

## Hungary's new Non-Performing Loans rules: What market players need to know

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In recent years, the European Union has paid special attention to the management of non-performing loans (NPLs), as these loans significantly impact the economic and financial stability of member states. As part of this effort, (EU) Directive 2021/2167 was introduced, which member states were originally required to implement into national law by 29 December 2023. However, in Hungary, the draft law aimed at implementing the directive was only presented to Parliament in March 2025.

The draft law concerning credit servicers and credit purchasers of non-performing credit agreements may bring significant changes to the current regulations on debt purchasing and debt management, as well as to the operations of market participants involved in these activities. The aim of the legislation, in line with EU objectives, is to facilitate the transfer of NPLs from credit institutions, establish a unified legal framework for credit servicers and credit purchasers and ensure the protection of consumers— particularly borrowers.

Accordingly, the draft law provides detailed regulations on debt management (credit servicing) and debt purchasing activities related to non-performing loan agreements or receivables arising from them, outlining the licensing and supervisory requirements for the involved parties.

Regarding licensing obligations, the draft law introduces new terminology and distinguishes between credit servicers and credit purchasers. A credit servicer is a legal person that, on behalf of the credit purchaser, commercially manages non-performing loans, including collecting or recovering payments, renegotiating terms with borrowers and enforcing claims. This essentially aligns with the current debt management activities. The credit purchaser, on the other hand, is a market participant (natural or legal person) that buys non-performing credit agreements or claims arising from them but does not engage in credit servicing activities itself. While credit servicers are required to obtain a license from the Hungarian National Bank, being the supervisory authority, credit purchasers do not need such a license if they do not engage in direct debt management activities.

This regulatory approach marks a significant departure from the logic of the current law on credit institutions and financial enterprises, which has previously required a license for debt purchasing, regardless of who manages or collects the debt. Under the new regime, the regulation will be divided: different licensing provisions will apply to debt purchasing and debt management, depending on whether the debt relates to non-performing credit agreements covered by the draft law or arises from other sources such as intercompany lending, performing loans, leasing, factoring or other non-financial services. These types of receivables will continue to be governed by the current regulations for credit institutions and financial enterprises; acquiring or purchasing them will remain subject to licensing.

This new dual regulatory system presents several challenges for the Hungarian market. The parallel application of different licensing and supervisory requirements may impose significant administrative and financial burdens on

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market participants, while the complexity of compliance and record-keeping obligations could create bureaucratic hurdles. Furthermore, the overlap of different regulatory frameworks may lead to legal uncertainty, making it more difficult for stakeholders to fully comply with the statutory requirements.

In addition, in line with the EU directive, the draft law allows for cross-border credit servicing activities. This means that credit servicers operating in EEA member states will be able to offer services in Hungary and vice versa, Hungarian credit servicers will be able to enter the markets of other EEA countries. This provision is expected to stimulate market competition, potentially creating more favourable conditions for borrowers in the long run. Additionally, credit institutions or financial enterprises that already hold a lending or debt purchasing license under the current law on credit institutions and financial enterprises will be able to conduct credit servicing activities without needing a separate license from the Hungarian National Bank.

It is important to note that the draft law may still change in the near future based on any amendments submitted. However, it is already advisable for market participants to closely monitor developments, as they will be the ones who need to adapt to the new regulatory environment once it is implemented.

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