thus definitively cancelling the debt.

The payment in kind fully extinguishes the debt secured by mortgage and the personal liabilities of the debtor and third parties.

At the time of requesting payment in kind, the debtor may request to rent the property for two years by paying a return totalling 3% of the full debt amount at the time of the payment in kind. If the return is not paid, a late payment interest of 10% will be charged.

The bank may agree with the debtor the assignment of a part of the capital gain generated by the sale of the property, in consideration for the cooperation that the debtor may provide in this transfer.

Right to rent in the event of foreclosure of the primary residence

This measure may be requested by the foreclosed mortgagor whose repossession has been suspended in accordance with the provisions of article 1.1 of Law 1/2013 of 14 May.

The debtor may request to rent his or her primary residence when the repossession has been suspended and for a period of one year, which shall begin from the entry into force of RDL 19/2022, on 24 November 2022, for debtors whose repossession has been suspended, and from the moment the suspension takes place for those who benefit from it afterwards.

In exchange for this rent, a maximum annual return of 3% shall be paid on its value at the time the auction was approved. This value shall be determined according to the valuation provided by the debtor, certified by an approved appraiser.

The lease is annual, extendable up to 5 years at the lessee's discretion. After this period, both parties may agree on an annual extension for a further 5 years.

Required documentation

To prove the receipt of income by the members of the household:

- Certificate of income and, where applicable, certificate relating to the filing of Wealth Tax, issued by the Spanish Tax Authority or the competent body of the Autonomous Community, where applicable, in respect of the last tax year.
- Last three payslips received.
- Certificate issued by the entity managing the benefits, showing the monthly amount received as unemployment benefits or allowances.
- Certificate as proof of receipt of social welfare income, minimum job-seeker's wage income or similar social aid granted by the state, autonomous communities and local entities.
- In the case of self-employed workers, if they are receiving unemployment benefit, the certificate issued by the managing body showing the monthly amount received.

To prove the number of people living in the dwelling:

- Family record book or document as proof of registration as a domestic partner.
- Certificate of census registration relating to the persons registered in the dwelling, with reference to the time of presentation of the supporting documents and to the previous six months.
- Declaration of disability, dependency or permanent incapacity to work.

To prove the ownership of the assets:

- Certificates of ownership issued by the Property Registry for each member of the household.
 - Deeds of sale of the dwelling and of the constitution of the mortgage collateral and other supporting documents, if applicable, of the rest of the real or personal guarantees constituted, if any.
- Statement of compliance by the debtor(s) regarding the fulfilment of the requirements to be considered as being within the exclusion threshold. This model can be found on the official websites of the Bank of Spain or MINECO. The one drawn up by our entity with the same wording and validity can be used, which optionally incorporates the electronic notification of the resolution [link to the Statement of Compliance](#).

Advantages for guarantors

The Code of Best Practices will apply to endorsers and guarantors of a mortgage loan, with the aim of safeguarding their primary residence.

For the Code to apply, it is necessary that the endorser or guarantor fulfils the same conditions that are set out for the main debtor.

In the event of a claim for payment of the debt from the guarantor of the transaction (guarantor, endorser or non-debtor mortgagor) who is within the “exclusion threshold”, the measures established in the Code of Best Practices with respect to his or her primary residence will be applicable.

Moreover, in these cases, the agreement whereby the guarantor waived the benefit of excussion will not apply, i.e. before the institution claims the debt from the guarantor or endorser, it may be required to exhaust the assets of the principal debtor.

Tax advantages of the Code of Best Practices:

The measures of the Code of Best Practices will benefit from the following tax/notary benefits:

- Duties and other notary and registry fees derived from the formalisation and registration of novations made under this Code of Best Practices shall be paid in all cases by the creditor.
- **In the event of payment in kind:**
 - **Exemption from the local capital gains tax on the increase in the land value** (*plusvalía municipal*).
 - **Exemption** of the debtor of the accrued collateral from **personal income tax**.

Questions and Queries

For questions about the Code of Good Practice, we have set up an e-mail address to make queries: codigodebuenaspracticass@bancsabadell.com, and a telephone number 900 10 37 23. You can also visit one of our branches, where you'll find full details of any measures to be requested, the supporting documentation to be submitted and other information.

In case of possible disputes, you can contact our [Customer Service Department](#).