



Irish Brokers  
association



Consultation Paper CP98

Increased Protections for  
Variable Rate Mortgage Holders

Response from IBA  
12 February 2016

## Introduction

Thank you for the opportunity to provide a response to Consultation Paper 98 “**Increased Protections for Variable Rate Mortgage Holders** ” This response is being provided by **Broker Ireland. Brokers Ireland** is a co-operative structure between the Irish Brokers Association (IBA) and the Professional Insurance Brokers Association (PIBA) who together represent over 90% of full time professional brokers in the Irish market, Many of our members are regulated as Mortgage intermediaries under the Consumer Credit Act 1995 as amended.

In our response we have specifically addressed the seven questions that have been included in the consultation paper. In addition concerns relating to the discretionary nature of the variable rate are highlighted as an area where we believe more protection could be provided to the borrower.

## Responses to seven questions of Consultation Paper 98

Question 1: What are your views on the proposals outlined above?

The proposed requirements for lenders, set out below, are to be welcomed as positive measures that will help to provide clarity and to borrowers in relation to their variable rate mortgage.

- (i) Clearly and unambiguously identify the factors which may result in changes to the variable rate;
- (ii) Outline the criteria and procedures applicable to setting the rate; and
- (iii) Clearly outline where the regulated entity applies a different approach to setting the rate for different cohorts of borrowers.

However we are concerned that a variable rate, by definition, is variable at the discretion of the lender. There does not appear to be any oversight by the Central Bank to protect consumers by way of

- Acceptable range of an additional margins to be added by the lender, relative to the base rate
- Parity with E U Mortgage Providers
- Maximum Interest chargeable in defined circumstances

We believe tiered rates calculated on ‘loan to value’ should be encouraged by the regulator. Mortgages should be reviewed regularly and adjustments made to higher variable rates when the value of the loan or the value of the property changes. This is presently an innovative development by one of the major lenders in the Irish market and provides excellent protection to the consumer. Presently other lenders will review the rate and improve the terms **only** if the customer threatens to switch their business elsewhere.. However as research referenced in the Consultation Paper states, consumers are unlikely to challenge the mortgage providers (for a multiplicity of complex reasons) to improve the terms applicable.

Question 2: Do you have any suggestions in relation to the format of the summary statement or the level of detail which should be contained in the statement?

Irish Brokers believe the statement must be a uniform format applicable to all lenders, to avoid consumer confusion and that the following information should be provided as a minimum in addition to existing requirements.

- The Term remaining
- Statements should confirm if interest is charged daily, monthly, quarterly, annually – If possible make this information available through online access
- Cost of funds at the beginning of the year
- Cost of Funds at the end of the year
- Displaying the following information in a special box should be a requirement so that the customer can see the margins applicable at any one time

In YYYY

The interest rate was X%

The Loan Balance was reduced by €€,€€

Question 3: Do you have any views on the proposal that the Central Bank would prescribe the format and content of the information to be provided in the summary statement?

We agree that a prescribed format would benefit consumers and suggest addition information See Q2 above.

Question 4: Do you have any views on the proposals that the lender will be required to give variable rate mortgage holders information on alternative options?

Yes Brokers Ireland consider that suggestions or proposals on alternative options should be supplied by the lender; especially options that will impact positively on the outstanding amount or rate payable.

Question 5: Do you have any views on the proposal to increase the notification period?

We agree strongly with the comments relating to provision 6.7 of CPC and believe this is a key word change. We believe the Lender should give more notice when increasing the variable rate.

Question 6: If you agree that the notification period should be increased, what do you consider to be an appropriate notice period in order to achieve the objectives set out above?

We believe a 90 day period would be required if the objectives outlined are to be achieved.

Question 7: Do you have any views on the proposal to require the lender to include the reason for the change in the rate in the notification of an increase in a variable interest rate?

Brokers Ireland believe meaningful rationale should be given for any rate change.

## Conclusion

The amendments proposed both in the Consultation Paper itself and the proposed changes to the Consumer Protection Code contained in Annex 1 as highlighted in the consultation paper are welcome, commendable and in line with the stated object of the consultation paper to improve information provided to customers in taking out and in the course of a variable rate mortgage. Additional information properly set out, that seeks to inform the customer helps to provide better understanding of the product, greater clarity and should enable the consumer to seek better options. It is disappointing however that a consultation paper labelled "Increased Protections" does not address the issue of the ability of the lender to exercise sole discretion to vary the rates applicable without application of minimum requirements of the Central Bank.

We thank you for the opportunity to respond to the Consultation paper

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