



Press Release

21 February 2013

**Research highlights positive experience of borrowers engaged in the Mortgage Arrears Resolution Process**

-Central Bank continues to urge for early engagement-

As it prepares to seek views on the Code of Conduct on Mortgage Arrears (CCMA), the Central Bank of Ireland today (21 February 2013) released results of its independent research into the experience of borrowers facing or in mortgage arrears who are engaging in the CCMA's Mortgage Arrears Resolution Process (MARP).

It also issued the key findings from its recent inspection of lenders' compliance with the CCMA relating to contact with borrowers and the appeals process.

Key findings of the consumer research<sup>1</sup> are;

- Borrowers surveyed were positive about their overall experience when interacting with their lenders during the MARP process, with 73% of borrowers indicating that their lender had been professional in its dealing with them, and 64% noting their lender's helpfulness;
- 71% of borrowers were positive about the ease of completing the Standard Financial Statement ('SFS') lenders must use to gather financial information on a borrower's circumstances in order to inform any new arrears arrangements;
- 71% of borrowers surveyed had entered into an alternative arrangement with their lender as a result of MARP and 80% of those completing an SFS entered a revised agreement;

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<sup>1</sup> Consumer research involved face to face interviews with a sample of mortgage customers (who held mortgages with the main lenders)

- Of the 10% of borrowers who used the MARP's Appeals process, 60% stated that they had successfully negotiated a more suitable/sustainable arrangement;
- a third of consumers claimed that their lender did not have a discussion with them regarding other debts.

The results of this research coincided with the release of findings from a recent themed inspection conducted by the Central Bank of non-bank mortgage lenders. The Bank inspected a sample of accounts and focused on the MARP Appeals process that lenders are required to have in place. It also examined whether lenders were complying with the CCMA rules on communication with borrowers facing or in mortgage arrears. The inspections found that lenders were in compliance with the limits on contact with consumers set out in the CCMA. The inspection also found that lenders were complying with CCMA requirements in establishing Appeals Boards. It was found that the Appeals Board considers each borrower's appeal on a case-by-case basis, as well as taking into account borrowers' individual circumstances.

Bernard Sheridan, Director of Consumer Protection, said: 'The CCMA provides important protections for borrowers as they go through the process of addressing their mortgage arrears situation with their lender. It is clear from our on-going mortgage arrears work that borrowers who engage early and meaningfully with their lenders get the best possible outcomes and benefit from the full protections that the CCMA provides. I would therefore urge consumers facing or in mortgage arrears to contact their lender as soon as possible to discuss their situation and not to ignore attempts by lenders to engage with them.'

'It is encouraging to learn from our latest research that the borrowers surveyed believe that the overall MARP process is mostly working well from their perspective. Similarly, our inspection indicates that overall the lenders involved are complying with the CCMA's requirements in the areas of borrower contacts and the appeals process. However, there is room for further improvement - all compliance issues identified during the themed inspection will be the subject of separate engagement with the individual mortgage lenders concerned.'

'The Central Bank is committed to ensuring that the CCMA continues to provide strong protections to borrowers who are engaging positively with their lenders. We will update the CCMA during 2013 and we will publish a public consultation on the CCMA next month. This is an important consultation and I would encourage everyone to respond to it to help us to refine and improve the CCMA for borrowers in mortgage arrears.'

The findings from the themed inspection and the consumer research will also be considered as part of the Central Bank's review of the CCMA.

**- Ends -**

**Further information:** Press Office (01) 224 6299, [press@centralbank.ie](mailto:press@centralbank.ie)

#### **Notes to Editors**

**1. Consumer Research:**

Consumer research was independently conducted on behalf of the Central Bank in the second half of 2012. The research on MARP involved face to face interviews with 209 individuals who engaged with the MARP.

**2. Themed Inspections**

Themed inspections examine issues across a sector. Where a specific compliance issue arises with an individual firm, this is addressed directly with the firm and where appropriate, regulatory action may be taken.

***Recent themed inspection of non-bank mortgage lenders and lenders who operate in the Irish market on a passporting basis***

In relation to the Appeals Process, the inspection showed that the lenders inspected were complying with the CCMA requirements including having an Appeals Board established. It also showed that the Appeals Board considers each borrower's appeal on a case-by-case basis, as well as taking into account borrowers' individual circumstances. In addition, the Central Bank noted that some lenders are also using intelligence gathered through the Appeals Process to make improvements to their mortgage arrears processes and procedures. However, there is some discrepancy in approach to the handling of some appeals through lenders' complaints processes rather than through the MARP. This issue will be further examined through the review of the CCMA.

In relation to the contact firms had with consumers, the inspection showed that lenders were in compliance with the contact limit provided in the CCMA which allows lenders to successfully contact borrowers up to three times per calendar month. The inspection indicated that in a small number of cases lenders were not providing the borrower with communications within the required timeframes.

### **3. Code of Conduct of Mortgage Arrears ('CCMA')**

The CCMA sets out how mortgage lenders must treat borrowers in or facing mortgage arrears, with due regard to the fact that each case of mortgage arrears is unique and needs to be considered on its own merits. The CCMA applies to the mortgage lending activities of all regulated entities, except credit unions, operating in the State. The Code applies to the mortgage loan of a borrower which is secured by their primary residence.

The current version of the CCMA came into effect in January 2011 and introduced the (MARP) framework for handling accounts that are in pre-arrears or arrears.

### **4. CCMA Contact Requirements**

Requirements for contacts with borrowers are set out in the following provisions of the CCMA and further information can be found in our [guidance notes](#):

20. A lender must ensure that the level of contact and communications from the lender, or any third party acting on its behalf, is proportionate and not excessive.

21. Each calendar month, a lender, and/or any third party acting on its behalf, may not initiate more than three unsolicited communications, by whatever means, to a borrower in respect of his/her mortgage arrears or pre-arrears situation. The unsolicited communications do not include any communications to the borrower regarding his/her arrears or pre-arrears situation, which are required by this Code or other regulatory requirements.

In addition, the Central Bank issued [clarification to lenders](#) (regarding contact with consumers) in April 2012, to clarify the following.

- Initial contact - 'communication' means a successful communication, i.e. a conversation held with the consumer, a letter sent, a text or an email. This communication is not subject to the limit of three unsolicited contacts. Once this communication is successfully made, any further contacts will count towards the monthly limit on unsolicited communications.
- Monthly limit on unsolicited communications (3 contacts) – missed calls and engaged numbers do not count towards the monthly limit.

A further [letter](#) was issued to firms in December 2012, which builds on the interpretations issued to industry in April 2012.

#### **5. CCMA Review**

The CCMA is scheduled to be reviewed commencing Q1, 2013. A public consultation document is due to be published in Q1 2013 seeking views on the proposed amendments to the current version of the CCMA.

#### **6. Mortgage Arrears Resolution Process ('MARP')**

Under the CCMA, lenders must have a MARP in place for dealing with borrowers in or facing mortgage arrears. The MARP must incorporate the steps set out in the CCMA:

1. Communication with borrowers
2. Financial Information
3. Assessment
4. Resolution
5. Appeals

#### **7. Further Consumer Information**

The Central Bank of Ireland has produced a number of consumer guides to assist consumers who are in arrears or facing arrears, including

- Mortgage Arrears - A Consumer Guide to Dealing with your Lender;
- Mortgage Arrears - Frequently Asked Questions; and
- Guide to Completing a Standard Financial Statement.

The above guides, that include information on the protections that are available to consumers in financial difficulty, are available to download from the [consumer information section](#) of the Central Bank website.

Information is also available on the website [www.keepingyourhome.ie](http://www.keepingyourhome.ie) which is provided by the Citizens Information Board ('CIB') and the Money Advice and Budgeting Service (MABS). The CIB also has a Mortgage Arrears Information Helpline that is available from Monday to Friday from 9.30am – 5pm on 0761 07 4050.