Bill proposes relief from contractual obligations affected by Covid-19

If passed in Parliament, the proposed Act would protect individuals and businesses unable to meet contractual obligations because of the Covid-19 pandemic. Here's how it works.

CATEGORIES OF CONTRACTS COVERED BY THE BILL



Leases or licences for non-residential immovable property (e.g. factory premises)



Construction or supply contracts (e.g. contract for the supply of materials)



Event contracts involving the provision of goods and services (e.g. venue or catering for weddings, business meetings)



Tourism-related contracts (e.g. hotel accommodation bookings)



Certain secured loan facilities granted by a bank or a finance company to SMEs

NOTE: These include contracts which the Government is a party to.

PROPOSED RELIEF PERIOD



Covers obligations to be performed on or after Feb 1, 2020



Excludes contracts entered into on or after March 25, 2020



Would last six months from the commencement of the Act



May be extended for up to a year from the commencement of the Act

HOW THE PROCESS WOULD WORK

Individual or business sends a letter or notice of relief.



If contractual party accepts the notice...

- It cannot take legal or enforcement action against the individual or business.
- For event and tourism-related contracts: It cannot forfeit any deposits that were made.
- For construction and supply contracts: It must relieve a contractor from liability for non-performance.
- Noncompliance will be an offence.

If parties dispute...

- The Ministry of Law appoints assessor to decide if inability to perform contractual obligations was due to Covid-19.
- Assessor to decide on a just and equitable outcome based on facts of each case.
- Process will take no more than five days, at no cost to either party.
- Assessor's decision is final; no appeals can be made.



At the end of the relief period, the individual or business must fulfil the original contractual obligations.

CASE STUDIES



Restaurant experiencing a decline in revenue due to fewer customers from Covid-19

- After paying workers' salaries, the restaurant cannot afford to pay rent for the months of February and March.
- Landlord issues letter of demand for unpaid rent and threatens eviction
- With the Bill, the restaurant tenant can seek relief from assessors. If granted, it will be a criminal offence for the landlord to do the following during the six-month relief period:
 - Terminate the restaurant's lease.
 - Repossess the restaurant's premises.
 - Start or continue court or insolvency proceedings against the restaurant.



Couple who placed a deposit with a hotel as a wedding venue

- Seeing the worsening Covid-19 situation, they decide to postpone the wedding.
- Hotel tells the couple that their deposit will be forfeited if they do not hold the wedding within three months.
- With the Bill, the couple can apply for relief. If granted, the hotel must restore the deposit.
- If hotel believes it has grounds for forfeiture, it can state its position to the assessor, who will decide on the outcome. For instance:
 - The hotel may be required to return the deposit or part of it to the couple, setting off expenses reasonably incurred by the hotel.
 - The hotel may be required to hold the deposit, if the couple decides to postpone the wedding.
- The hotel may proceed to forfeit the deposit or part of it, if the couple decides to cancel the booking and go to another hotel.