



## About the Report

The Central Bank commenced collecting detailed consumer data from selected regulated firms in 2013. This data is part of an overall market intelligence gathering function with the aim of identifying emerging consumer trends. This market intelligence monitoring sits alongside and complements our ongoing gatekeeper, supervisory and policy work as well as other data gathering and statistical work undertaken by the Central Bank.

This third Consumer Protection Bulletin focuses on the Code of Conduct on Mortgage Arrears ('CCMA') and the trends emerging from the Mortgage Arrears Resolution Process ('MARP') provided for in the CCMA. The CCMA sets out statutory requirements for mortgage lenders dealing with borrowers in or facing arrears on the mortgage loan secured by their primary residence. The CCMA provides a strong consumer protection framework to protect borrowers struggling with mortgage repayments, ensuring that they are treated in a fair and transparent manner by their lender.

This Bulletin should be considered alongside other information published by the Central Bank concerning mortgage arrears.

In this Bulletin, trends on certain key features of the CCMA are provided, namely:

- the number of borrowers completing the Mortgage Arrears Resolution Process ('MARP') which regulated lenders are required to follow<sup>1</sup>;
- the number of Alternative Repayment Arrangements ('ARAs') put in place. Under the CCMA, a lender must consider all options for ARAs offered by that lender to determine which are appropriate, affordable and sustainable for the borrower's individual circumstances;
- notifications to borrowers deemed as 'not co-operating' with their lender within the meaning of the CCMA; and
- appeals to the lenders' Appeals Boards in respect of the above.

<sup>1</sup> As per definition in the CCMA; "Borrower" includes all parties named on the mortgage loan account.

## Summary Trends

- Over the period H1-2014 to H2-2015, 163,962 borrowers at the reporting institutions completed the MARP.
- Of those borrowers who completed the MARP, the percentage who were offered an ARA has ranged between 89% in H1-2014 and 87% in H2-2015.
- From H1-2014 to H2-2015, between 91% and 94% of ARAs offered by the lenders were accepted by the borrower.
- The proportion of appeals relating to an offer of an ARA, or a lender's decision not to offer an ARA, that were upheld/partially upheld in favour of the borrower ranged between 33% in H1-2014 and 23% in H2-2015.
- The proportion of appeals against being classified as not co-operating that were upheld/partially upheld in favour of the borrower ranged between 31% in H1-2014 and 39% in H2-2015.

## Mortgage Arrears Resolution Process

Figure 1 below shows the number of borrowers who progressed through the MARP at the 19 reporting institutions over the four reporting periods<sup>2</sup>. This shows that, over the period H1-2014 to H2-2015, 163,962 borrowers at the reporting institutions completed the MARP. The number of borrowers completing the MARP at these institutions ranged between 57,005 in H1-2014 and 23,075 in H2-2015. The overall decrease in these total figures and other decreases in total figures shown throughout this report are consistent with the overall reduction during the reporting period in the number of borrowers falling into arrears and pre-arrears to which the CCMA applies.

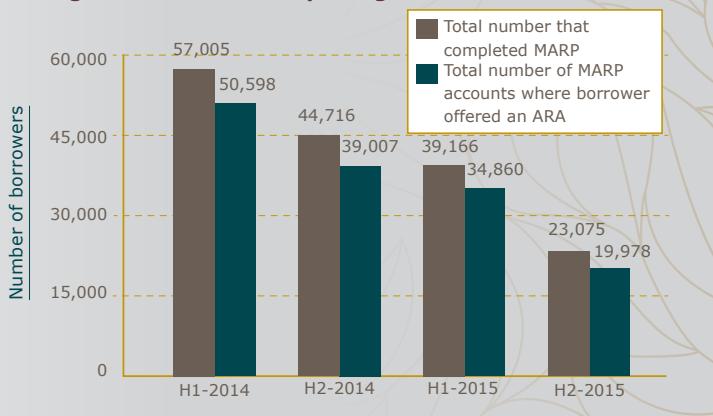
As part of the MARP, a lender must use a standard financial statement ('SFS') prescribed by the CCMA to obtain information from a borrower in order to assess his/her individual circumstances. During the period under review, the number of SFSs received from borrowers and processed by lenders ranged between 39,309 in H1-2014 and 14,418 in H2-2015.

Of those borrowers who completed the MARP, the percentage who were offered an ARA has ranged between 89% in H1-2014 and 87% in H2-2015.

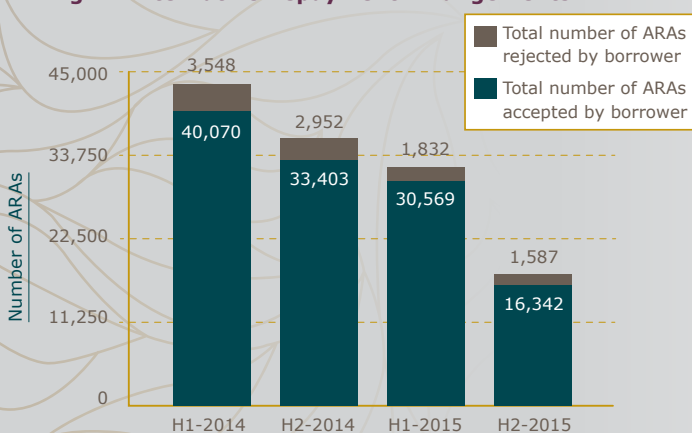
Figure 2 below shows that, from H1-2014 to H2-2015, between 91% and 94% of ARAs offered by the lenders were accepted by the borrower<sup>3</sup>.

The number of appeals to the lenders' Appeals Boards against an ARA offer, or a lender's decision not to offer an ARA, is detailed in Figure 3 below. The proportion of appeals upheld or partially upheld in favour of the borrower ranged between 33% in H1-2014 and 23% in H2-2015<sup>4</sup>.

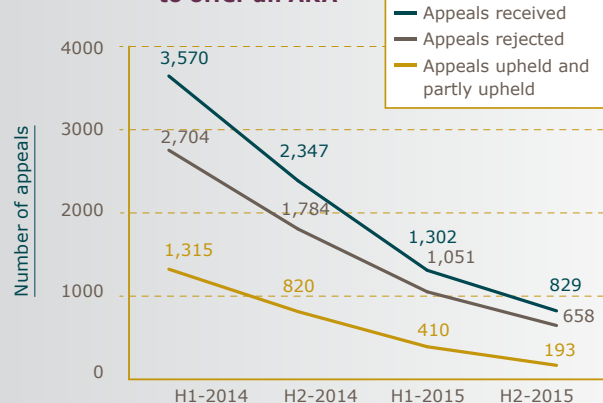
**Fig.1 - Borrowers completing the MARP**



**Fig.2 - Alternative Repayment Arrangements**



**Fig.3 - Appeals against an ARA/decision not to offer an ARA**



<sup>2</sup> The data from the Consumer Protection Bulletin on the CCMA was collated from selected principal credit institutions offering personal residential mortgages. The reporting firms were selected on the basis of representation of the market and the data relates to personal consumers, as defined in the Consumer Protection Code 2012, resident in the State only.

<sup>3</sup> This excludes those cases where the borrower had yet to decide on the offer of an ARA within the reporting period.

<sup>4</sup> This excludes those appeals that were yet to be considered and adjudicated on within the reporting period.

## Classification of borrowers as 'not co-operating'

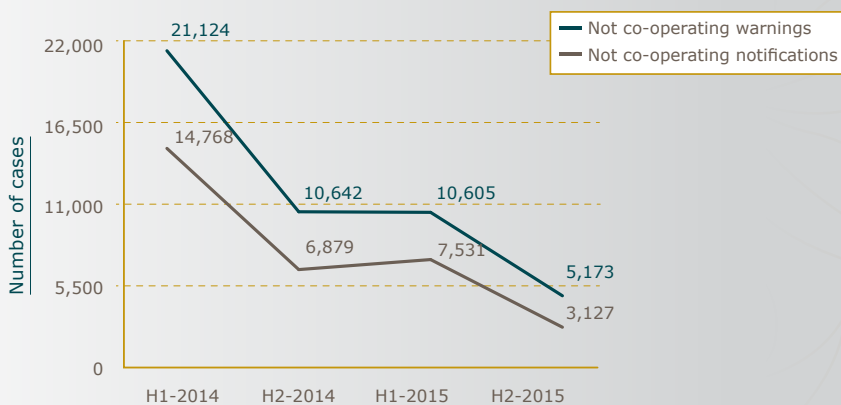
The CCMA provides that, prior to classifying a borrower as not co-operating, the lender must first notify the borrower that if s/he does not undertake specific action(s) by a specified date s/he will be classified as not co-operating ('not co-operating warnings'). Where the borrower has subsequently been classified as not co-operating, the CCMA requires that the lender must notify the borrower ('not co-operating notifications').

Figure 4 below shows the number of cases where the borrower was notified by the lender that they may

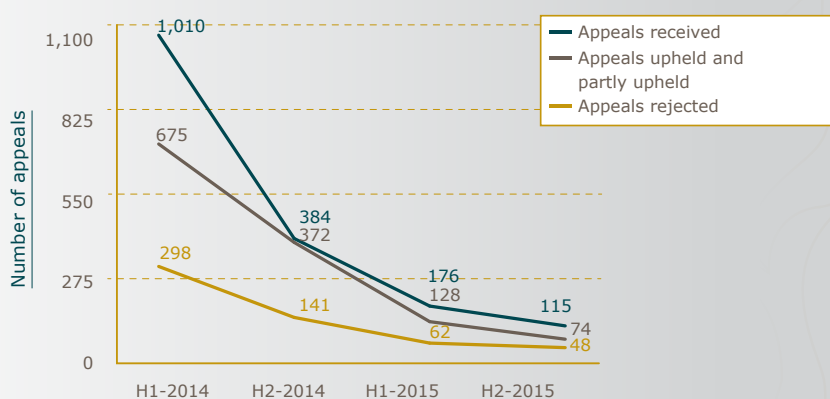
be, or have been, classified as not-operating over the period under review. Issuance of not co-operating warnings ranged between 21,124 in H1-2014 and 5,173 in H2-2015 while not co-operating notifications have ranged between 14,768 in H1-2014 and 3,127 in H2-2015.

The number of appeals to the lenders' Appeals Boards against being classified as not co-operating is detailed in Figure 5. The proportion of appeals upheld or partially upheld in favour of the borrower has ranged between 31% in H1-2014 and 39% in H2-2015<sup>5</sup>.

**Fig.4 - Not co-operating and not co-operating warning notifications**



**Fig.5 - Appeals against being classified as not co-operating**



<sup>5</sup> This excludes those appeals that were yet to be considered and adjudicated on within the reporting period.