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Portugal

Lending & Secured Finance

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This country-specific Q&A provides an overview of lending & secured finance laws and regulations applicable in Portugal.

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Portugal: Lending & Secured Finance

1. Do foreign lenders (including non-bank foreign lenders) require a licence/regulatory approval to lend into your jurisdiction or take the benefit of security over assets located in your jurisdiction?

Generally, loan origination is subject to the bank monopoly rule, according to which only credit institutions and financial companies authorised under the applicable Portuguese legislation are permitted to lend funds or grant credit *on a professional basis*. The Portuguese banking law does not provide a definition of "professional basis", thus it should always be assessed on a case-by-case basis.

Entities may also conduct these activities in Portugal on the basis of freedom to provide services, if they are authorised to do so under the legislation of another European Union member state, or if they fall within an exemption or exception from Portuguese licensing requirements (which also need to be assessed on a case-by-case basis). In addition, specific authorisation allows certain entities, such as credit-specialised collective investment undertakings (loan funds) to carry out loan origination and loan participation, these funds being subject to the supervision of the Portuguese Securities Market Commission. Other entities, such as venture capital companies, venture capital funds, and European long-term investment funds, are also authorised to lend funds in more limited circumstances. Their activities are regulated under specific legal frameworks, including the Portuguese Asset Management Law (Decree-Law no. 27/2023, of 28 April) and Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.

It is also worth noting that Law 78/2021 of 24 November established the legal framework for the prevention and combat of unauthorised financial activity and consumer protection, setting out additional duties of abstention and reporting for parties involved (including lawyers, notaries, and registrars) in transactions which may entail the practice of unauthorised financial activity. It is important to note that these principles and restrictions do not impede foreign lenders from taking the benefit of security over assets located in Portugal.

2. Are there any laws or regulations limiting the

amount of interest that can be charged by lenders?

Portuguese law establishes a general prohibition on usury. As such, while parties can negotiate interest rates, there are statutory caps in place. These caps are established by the Portuguese Civil Code by reference to the legal interest rates, which are set by ministerial order. The annual interest rate charged on a loan must not exceed the statutory interest rate plus 3 or 5 per cent., depending on whether in rem security is provided. In the event of default the annual surcharge rate is limited to 7 or 9 per cent. over the legal interest rate, also depending on whether in rem security is provided. In addition, default interest charged by banks is subject to the maximum rate of 3 per cent. Interest rates above these limits are automatically reduced regardless of the parties' contractual terms.

3. Are there any laws or regulations relating to the disbursement of foreign currency loan proceeds into, or the repayment of principal, interest or fees in foreign currency from, your jurisdiction?

The disbursement of foreign currency loan proceeds into Portugal, as well as the repayment of principal, interest, or fees in foreign currency from Portugal, is generally accepted. However, these transactions are subject to specific controls and regulations, including anti-money laundering controls imposed by EU law. The matter is addressed in specific diplomas, particularly the Portuguese Foreign Exchange Framework (Decree-Law no. 295/2003 of 21 November), which establishes the legal framework for conducting external economic and financial transactions, as well as foreign exchange transactions within Portuguese territory.

In addition, Decree-Law no. 74-A/2017 of 23 June, on credit agreements for consumers for residential immovable property provides for enhanced information duties in the case of foreign currency loans made available to consumers.

4. Can security be taken over the following types

of asset: i. real property (land), plant and machinery; ii. equipment; iii. inventory; iv. receivables; and v. shares in companies incorporated in your jurisdiction. If so, what is the procedure – and can such security be created under a foreign law governed document?

These assets may be the object of security, usually in the form of mortgages or pledges over assets or credits/rights allowing the lenders to be paid from the proceeds of sale of the assets or from the credits subject to security.

However, the appropriation of assets used as security is generally forbidden, except under specific legal regimes that expressly allow for such appropriation. These exceptions are subject to the conditions outlined within those regimes, notably the Commercial Pledge Law (Decree-law no.75/2017, of 26 June) and the Financial Collateral Law (Decree-law no. 105/2004, of 8 May, as amended, which implemented the Directive on Financial Collateral Arrangements).

If so, what is the procedure – and can such security be created under a foreign law governed document?

As a rule, the creation of in rem security over assets or rights located in Portugal must be subject to Portuguese law as the law governing such assets or rights, which follows the general rule under Rome I Convention. Although alternative or mitigated approaches may be admitted for certain types of assets, they are seldom used in practice, namely taking into consideration applicable perfection formalities and impact on enforceability.

i. real property (land), plant and machinery

Security over real property (such as land, real estate property and surface rights) and moveable assets subject to registration (such as vehicles, ships, and aircraft) is

typically created through mortgages (*hipoteca*). Mortgages encompass fixtures, improvements, and accessions to the property. According to the Portuguese Civil Code, in the case of mortgage over factories, the security may also cover machinery and other moveable assets relevant for the plant's operations but which are not part of the property itself.

Mortgages are created via a public deed executed before a Notary Public (a certified private document is also legally valid but not as commonly used). For mortgages over factories and machinery, an inventory of the machinery and other relevant moveable assets must be

included in the mortgage deed and recorded in the property registry.

Registration of mortgages is a condition for their validity and ranking is evidenced by the priority of registration. To such effect, it is usual to apply for a prior registration submission of the mortgage, so as to ensure senior ranking.

ii. equipment

Without prejudice to the above, security over moveable assets such as equipment is created by means of a pledge (*penhor de coisas*). For the pledge to be effective, the pledgor is required to deliver or confer possession of the asset to the beneficiary or to a third party. As an exception to this rule, pledgors are allowed to maintain possession of the assets pledged for the benefit of banks, provided that the pledge is created under an authenticated agreement.

iii. inventory

Inventory may be regarded as moveable assets, in which case please refer to the answer above. Although less used in practice (and to some extent disputed amongst scholars), in the case of inventory contained in business/commercial premises, a pledge may also be created over the business as a whole (*penhor de estabelecimento comercial*), therefore including the moveable assets held and used for business activity (as well as certain contracts and rights).

iv. receivables

A pledge over receivables is created as a pledge of rights or credits (*penhor de direitos*). The creation of this pledge must comply with the form and publicity requirements applicable to the transfer of the pledged receivables and notice must be served to the debtor of the receivable. Certain types of receivables – namely credits arising from financial instruments and cash deposited in bank accounts – may be subject to financial pledge, assuming compliance with the Financial Collateral Law's criteria.

Another common method for managing receivables is the assignment by way of security (*cessão de créditos com escopo de garantia*), transferring ownership of the

receivables to the beneficiary as the fiduciary holder. The requirements and formalities applicable to the assignment vary by credit type, and debtor notification is mandatory.

Receivables generated by immovable assets (property) and moveable assets subject to registration may also be

subject to assignment of income (*consignação de rendimentos*), pursuant to the Portuguese Civil Code. The assignment of income is subject to registration and must be created by means of a public deed executed before a Notary Public (certified private document also being possible but seldom used, as detailed above). When the relevant receivables arise from immovable assets (for example, rents of real estate assets) the tenure of the assignment shall not exceed 15 years.

v. shares in companies incorporated in Portugal

Security over the share capital of companies registered in Portugal is created by means of a pledge (*penhor*) and often extends to the rights inherent to the share capital (such as voting rights). Pledge over shares of limited liability companies by shares (*sociedades anónimas*, S.A.) must be recorded in the share certificates (for physically represented shares) or in the relevant account (for book-entry shares) and in the company's share registry book. In limited liability companies by quotas (*sociedades por quotas, Lda.*), pledges must be created in writing and registered in the commercial registry certificate. The company's consent is also necessary. While the Financial Collateral Law governs pledges over shares (given that shares qualify as securities), it does not extend to quotas. Pledges over quotas can, however, be established under the Commercial Pledge Law, offering a comparable regime for appropriation rights. That said, this regime does not replicate the insolvency protections afforded to financial collateral (addressed below in our answer to question no. 18).

5. Can a company that is incorporated in your jurisdiction grant security over its future assets or for future obligations?

Under Portuguese law, assets and rights that are to be secured must be clearly defined. Generally, security cannot be effectively established over assets that do not yet exist or are not held by the guarantor at the time (promissory agreements are possible but do not exclude the need to grant the security at a later stage).

The admissibility of pledges over future receivables is debated and upheld by relevant scholars, provided that certain conditions are met: the future receivables must be sufficiently identifiable, and perfection of the pledge depends on the receivables coming into existence.

Without prejudice to the discussion around pledges, the assignment by way of security of future receivables is generally accepted and often implemented in secured finance transactions.

These same principles apply, *mutatis mutandis*, to the creation of security interests for future obligations – although not a clear-cut issue, it is generally accepted that security may be created for obligations that are not yet quantified but are sufficiently identifiable (notably the maximum secured amount). In particular, the Portuguese Civil Code states that mortgages may be created for future or conditional obligations.

6. Can a single security agreement be used to take security over all of a company's assets or are separate agreements required in relation to each type of asset?

A single security agreement may be used, although certain types of security (such as mortgages and assignment of income) must be formalised via a public deed as mentioned above.

7. Are there any notarisation or legalisation requirements in your jurisdiction? If so, what is the process for execution?

Certain types of security require notarisation or legalisation to take effect. Specifically, signatures must be certified for the right of appropriation to be effective under the Commercial Pledge Law (please refer to our answer to question no. 4). When notarisation or legalisation is required, the parties involved typically need to physically attend a notarial meeting to sign the documents, with the Notary Public ensuring their proper execution. Furthermore, any foreign documents (notably powers of attorney) used for document execution must also undergo notarisation and authentication.

Foreign entities receiving the benefit of registered security in Portugal are required to obtain a Portuguese equivalent taxpayer number and to register their ultimate beneficial owner(s) in Portugal.

8. Are there any security registration requirements in your jurisdiction?

Yes. Please refer to our answer to question no. 4 above.

9. Are there any material costs that lenders should be aware of when structuring deals (for example, stamp duty on security, notarial fees, registration costs or any other charges or duties),

either at the outset or upon enforcement? If so, what are the costs and what are the approaches lenders typically take in respect of such costs (e.g. upstamping)?

Stamp duty is often the most significant initial cost in a financing transaction. Loans, when granted in Portugal or to Portuguese resident entities, are generally subject to stamp tax assessed over the loaned amount at the rate of 0.04% (per month or fraction), 0.5% or 0.6% depending on the tenor of the loan.

As a rule, stamp duty also applies to guarantees or security granted in the Portuguese territory or presented in Portuguese territory for any legal purpose (except when they are materially accessory to a specifically taxed contract, notably a loan agreement, and are granted simultaneously to the secured obligation). Stamp tax is assessed over the guaranteed/secured amount at the rate of 0.04% (per month or fraction), 0.5% or 0.6% depending on the tenor of the guarantee or security.

There are also notary fees and registration costs, which are usually negligible and vary depending on the complexity of the transaction and/or the number and type of assets.

10. Can a company guarantee or secure the obligations of another group company; are there limitations in this regard, including for example corporate benefit concerns?

According to Article 6, no. 3 of the Portuguese Companies Code (Decree-Law no. 262/86 of 2 September, as amended), a company guaranteeing or securing the obligations of another company is considered contrary to the guarantor's corporate purpose, unless (i) there is a justified corporate interest (corporate benefit) for the guarantor in doing so, or (ii) the companies involved are in a control or group relationship. The existence of a control or group relationship is assessed in accordance with the definitions set forth in the Portuguese Companies Code.

11. Are there any restrictions against providing guarantees and/or security to support borrowings incurred for the purposes of acquiring directly or indirectly: (i) shares of the company; (ii) shares of any company which directly or indirectly owns shares in the company; or (iii)

shares in a related company?

Under Article 322 of the Portuguese Companies Code, it is unlawful for a limited liability company by shares (*sociedade anónima*) to provide loans, funds, guarantees, or security to a third party for the acquisition of its own shares, except under certain conditions. Although there is no directly comparable provision for private limited companies by quotas (*sociedade por quotas*), the extension of Article 322 application to these entities is a subject of debate among scholars.

No such limitation applies to the provision of guarantees and/or security to support borrowings incurred for the purposes of acquiring shares in a related company (without prejudice to the requirement mentioned in question 10. above).

12. Can lenders in a syndicate (or, with respect to private credit deals, lenders in a club) appoint a trustee or agent to (i) hold security on the lenders's behalf, (ii) enforce the lenders' rights under the loan documentation and (iii) apply any enforcement proceeds to the claims of all lenders in the syndicate?

The concept of trusteeship is not recognised under Portuguese Law (save for a particular exception applicable to the free zone of Madeira) and therefore alternative structures are often implemented in cross-border transactions as better detailed below. In Portuguese structures, a security agent can be appointed to receive the benefit of security for and on behalf of the lenders, acting under a mandate (*mandato*) as detailed below.

13. If your jurisdiction does not recognise the role of an agent or trustee, are there any other ways to achieve the same effect and avoid individual lenders having to enforce their security separately?

In cross-border transactions, particularly to facilitate enforcement, it is common practice to appoint an agent to hold, manage and enforce security on behalf of the lenders. To that effect, the agent is duly empowered by the lenders with a mandate (*mandato com ou sem representação*) and may benefit from parallel debt (if admissible under the law governing the loan agreement) or similar arrangements. While this agency structure has been effective for enforcing security, this agency relationship is contractual and, therefore, certain typical

features of trusts (such as segregation of assets) do not apply by operation of the law.

There is also the specific case of common representatives of bondholders (in financing structures where a notes issuance is at stake), following specific provisions of the Portuguese Companies Code. Common Representatives undertake the powers to represent the bondholders in court proceedings (including enforcement proceedings against the issuer) and mandatory rules governing its role are expressly foreseen in the Portuguese Companies Code.

14. Do the courts in your jurisdiction generally give effect to the choice of other laws (in particular, English law) to govern the terms of any agreement entered into by a company incorporated in your jurisdiction?

Portuguese law provides that the rights and duties of the parties to a transaction with a foreign element may be determined by the laws of the country selected by the parties, provided that the rules and limitations set forth in Regulation (EC) 593/2008 of the European Parliament and of the Council of 17 June 2008 (Rome I) and Regulation (EC) 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to noncontractual obligations (Rome II), and/or resulting from any applicable Portuguese mandatory rules and public policy, are complied with.

15. Do the courts in your jurisdiction generally enforce the judgments of courts in other jurisdictions (in particular, English and US courts) and is your country a member of The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (i.e. the New York Arbitration Convention)?

Portuguese courts generally recognise and enforce judgments from courts in other jurisdictions, subject to certain conditions and applicable international agreements.

For judgments from EU member states, the Recast Brussels Regulation (1215/2012) (the "Brussels Recast Regulation") applies. Under this regime, a judgment issued in an EU member state is recognised and enforceable in all other EU member states without requiring any special procedure or declaration of enforceability, provided that none of the grounds for refusal under Article 45 of the Brussels Recast Regulation

are met.

For judgements from countries outside the EU, to which the Brussels Recast Regulation does not apply, recognition of judgments of courts shall be assessed, as applicable, in accordance with the Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, the Hague Convention on Choice of Court Agreements (the "Hague Convention"), or the Portuguese Civil Proceedings Code.

Following Brexit, the Brussels Recast Regulation ceased to apply to the United Kingdom. However, the United Kingdom has since acceded to the Hague Convention, to which Portugal is a party as an EU member state. Under the Hague Convention, formal proceedings must be initiated for the recognition and enforcement of a foreign judgment, and there are specific grounds upon which recognition may be refused (as set out in Article 9).

With respect to the United States, which has not ratified the Hague Convention, the Portuguese Civil Procedure Code applies. In such cases, proceedings must be initiated before the Portuguese courts to verify that certain cumulative requirements are satisfied. Portuguese courts will not re-examine the merits of the case, provided that specified conditions are met, including (amongst others) the absence of doubt regarding the authenticity of the relevant document, confirmation that the decision is final and no longer subject to appeal under the law of the state in which it was rendered and compatibility with international public policy of the Portuguese State.

Portugal is also a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention").

16. What (briefly) is the insolvency process in your jurisdiction?

The insolvency proceedings are urgent and universal enforcement proceedings which commence by filing a request for insolvency, typically either by the debtor (via its management) or by any of its creditors. With the declaration of insolvency of the debtor, an insolvency receiver will be appointed by the court, who will typically be entrusted with management powers over the debtor's assets. Thereafter, the claims submission phase will take place, during which creditors can claim their credits and other rights, and the insolvency receiver and the court will be responsible for the recognition and ranking of the claims. Creditors will be ranked into four different categories of claims, as provided for under the

Portuguese Insolvency Code (Decree-Law no. 53/2004 of 18 March, as amended): (i) secured claims (which pertain to claims with in rem security over assets that are part of the insolvent estate), (ii) preferential claims (which include certain debts to employees and the tax and social security authorities), (iii) unsecured claims (which pertain to those claims not covered by any other category), and (iv) subordinated claims (which are classified as such either by virtue of the underlying credit agreement or pursuant to the law; examples of subordinated credits include those held by parties in special relationships with the debtor, such as, in the case of a legal entity, credits held by directors, groups of companies, and controlling shareholders or shareholders in a group relationship). Being that the insolvency proceedings are principally aimed at satisfying creditors' rights in the most efficient way possible, the creditors will be called upon to resolve – at a creditors' meeting convened for that purpose – whether to recover the debtor through a plan of insolvency, based on the debtor's recovery, or through the liquidation of the debtor's assets and the subsequent distribution of the sale proceeds among its creditors.

17. What impact does the insolvency process have on the ability of a lender to enforce its rights as a secured party over the security?

According to the Portuguese Insolvency Code, following a debtor's declaration of insolvency, all rights, including secured rights, must be enforced within the context of insolvency proceedings, which entails that the lender shall claim its credits, which will be recognised and graduated by an insolvency receiver and by the court, except for financial pledges (governed by Decree-Law no. 105/2004 of 8 May, which transposes the Financial Collateral Directive), provided that the parties have foreseen enforcement of the pledge by appropriation or sale, which can be enforced even after the debtor's insolvency declaration.

18. Please comment on transactions voidable upon insolvency.

According to Portuguese insolvency law, any act considered to be detrimental to the debtor (i.e. if it reduces, hinders, hardens, risks or delays fulfilment of the claims of the insolvency creditors) carried out in the 2 (two) years prior to the beginning of insolvency proceedings may be challenged by the appointed insolvency receiver. The revoking of these acts is subject to the third party acting in bad faith. Bad faith is presumed in respect of acts carried out (or failed to be carried out) in the 2 (two) years prior to the beginning of

insolvency proceedings and in which such third party participated, or if such acts resulted in a benefit to a person or entity especially connected to the debtor, even if such special relationship did not exist on that date. Bad faith is defined as knowledge that the debtor was insolvent (i.e. unable to fulfil its obligations as they fall due); or that the act was of a detrimental nature and the debtor was in a situation of imminent insolvency; or that the insolvency proceedings had already started. Certain acts and transactions are deemed to be detrimental to the debtor without the need for any additional proof, for example where: (i) security granted within a period of 6 (six) months prior to the commencement of insolvency proceedings (where the security was granted in respect of pre-existing obligations); or (ii) gratuitous acts performed less than 2 (two) years before the commencement of insolvency proceedings resulted in a reduction in the assets of the debtor. Claw-back is carried out by a letter sent by the Receiver to the relevant parties via registered post, it operates the moment the letter is received by the addressee and it bears retroactive effect (i.e. as if the relevant act had never been performed or omitted). The Receiver has 6 months to carry out this claw-back within six months from the moment he/she becomes aware of any of the facts set out above, provided it is carried out within two years of the beginning of the insolvency proceedings. The counterparty may either accept the termination of the act or contract and give back to the insolvency estate the consideration received or alternatively may challenge the termination of the contract in court. Provided that certain conditions are met, security created under the Financial Collateral Law benefits from additional protection in case of insolvency, notably setting aside claw back provisions otherwise applicable under general insolvency law.

19. Is set off recognised on insolvency?

Set off (as a means to discharge obligations whenever two entities are reciprocally creditor and debtor) is permitted in an insolvency scenario provided that the following requirements were met prior to the declaration of insolvency: (i) the relevant credit entitlement is judicially enforceable, and no defence is applicable thereto; and (ii) both obligations are fungible and of the same kind and quality. Set off may also be recognised if the above-mentioned requirements are not met prior to declaration of insolvency but have been fulfilled in relation to the lender's credits before the insolvent estate's credits.

20. Are there any statutory or third party interests

(such as retention of title) that may take priority over a secured lender's security in the event of an insolvency?

Special statutory liens (*privilégios creditórios especiais*), such as labour credits or state credits related to real estate property tax (IMI) and rights of retention of title, are recognised under Portuguese law and are generally ranked prior to a secured lender (with a pledge or mortgage).

21. Are there any impending reforms in your jurisdiction which will make lending into your jurisdiction easier or harder for foreign lenders?

We have no knowledge of any impending reforms with significant impact on lending by foreign lenders. In any case, a complete review of the Portuguese banking law is awaiting final approval. This review is not expected to have a material impact on the current principles / rules discussed in our answer to question no. 1, although additional powers are granted to the Bank of Portugal in case of suspicion of unauthorised activity. In addition, the proposal for the new banking law foresees restrictions on transactions with non-cooperative countries (although such prohibition is mainly addressed to Portuguese credit and financial institutions).

22. What proportion of the lending provided to companies consists of traditional bank debt versus alternative credit providers (including credit funds) and/or capital markets, and do you see any trends emerging in your jurisdiction?

Although alternative lending sources are progressively gaining ground, traditional bank debt remains the main source of funding for Portuguese companies. Alongside traditional banking and capital markets lending (through bonds, public and private placements), there are interesting options such as credit funds, whose purpose consists of lending to corporate entities (created by Decree-Law no. 144/2019, of 23 September) and equity loans (approved by Decree-Law no. 11/2022, of 12 January), consisting of loans on which the relevant remuneration corresponds to a participation in the results

of the borrower and grants the right to convert the claims into equity, subject to certain conditions. According to the Bank of Portugal's January 2026 Bank Lending Survey (which relied mostly on a comparative analysis between the data collected from Portuguese banks pertaining to the third and fourth quarters of 2025), credit standards for loans to companies have remained unchanged, with a slight decrease in lending rates and spreads applied to both SMEs and large companies. Issuance of debt securities is increasingly being used as an alternative funding source, with banks reporting improved access to medium to long-term debt securities.

While alternative sources continue to grow in relevance, traditional bank lending remains broadly accessible, although banks have adopted a somewhat lower risk tolerance in response to trade policy uncertainty. According to the Bank of Portugal, the expectation is that this trend will persist, not only in Portugal, but across the euro area, throughout the year of 2026.

23. Please comment on external factors causing changes to the drafting of secured lending documentation and the structuring of such deals such as new law, regulation or other political factors

The integration of sustainability-linked mechanisms into facility agreements—including margin ratchets tied to ESG key performance indicators—has become increasingly prevalent. The EU Taxonomy serves as the benchmark for determining whether financing qualifies as environmentally sustainable, thereby affecting not only documentation but also the commercial terms and pricing of transactions.

In terms of external factors, trade tensions and related policy uncertainty have emerged as key considerations. While the impact on banks' main financial indicators (capital, liquidity, profitability, NPL ratio) has been limited, the new international trade context is expected to cause a lower risk tolerance and slightly tighter credit standards for companies with an increase of syndication efforts. This risk-averse stance, though moderate, may influence the structuring and pricing of financing transactions and, consequently, the drafting of the relevant documentation.

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