



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

26 June 2013

T +353 1 224 6000 F +353 1 671 6561

Bosca OP 559, Sráid an Dáma, Baile Átha Cliath 2, Éire.
PO Box No. 559, Dame Street, Dublin 2, Ireland.

www.centralbank.ie

Re: Code of Conduct on Mortgage Arrears

Dear Sir/Madam

I wish to advise that the Central Bank of Ireland is introducing a revised Code of Conduct on Mortgage Arrears (CCMA), a copy of which is available on our website. As you are aware, the Code of Conduct on Mortgage Arrears was first published in 2009, setting out rules for lenders when dealing with borrowers in arrears with their mortgage payments.

In line with its commitment to continue to review the CCMA in the context of the changing mortgage arrears situation, the Central Bank issued a revised CCMA on 1 January 2011, which took into account the recommendations of the Government Expert Group on Mortgage Arrears. It also strengthened protections for borrowers in mortgage repayment difficulty through the introduction of the Mortgage Arrears Resolution Process (MARP).

In late 2012, the Central Bank began the process of a further review of the CCMA protections in place for borrowers with a view to strengthening them, where necessary, while ensuring that the framework continues to facilitate and promote the effective and timely resolution, by lenders, of each borrower's arrears situation.

In March 2013, a Consultation Paper on the Code of Conduct on Mortgage Arrears (CP 63) was published. CP63 sought views on a number of proposals, intended to provide an integrated and cohesive package of consumer protection measures for borrowers facing, or in, mortgage arrears. Following consideration of the submissions received, the 2011 CCMA has been modified and the revised CCMA is now available on our website.



The CCMA is imposed under section 117 of the Central Bank Act 1989. Contraventions of the CCMA may be subject to the imposition of administrative sanctions.

Where a provision of the revised CCMA requires a lender to make changes to their systems, procedures or documents and/or provide relevant staff training, we expect mortgage lenders, with effect from 1 July 2013, to take immediate steps towards implementing the necessary changes to their systems, procedures and documents and providing relevant staff training. In this regard, during the six month period ending 31 December 2013, in monitoring compliance with the revised CCMA, the Central Bank will be cognisant of issues relating to systems development and required staff training in implementing such changes.

Transitional Arrangements

From 1 July 2013, the revised CCMA applies to all existing arrears cases and lenders must ensure that they comply with the provisions of this Code. Your attention is specifically brought to the following provisions of the revised CCMA:

- Provision 56: states that lenders may only commence legal proceedings if the requirements set out in Provision 56 are satisfied, in particular, that the relevant period must have expired or the borrower must have been classified as not cooperating. We draw your attention in particular to the period referred to in that provision for cooperating borrowers, namely, three months from the date the letter required in either Provision 45 d) or 47 d), as appropriate, is issued or eight months from the date the arrears arose, whichever date is later;
- Provision 46: clarifies the conditions which a lender must satisfy before offering a borrower an alternative repayment arrangement which requires the borrower to change from an existing tracker mortgage to another type, including that none of



the other option(s) that would retain the borrower on his/her tracker rate is/are appropriate and sustainable for the borrower's circumstances and that such alternative repayment arrangement must be affordable for the borrower and is a long-term sustainable solution which is consistent with Central Bank policy on sustainability. Lenders must continue to retain the current protections for borrowers on tracker mortgages until all systems and controls required to comply fully with Provision 46 of the revised CCMA have been fully implemented in accordance with the implementation plan referred to above and **following engagement** with the Central Bank on any proposal to avail of Provision 46

- Provision 26: clarifies that a lender may only make an unsolicited personal visit to a borrower's primary residence when all other attempts at contact have failed and immediately prior to classifying the borrower as not co-operating, and that a lender must give the borrower at least five days notice.

Implementation and monitoring

The Central Bank is committed to closely monitoring the implementation of the revised CCMA and compliance with its provisions will be a key priority. Lenders must develop an implementation plan clearly setting out how they will transition from existing CCMA protections to the protections of the revised CCMA and the sequencing of that transition. A copy of your firm's implementation plan should be available to the Central Bank by **31 July 2013** and should detail the corporate governance surrounding the plan (including senior management oversight), details of the changes to systems required to implement the CCMA and staff training. We will be writing to you separately to outline further the details to be contained in this plan.

Lenders are reminded that the General Principles outlined in the Consumer Protection Code 2012 apply to all regulated entities' dealings with customers in relation to the



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

carrying on of regulated activities, including dealing with customers in or facing mortgage arrears. Lenders should ensure they comply with these obligations in framing long term sustainable solutions for borrowers. We expect to see evidence that senior management are taking implementation of the letter and spirit of the CCMA seriously, including evidence of robust discussion at Board level with regard to any policy changes.

In addition to the revised CCMA, the Central Bank will publish a Feedback document which provides clarification on the conclusions reached on the main issues that were considered as part of CP 63.

A Consumer Guide on the revised CCMA is also available to download from www.centralbank.ie/.

If you have any queries in relation to the revised CCMA, please email code@centralbank.ie.

Yours sincerely

Bernard Shenden

Director, Consumer Protection