



## **AIRCRAFT LESSOR AND COVID-19**

During this pandemic of COVID-19 the business of aircraft leasing has suffered a lot of challenges that lead to a decrease in their capital in general. One of the challenges that faced the market is the closing of airports and borders among all countries in the world. In this case it leads the market to decrease were the maintains costs remains the same. This is a threat to the aircraft business on how they can survive in this pandemic time.

The following are among the ways that can be done by an aircraft lessor in this time of pandemic.

- **Conducting a conversation with the lessee.**

Part of lessees have reached out to their aircraft lessors to ask for a relief in payment during this pandemic. Giving the airline a break on payments for a time may make sense. However, the airline should make up for it later on when the period of crisis is over. So as part of an agreement to defer rent, the aircraft lessor may have the lessee issue an unsecured promissory note to the aircraft lessor to pay the deferred rent over time with or without interest, or the aircraft lessor and lessee may agree to extend the term of the lease at the contract-rent rate by at least the period of any rent relief. Care should be taken to ensure that any such agreement is agreed to or otherwise permitted by aircraft lessor's aircraft-finance parties.

- **liens on the aircraft by airport and navigational authorities.**

Due to the dramatic fall of market on airlines the unpaid charges of an aircraft should be reduced. Liens on aircraft for unpaid charges may stay with the aircraft and put it at risk of detention now or even after it exits the airline's fleet. If an airline eventually elects to permanently cease operations, it will be imperative to terminate the leasing of an aircraft before an airport or navigation authority puts a lien on it, in order to reduce the claim against the aircraft from the entire fleetwide balance of charges to the charges on the specific aircraft.

- **Step up inspection of the aircraft including its technical records.**

When airlines ground aircraft and have to conserve cash, there is a temptation for airline maintenance personnel to transfer serviceable parts from one aircraft to other aircraft to



replace unserviceable parts. To deter this non-permitted activity, aircraft lessors should diligently exercise their inspection rights against the aircraft physically and especially receive regular electronic updates of the aircraft technical records. Another reason to do so is that if there is ever an accident involving the aircraft that is traced to faulty maintenance, victims or their insurers may attempt to pin liability on aircraft lessors for failing adequately to police the maintenance activities of the lessee, particularly one in distress. Finally, if the aircraft lessor ever does have to repossess, it will be imperative to have records as up to date as possible. They will be hard to obtain in the case of a non-consensual repossession of the aircraft.

- **Aircraft Insurances.**

Insurances are often overlooked in circumstances such as these. Consider checking that the agreed value under the relevant insurance policy is correct, that the list of contracts and contract parties is correct and that the broker's letter of undertaking contains your up-to-date contact details.

- **Registrations and Searches.**

Key to any repossession or other enforcement action is understanding the record of relevant registration and security filings at the applicable aviation authority or local registry. Aircraft lessors should take this opportunity to check applicable aviation authority and other registries to ensure that:

- (a) all existing security is adequately perfected;
- (b) all relevant aviation authority and other local filings have been made;
- (c) no unexpected or adverse registrations have been made against the relevant asset.