



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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Mortgage Switching Research



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FOREWORD

The purpose of this mortgage switching¹ research is to inform the Central Bank of Ireland's approach on whether any further intervention is required on its part to better facilitate mortgage switching by those consumers minded to switch their mortgage. It is clear from the research findings that many consumers in Ireland have not considered switching their mortgage unless they are moving home and that many are concerned that the process is too difficult and complex. It is important that the process for mortgage switching facilitates those consumers who are considering switching to either another mortgage product with the same lender or to another lender.

This research follows on from the Central Bank's Economic Letter published in 2015 on the Irish Mortgage Market² which examined the opportunities that exist for mortgage holders to switch between lenders and examined residential mortgage data from the three Irish headquartered banks. It showed that 21% of loans included in the study had the potential to make savings were they to switch their mortgage. In addition, the Competition and Consumer Protection Commission's (CCPC) report on Mortgage Holding and Mortgage Switching³ revealed that while over a fifth of the adult population in Ireland hold a mortgage, limited evidence was found of switching. According to the European Commission, Market Monitoring Survey 2015⁴, 3.3% of Irish consumers who hold a mortgage said that they switched mortgage in 2014.

The mortgage switching research comprised of two stages:

- consumer research (both quantitative and qualitative) which was commissioned by the Central Bank and carried out by Behaviour and Attitudes. This consisted of a number of focus groups and a quantitative survey of mortgage holders⁵ including those who had ever switched mortgage; and
- engagement with those working in various aspects of the mortgage switching industry.

The key findings of all aspects of this research are summarised on the following pages.

¹ The term 'switching' used throughout this report refers to the following:

- Switched mortgage lender - that is, moved their mortgage from one lender to another lender.
- Switched their mortgage with the same lender - that is, getting a new mortgage to replace the original.
- Switched and changed their existing mortgage to a new mortgage lender.

² Devine, Frost & McElligott, 'Switch and Save in the Irish Mortgage Market' Vol 2015, No. 8, Central Bank of Ireland.

³ CCPC, 'Mortgage Holding & Mortgage Switching Market Research Findings', B&A January 2016.

⁴ European Commission, Monitoring Consumer Markets in the European Union 2015, GFK.

⁵ Mortgage holders includes any consumer who currently holds a residential mortgage.

KEY FINDINGS

Consumers see mortgage switching as a significant undertaking

- 44% of all mortgage holders surveyed felt that the switching process would be too complex, while 27% of those who switched mortgage found no obstacles to the process.
- 38% of those surveyed who switched their mortgage reported that a reduction in the amount of paperwork/documentation required for the mortgage switching process would improve the process.
- 36% of those surveyed who switched their mortgage reported that they had to chase their lender to be kept informed during the mortgage switching process.
- 25% of those surveyed who considered switching but did not, felt that it would take too much time and effort.
- 12% of those surveyed who considered switching but did not, felt that they would not meet the affordability criteria, and 12% of those surveyed who considered switching but did not, were unhappy with the level of personal information required.
- The qualitative research revealed that, for many participants, choosing the original mortgage was bound up in a period of complexity and angst and consequently many would be reluctant to enter the mortgage process again. The steps and stages involved in getting their first mortgage were seen as costly, uncertain, onerous and stressful.

Consumers see mortgage switching as costly

- 37% of those surveyed who switched their mortgage said that there were additional processing fees that they were unaware of. The qualitative research also highlighted that consumers felt that there was a lack of transparent information on the actual cost of switching and that lenders should highlight these costs and potential savings to be made e.g. cost of legal fees and charges that might be levied by the surrendering lender.
- 26% of those surveyed who switched their mortgage reported that a lower cost process would be an improvement.
- 33% of those surveyed who considered switching but did not, reported that a lower cost process would encourage them to switch.

Consumers who switched their mortgage had a positive experience

- 81% of mortgage holders surveyed who switched their mortgage agreed that they understood what was going on at each stage of the process.
- 27% of mortgage holders surveyed who switched mortgage lender reported no obstacles to switching their mortgage.

Consumers said that they might consider switching if they could be certain that they would make a saving over the lifetime of the mortgage

- 54% of all mortgage holders surveyed agreed that they might switch if there was a long-term guarantee of an interest rate saving. This figure rose to 77% amongst mortgage holders surveyed who considered switching but did not switch.
- 42% of mortgage holders surveyed who had never switched, said that lower interest rates would encourage them to switch.
- 52% of mortgage holders surveyed were uncertain about the amount of money that could be saved by switching, and the qualitative research revealed that the true extent of potential savings over the lifetime of the mortgage needs to be highlighted to encourage switching.
- The qualitative research identified the unknown cost of switching, the unknown cost of legal fees and the unknown charges potentially levied by the original lender as key reasons for not switching mortgage.
- The qualitative research also revealed that consumers are not aware of the savings that can be made by switching their mortgage and that the true cost of switching and potential savings to be made needs to be clearly highlighted for potential switchers.

Lower interest rates were given as the main reason for switching mortgage lender

- 4% of all mortgage holders surveyed had switched their existing mortgage to a new lender, of which, 53% switched to benefit from lower interest rates/monthly repayments.
- Of the 6% of mortgage holders who changed their existing mortgage product with the same lender, 59% said that moving house or making home improvements was the main reason.

Easy comparison of mortgage products is a key step in the mortgage switching process

- 32% of mortgage holders surveyed who switched their mortgage disagreed that it was easy to compare mortgages from different lenders, and 30% of those surveyed who switched mortgages disagreed that mortgage products were simple to understand.
- 37% of mortgage holders surveyed who switched their mortgage reported that a website to compare the offers of all mortgage lenders would have made the switching experience smoother.
- 34% of mortgage holders surveyed who considered switching but did not, reported that a website to compare the offers of all mortgage lenders would encourage them to switch.
- 31% of mortgage holders surveyed said they were aware of the CCPC's consumer help website (at www.consumerhelp.ie), 11% had visited this website and 6% had used the mortgage comparison tool. The qualitative research also highlighted that there was a lack of awareness of the CCPC website amongst consumers but there was a very high level of interest when they were made aware of it.

The views amongst some of those working in the area of mortgage switching indicate that mortgage switching is seen as a complicated process

- It was reported that the legal process was complex and slow, as well as delays with the lenders providing redemption figures, loan packs and title deeds.
- It was reported that the volume of paperwork was onerous and that digital copies of documents should be acceptable.

Mortgage holders had real concerns about approaching their mortgage lender regarding switching

- 27% of all mortgage holders surveyed said they had concerns about approaching their mortgage lender about switching.
- 27% of all mortgage holders surveyed said they had concerns about how negative equity would be handled.
- 27% of all mortgage holders surveyed said they had a general fear of not wanting to do anything that might jeopardise their home.
- 22% of all mortgage holders surveyed said they had a general fear of not wanting to do anything that might jeopardise their credit rating.

A single point of contact or a dedicated switching team would encourage and assist with the mortgage switching process

- The majority of consumers who participated in the focus groups stressed that having a single point of contact throughout the switching process would be invaluable.
- Some of those working in the area of mortgage lending surveyed, and focus group participants suggested that dedicated switching teams in branches to provide information and walk consumers through the process may stimulate switching.

Improvements to the specified timelines around the mortgage switching process are needed

- 28% of mortgage holders surveyed who switched mortgage lender reported delays with the legal process as an obstacle in the switching process. The qualitative research highlighted that the legal process was complex and slow.
- 19% of those surveyed who switched mortgage lender reported delays with the new mortgage lender approving the mortgage application as an obstacle in the switching process.
- 28% of mortgage holders surveyed who considered switching but did not, said that a less time consuming process would encourage them to switch.
- 27% of mortgage holders surveyed who have switched their mortgage, reported that a less time consuming process would be an improvement.

1. **INTRODUCTION**

Background to the research

This report details the results of two separate elements of research amongst consumers, and those working in the area of mortgage lending (lenders, mortgage intermediaries and law firms). The purpose of this research was to gather evidence-based information and data on mortgage switching from different sources. This will inform our approach to any further intervention by the Central Bank to better facilitate mortgage switching by those minded to switch, over and above the transparency measures already in place in the Central Bank's Consumer Protection Code.

The research sought to:

- gain an understanding of the perceptions and experience of consumers in relation to switching through consumer research amongst mortgage holders⁵; and
- gain an understanding of the experience of those working in the area of mortgage lending.

Methodology

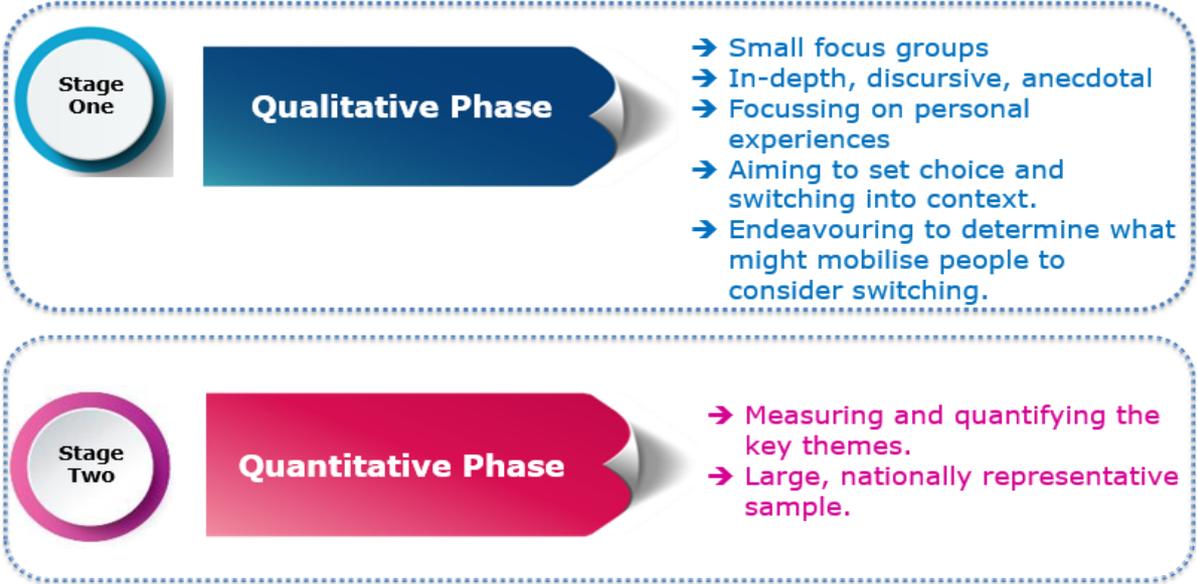
The research was broken down into two separate stages:

- (1) Consumer Research: qualitative (focus groups) and quantitative (face-to-face survey) research with consumers who were mortgage holders in order to gain a better understanding of consumer perceptions and attitudes of mortgage switching, and to identify any impediments to switching or potential improvements to the process.
- (2) A survey amongst those working in the area of mortgage lending to gain an understanding of their practical experience of the mortgage switching process. This involved a survey of lenders, mortgage intermediaries and law firms to provide an industry overview of the process. The objective of this phase was to identify any impediments and any potential improvements to the mortgage switching process.

2. CONSUMER RESEARCH

The consumer research commissioned by the Central Bank and conducted by Behaviour and Attitudes, was undertaken in two stages, a qualitative stage and a quantitative stage amongst mortgage holders.

Consumer Research



2.1 Stage One – Qualitative Phase

The qualitative stage of this research involved six focus group discussions with mortgage holders, which were held between 25 October and 1 November 2016. Figure 2.1.1. below sets out details on the composition of these focus groups.

Figure 2.1.1. Focus Groups

Group	Location	Duration remaining on mortgage	Broad Age Bands	Social Class
1.	Dublin	4-10 years	40-55	ABC1
2.	Dublin	10-16 years	30-45	C1C2
3.	Mullingar	10-16 years	30-45	ABC1
4.	Mullingar	14-20 years	28-45	ABC1
5.	Cork	4-10 years	40-55	ABC1
6.	Cork	14-20 years (and most mortgages were obtained through an intermediary)	28-45	C1C2

Objective

The main objective of this qualitative stage of the research was to understand the consumer experience of mortgage choice and mortgage switching and the key factors affecting both. The research also aimed to determine the attitudes and behaviours of consumers to the various influences that play a role in their decision making process relating to mortgage issues generally.

General perspective – social and economic context

There was a general sense of economic recovery amongst the participants of the focus groups. While positivity appeared to be stronger in Dublin and Cork, those in the rest of Leinster were less positive as a number of their homes are now in negative equity. Some of those who bought homes in the midlands, said that they find themselves living in houses that were only ever intended as starter homes. Many indicated that either they or their spouse had lost their job or taken a reduction in salary since 2008. The increased cost of living had led to some having to restructure their mortgages.

Switching and moving

Most of those who switched mortgage with their existing lender or a new lender had done so out of financial necessity. However, some just took advantage of the opportunity to move during the financial crisis - property values were low, they were in positive equity and had savings. Some are unsure who their mortgage is actually now with as the loan had been sold to another institution since they originally drew it down.

Longer term mortgage holders, more so in Dublin and Cork, tended to feel better off than those who took out a mortgage in more recent years. Some had lived through mortgage rates of up to 19% and so are more resilient, less despairing and have a greater life experience.

A number of mortgage holders reported that finding their ideal house was the hardest part of the process. While they had mortgage approval in place, finding a house in the area they wanted for the price they wanted was the challenge. They also advised that due to the time taken, the amount of paperwork and the hassle involved (were they to go through a mortgage switching process), they would get a mortgage broker to look after the process of switching for them.

Sourcing a mortgage

The general perception was that getting a mortgage was complex and confusing. Issues such as the level of information required, technicalities, legal fees and stamp duty were often a worry. While some had been offered 100% mortgages (pre financial crisis consumers), others were offered 2.5x the first salary and 1x the second salary. Where people had friends in mortgage lenders, they normally spoke to them for advice and to get the mortgage itself while others got advice from family and friends. For the majority of participants, the amount of paperwork that had to be gathered was just too onerous and they felt that the mortgage lenders were scrutinising their spending habits. For those who were self-employed, gathering information relating to their income was even more cumbersome. Many moved back in with their family in order to save for deposits. Some couples saved with the same institution while others saved in more than one institution in order to keep their options open and some turned to their parents for assistance in getting the deposit together.

Point of contact

The majority of participants stressed that having a single point of contact or friend in their mortgage lender was invaluable as they progressed through the process. Participants felt they were getting better attention or a better deal if they knew the person they were dealing with. In the Dublin groups, and in particular in the ABC1 groups, many of the participants had contacts in the mortgage lenders and these same contacts were used by all of their family. In the Cork groups, the broker network was more widely used. They felt that the broker was on their side, was reassuring and had the expertise to deal with the lenders on their behalf.

Securing a mortgage

Most participants indicated that they had no preconceived intention of securing a particular type of mortgage, but rather, had taken what they had been offered. Some were insistent about having a fixed rate for a specific period, while some had fixed a few times over.

There was some awareness of the modern trend towards payment holidays, break periods and so forth, but these features had not been used by those that participated in the focus groups. One or two participants had managed to have such options inserted at mortgage re-negotiations, but they seem to be much more commonplace among newer mortgages than mortgages taken out in the previous five, ten or fifteen years. Some also stated that they were less likely to query any stage of the mortgage application process for fear that it might jeopardise their securing a mortgage.

Living with a mortgage

Longer term mortgage holders stated that their mortgage repayment accounted for a smaller proportion of their monthly income while more recent mortgage holders said their mortgage repayment accounted for a significant amount of their monthly income. However, most were content to be able to make their mortgage repayment each month and had not considered switching. The principle of shopping around to get a better deal is not appealing with many reporting that getting their first mortgage was a stressful process so revisiting this process is something that they would be slow to consider.

Changes at mortgage lenders

Participants reported that relationships with mortgage lenders are much weaker and less personal now than previously. Participants felt that the relationship that would have existed at the mortgage application stage is gone due to the lack of a tangible point of contact in most mortgage lenders. They also felt that this had also been fuelled by so many of the mortgage lenders having merged with other institutions.

Advertising and marketing

The majority of participants were aware of the various mortgage advertising campaigns running at the time of the focus groups and were familiar with the various product offerings, in particular the 'free' elements, such as 2% cashback or payment towards legal fees. Overall, they did not trust these 'free' offerings and felt that their cost would somehow be incorporated into the overall cost of the mortgage. It was generally felt that mortgage advertising was targeted at first time buyers and not at potential movers or switchers due to the age profile of the actors in the advertisements. There was also a perception that mortgage switchers are less attractive to mortgage lenders than first-time

buyers. All groups felt that if an advertisement is being directed at potential switchers, then there is a clear need for advertising/marketing material to address these consumers more directly and explicitly.

Value of switching

When it comes to switching other services such as utilities or insurance, most do so because they felt they would make a saving. This type of switching is largely limited to ABC1 and more financially sophisticated households. Some participants felt quite strongly that consumers need to be 'smart' and switch utilities every 18 to 24 months in order to maximise the savings possible. Tied up with such thinking was a view that new customers enjoy better rates generally than existing customers and this is supported by the advertising campaigns that offer products or services to 'new customers only'.

By contrast, there is little or no discussion amongst mortgage holders about switching mortgages. The very idea of mortgage switching seemed remote and those that did so may perhaps had been prompted by a change in circumstance, or by external events rather than by a positive choice or option.

Information to enable consumers to save money (e.g. television, phone and internet) is promoted on various websites such as Bonkers.ie. In relation to utilities, switcher teams go from door-to-door trying to encourage consumers to switch. However, there was almost no awareness amongst the participants that either of these sites draw comparisons between mortgage offerings.

Despite limited awareness in advance, participants were positively surprised by, and interested in, the [Competition and Consumer Protection Commission \(CCPC\)](#) mortgage comparison tool. Some had hypothetically described such a website but few had any awareness that it existed. One or two self-confessed avid switchers were aware of the CCPC website, and while they had reviewed other topics on it, such as insurance, none were aware that it contained a mortgages section.

Many participants were uncertain as to how to go about switching mortgage and were not aware of the savings that could be made in so doing. In order to encourage consumers to consider switching, they would need more detailed information about the mortgage switching process, information on eligibility to switch, direction to information tools on the various products on offer, confirmation that there would be savings to be made and greater clarity about any fees and charges that are likely to be levied. Participants reported that switching incentives offered by mortgage lenders should cover the cost of the actual switch, so that it is possible for the consumer to calculate the actual savings to be made over the life of the mortgage and the cost of switching should not cancel out any savings to be made.

Basis of switching

A limited number of switchers were encountered across the series of focus groups. The switchers tended to be amongst the more financially sophisticated, and interestingly the switch tended to have occurred where the participant was re-mortgaging or where a top-up mortgage had been refused. It seemed to be more commonly the case that a switch had occurred because another lender was

prepared to lend more to accommodate the participant in a manner that their original lender could not.

The whole process of initially taking out their first mortgage is seen as being tense and fraught, and consequently many would be reluctant to enter the process again. The steps and stages involved in getting their first mortgage were seen as costly, uncertain, onerous and stressful and travelling down the same path is something most would not do without a much clearer sense of there being an advantage and certainty to the process. A number of participants within the groups indicated that the likelihood of them switching would be much greater were they to consider switching or re-evaluating their financial priorities.

Triggers and barriers to switching

The potential for a consumer to save money over the lifetime of a mortgage by switching mortgage is not generally understood. However, participants showed increased interest in switching when the possibility of potential savings was raised. Many participants were unaware that mortgage lenders may be open to offering them a better deal than their original lender. As regards barriers to switching, the following were cited:

- Lack of transparent information on the process or promotion of tools to aid comparison.
- The uncertainty around whether mortgage lenders will stay in the market.
- The unknown cost of moving a mortgage.
- The unknown savings to be made over the long-term.
- The unknown cost of legal fees etc.
- Implications a switch might have for their credit rating.
- The complexity of the process and the time involved.
- Potential difficulties in securing new finance, and
- No long-term guarantee about the actual cost of the mortgage in the event of a switch.

Potential stimulus to switching

- Increased awareness and promotion of the CCPC mortgage switching tool.
- Consumers need to hear more from consumer groups, financial journalists and those who have been through the mortgage switching process, about the benefits of mortgage switching.
- Mortgage lenders need to be more targeted in their marketing material to ensure that they capture the attention of potential switchers.
- Mortgage switching teams should be available to guide consumers through the mortgage switching process.
- The true cost of switching and potential savings to be made needs to be clearly highlighted for potential switchers.

2.2 Stage Two - Quantitative Phase

Methodology

The quantitative phase of this research was based on a representative sample of 2,003 mortgage holders, interviewed face-to-face in their homes. In order to achieve the sample, interviewing quotas were set for age, gender and social class. All interviews were conducted during November and December 2016⁶.

In selecting respondents to take part in the research, individuals were screened to ensure that they:

- were aged 16 or older;
- were mortgage holders; and
- were personally or jointly responsible for decisions regarding their mortgage.

The questionnaire consisted of seven sections:

Section	Title	Content
1	Screening	To ensure the selection of appropriate respondents
2	Original loan details	Details of the original mortgage such as loan amount, house price, interest rate, term, monthly repayments, lender
3	Switching Mortgages	Incidence of switching. Details of the switched mortgage such as loan amount, house price, interest rate, term, monthly repayments, lender, reasons for switching and obstacles to switching
4	Considered switching and did not	Reasons for not switching and what would encourage switching
5	Did not consider switching	Reasons for not switching and what would encourage switching
6	CCPC website	Awareness and usage of CCPC website and mortgage comparison tool
7	Classification	Demographic profile of respondent

⁶ Data provided throughout this report may not sum up to 100% due to rounding or use of multi-response questions.

Profile of consumer research respondents

Figure 2.2.1. shows the profile of the research sample of mortgage holders.

Figure 2.2.1. Socio-demographic profile of mortgage holders

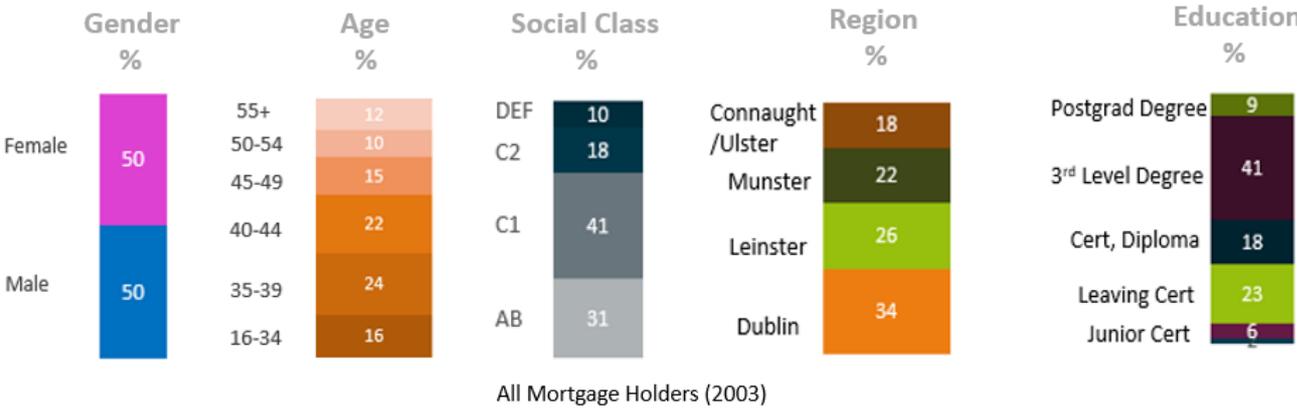
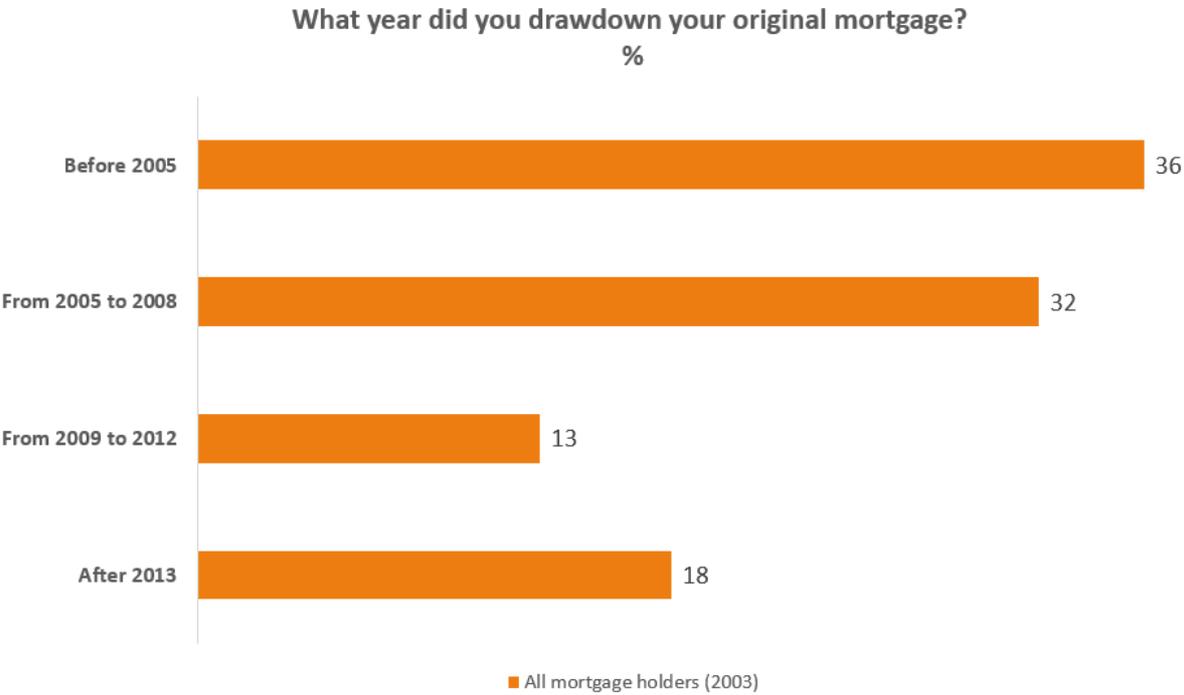


Figure 2.2.2. Year of original mortgage drawdown

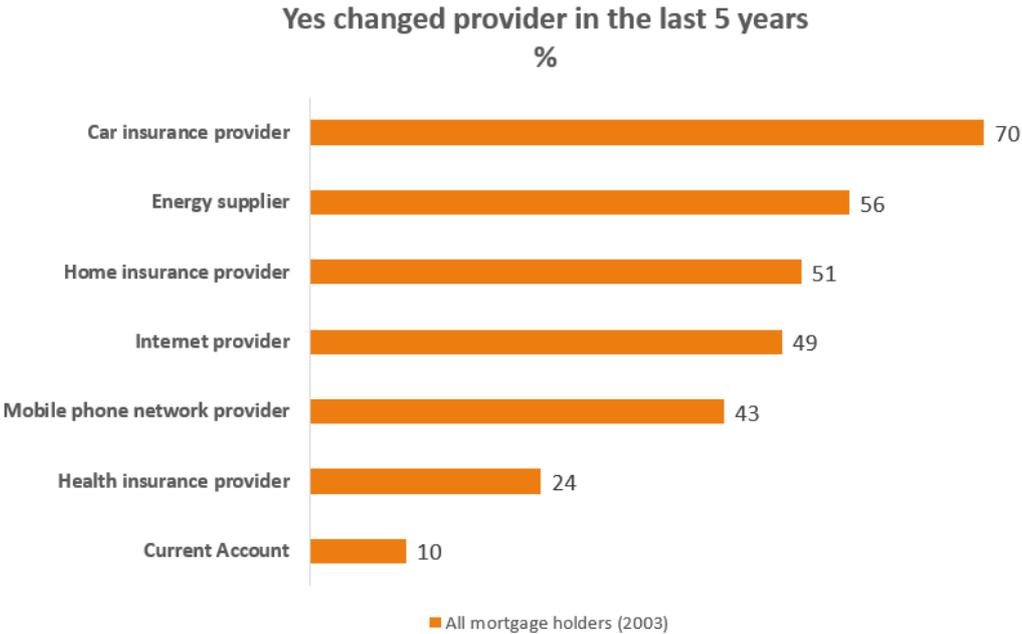


The majority of all mortgage holders surveyed (68%) took out their original mortgage before the financial crisis in 2008, while 31% of mortgage holders drew down their original mortgage from 2009 onwards.

Mortgage switching

Respondents were asked about their switching behaviour in general so that the results for mortgage switching could be put in context.

Figure 2.2.3. Switching behaviour in general



The majority of mortgage holders had switched car insurance provider (70%) within the last five years, and around half (56%) had switched energy supplier, home insurance provider (51%) and internet provider (49%). Current accounts had the lowest prevalence of switching (10%) in comparison to other services, as indicated in Figure 2.2.3.

Figure 2.2.4. Incidence of switching mortgages



4% of respondents had ever switched mortgage lender, that is moved their mortgage from one lender to another, and 2% had both switched and changed their existing mortgage product with the new mortgage lender. 6% had switched their mortgage with the same lender, that is a new mortgage to replace the original. A further 6% considered switching their mortgage but did not. The vast majority never considered switching their mortgage (81%).

Differences exist when comparing those aged 55 and older to those aged 34 and under, with the incidence of switching mortgage lenders higher amongst those aged 55 and older (10%) compared with those aged 34 or younger (1%). Conversely, 91% of those aged 34 or younger never considered switching mortgage lenders, compared with those aged 55 and older (73%).

Mortgage holders who received any professional financial advice about planning their finances in the last five years (11%) were twice as likely to have considered switching (but did not) in comparison to mortgage holders who did not receive professional financial advice (5%).

Mortgage holders who switched mortgage lender, switched mainly for a lower interest rate or lower monthly repayments (53%), while those who switched their mortgage with the same lender stated that moving house or making home improvements (59%) was the main reason for switching their mortgage product.

2.2.5. Incidence of switching by year of switch

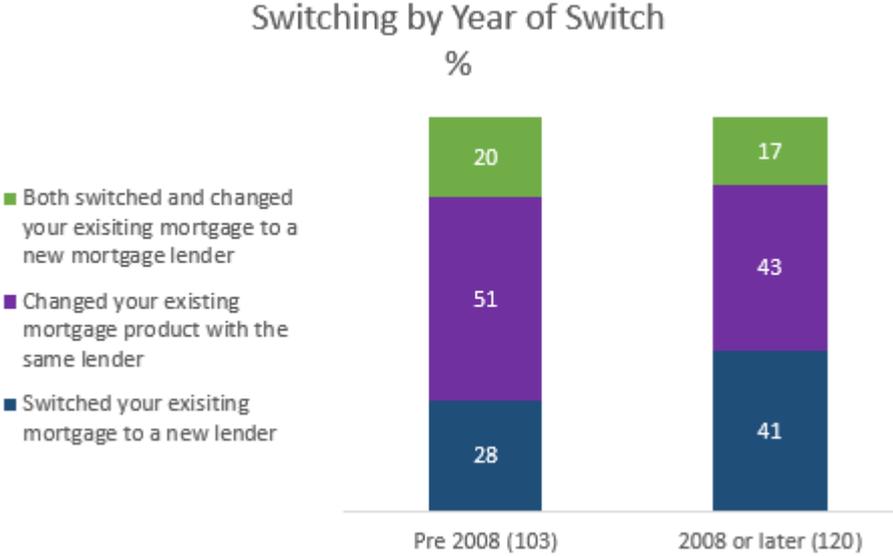
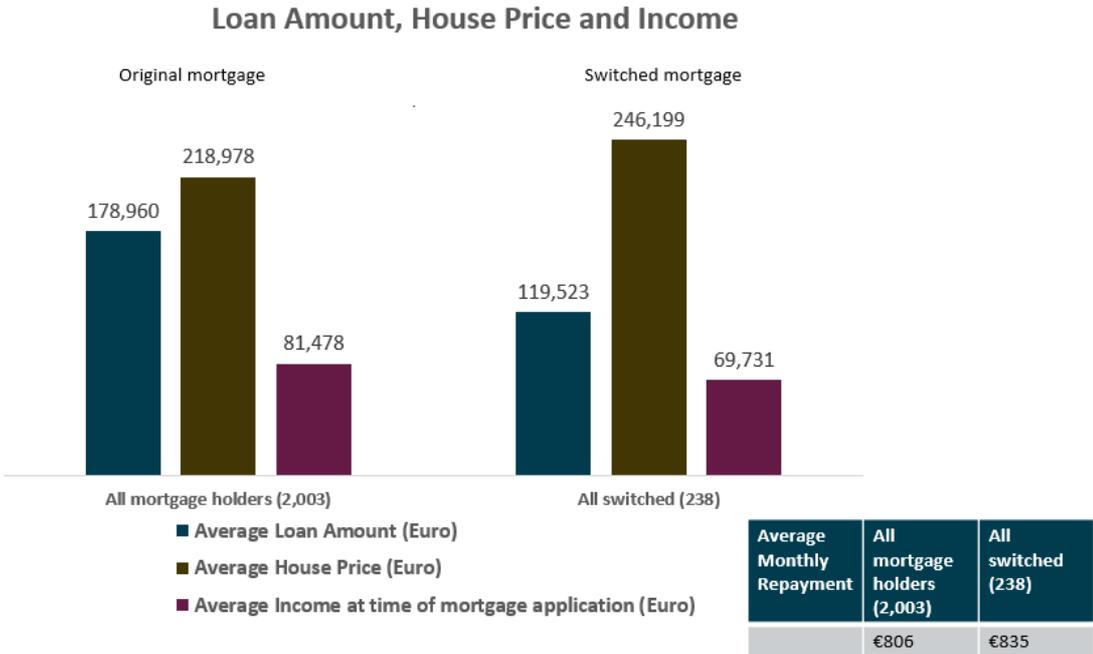


Figure 2.2.5. shows that mortgage holders who switched their mortgage were more likely to switch mortgage lender post-2008 (41%) in comparison to mortgage holders who switched pre-2008 (28%). Conversely, 51% of those who switched pre-2008, switched with the same lender, compared to 43% of those who switched in 2008 or later.

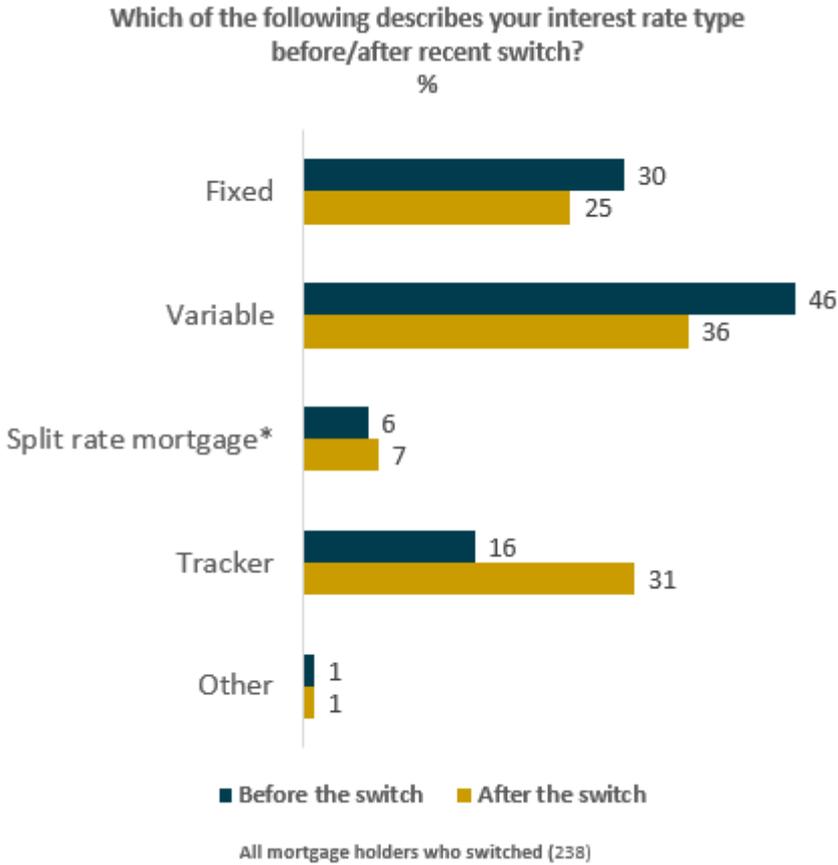
Figure 2.2.6. Switcher loan details – loan amount, house price, income, monthly instalment



As outlined in Figure 2.2.6., the average loan amount for the switched mortgage is €119,523, a drop of 33% on the average for the original mortgage (€178,960). The average house price of the switched mortgage is €246,199, an increase of 12% compared to the average house price of the original mortgage (€218,978). The average income at the time of the switched mortgage application is €69,731, a decrease of 14% in comparison to the average income of the mortgage holder at the time of the original mortgage application (€81,478). The average monthly repayment on the switched mortgage is €835 compared to an average monthly repayment of €806 on the original mortgage, an increase of 4%.

The average term for the switched mortgage is 22 years, down from an average of 27 years for the term of the original mortgage.

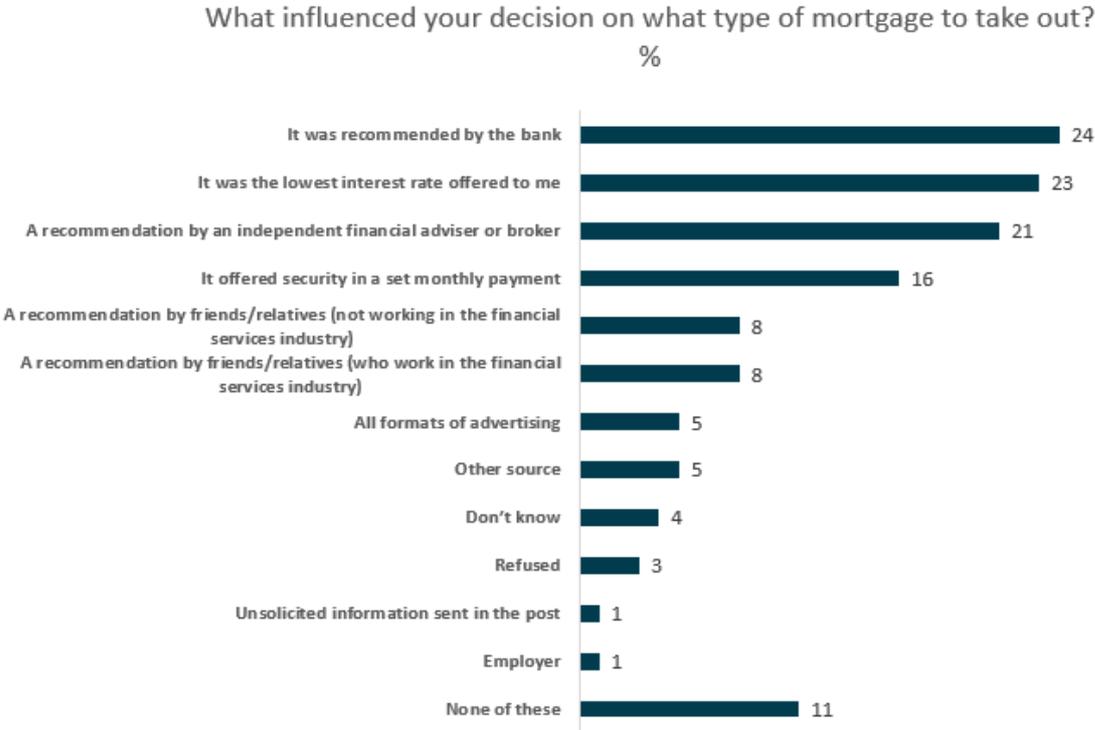
Figure 2.2.7. Type of mortgage before/after the switch



Almost half (46%) of mortgage holders who switched were on a variable rate mortgage in advance of switching, while under one-third (30%) were on a fixed rate mortgage, as shown in Figure 2.2.7. The type of mortgage differs after the switch with just over one-third (36%) on a variable rate mortgage, one-quarter (25%) were on a fixed rate mortgage and 31% on a tracker mortgage after the switch.

* A split rate mortgage relates to a mortgage whereby a portion of the mortgage is repaid at a fixed rate and the remainder at a variable rate

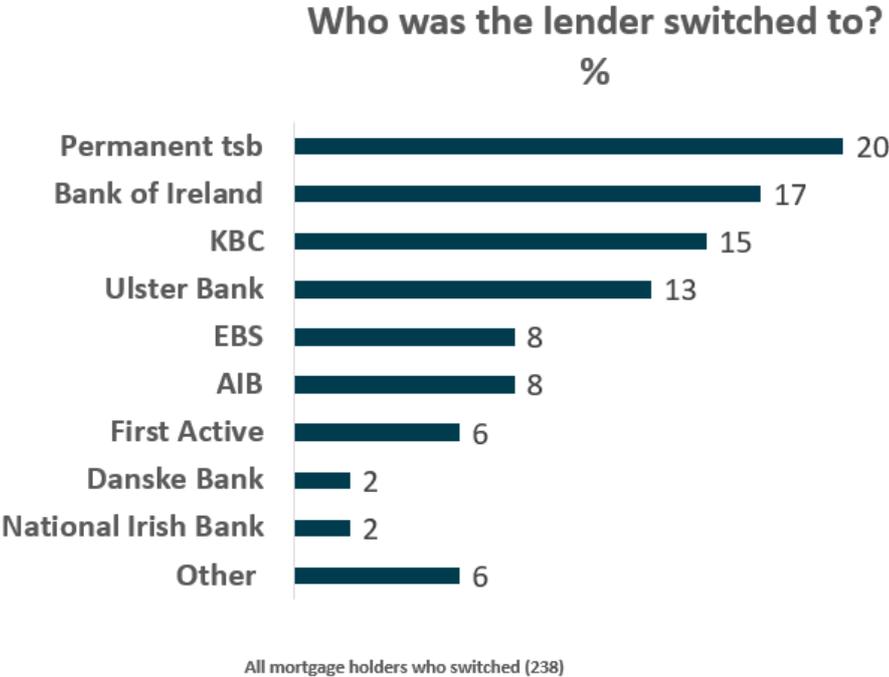
Figure 2.2.8. Influences on decision on type of mortgage



All mortgage holders who switched (238)

The main influences on the type of mortgage selected when switching was a recommendation by the bank (24%), the lowest interest rate offered (23%) and recommendation by mortgage broker/financial adviser (21%). The security offered by a set monthly payment (16%) and the recommendation of family/friends working within the financial services industry (8%) and outside the industry (8%), were also considered to be important influences on the type of mortgage selected when switching.

Figure 2.2.9. Lender switched to

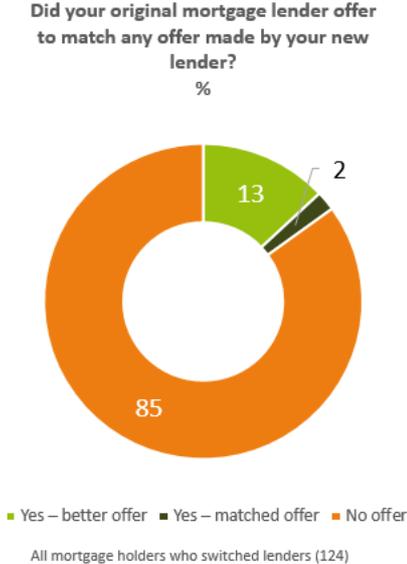


Almost two thirds (65%) of mortgage holders surveyed switched their mortgage to either Permanent tsb (20%), Bank of Ireland (17%), KBC (15%) or Ulster Bank (13%).

One-quarter (25%) of mortgage holders who switched chose their new mortgage lender because the offer was the most affordable while just over one-fifth (22%) said that they already had products with them.

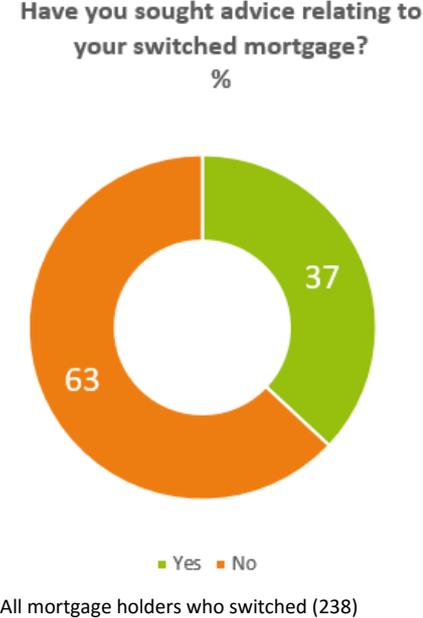
Those who switched to Permanent tsb (28%) were more likely to have switched to another mortgage product with the same lender than switched lender (9%). Conversely, those who switched to KBC were three times more likely to have switched lender (21%) than switched to another mortgage product with the same lender (7%).

Figure 2.2.10. Counter offers by original mortgage lender



All mortgage holders who switched mortgage lender were asked if their original mortgage lender made a counter offer. 13% said they were made a better offer from their original mortgage lender while just 2% said that their original mortgage lender matched the offer of the new lender. In both cases, they still switched mortgage lender.

Figure 2.2.11. Seeking advice on mortgage switching

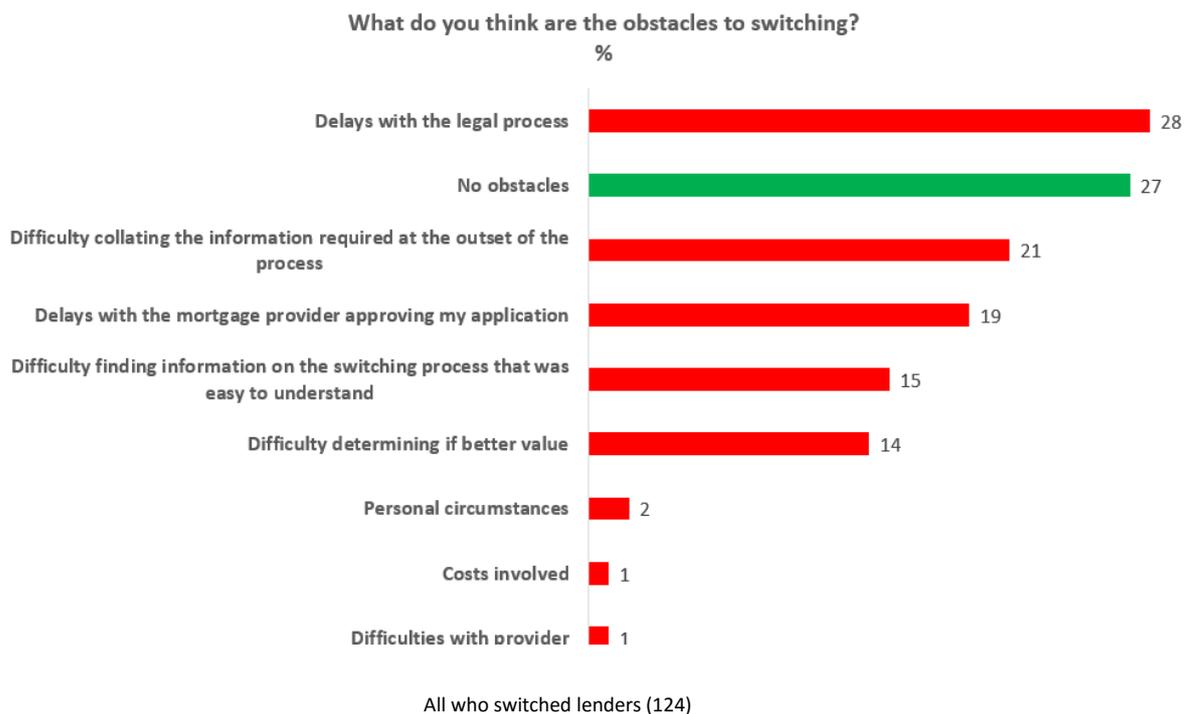


Over one-third (37%) of mortgage holders who switched sought advice on the process. One-third (33%) of these mortgage holders sought advice on their mortgage from their mortgage lender/broker. 21% mentioned friends and family as the main source of their advice and a further one-fifth (21%) said that they received advice from a financial advisor.

Over two-fifths (43%) of mortgage holders who switched lender sought advice in comparison to 29% of mortgage holders who switched product with the same lender.

The majority of mortgage holders who sought advice from a mortgage lender/broker (86%) were happy with the information and advice provided. In addition, three-quarters (76%) of those who sought advice from a mortgage lender/broker agreed that the lender/broker helped them to consider options they had not thought of and 76% also felt that the lender/broker understood their needs.

Figure 2.2.12. Obstacles to mortgage switching



As outlined in Figure 2.2.12., over one-quarter (27%) of mortgage holders who switched lender reported no obstacles to switching their mortgage. However, 28% of mortgage holders who switched lender mentioned delays with the legal process and just under one-fifth (19%) said that there were delays with the mortgage lender approving their application. A further 21% said that they had difficulty collating the information required at the outset of the process. 15% found it difficult to find information on the mortgage switching process that was easy to understand and 14% had difficulty determining if the switched mortgage was better value.

2.12.13. Obstacles to mortgage switching reported by those who switched pre and post 2008

Obstacles	Total (124)	Switched before 2008 (50)	Switched after 2008 (68)
No obstacles	27%	34%	21%
Difficulty collating information at outset	21%	8%	31%

Figure 2.2.13. shows that those who switched their mortgage before 2008 (34%) were more likely to report no obstacles with the switching process compared to those who switched in 2008 or after (21%). Only 8% of those who switched before 2008 reported difficulty collating information at the outset compared to 31% of those who switched in 2008 or after.

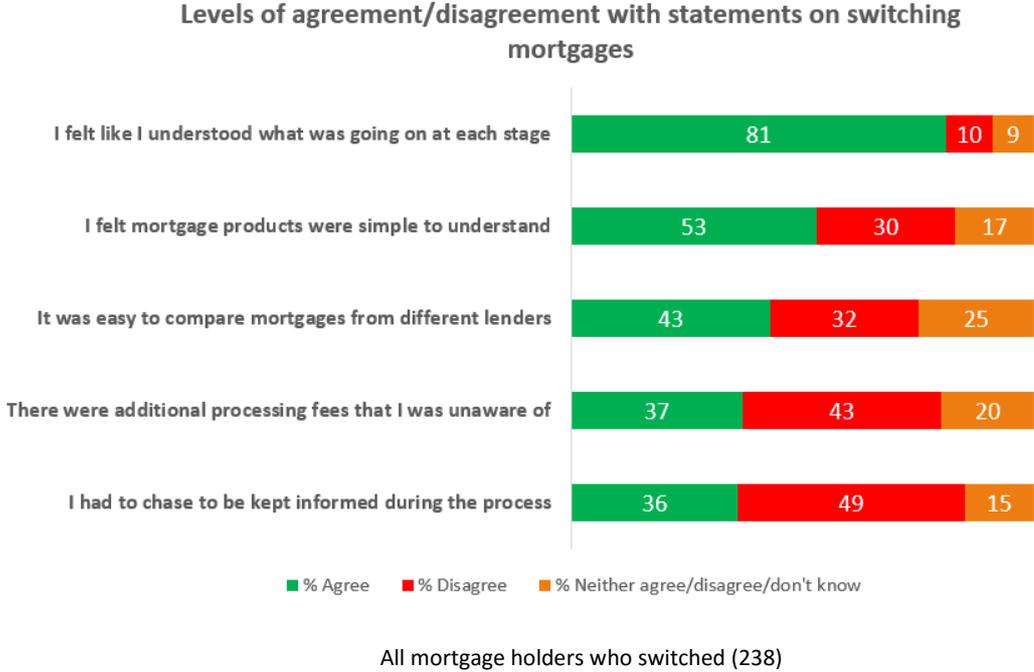
Figure 2.2.14. Improvements to mortgage switching



All those who had switched their mortgage were asked for suggestions on what would make the mortgage switching experience smoother. Less documentation/paperwork (38%), a website to

compare the offers of all mortgage lenders (37%), a less time consuming process (27%), a lower cost process (26%), and a more streamlined legal process (25%) were the main improvements suggested.

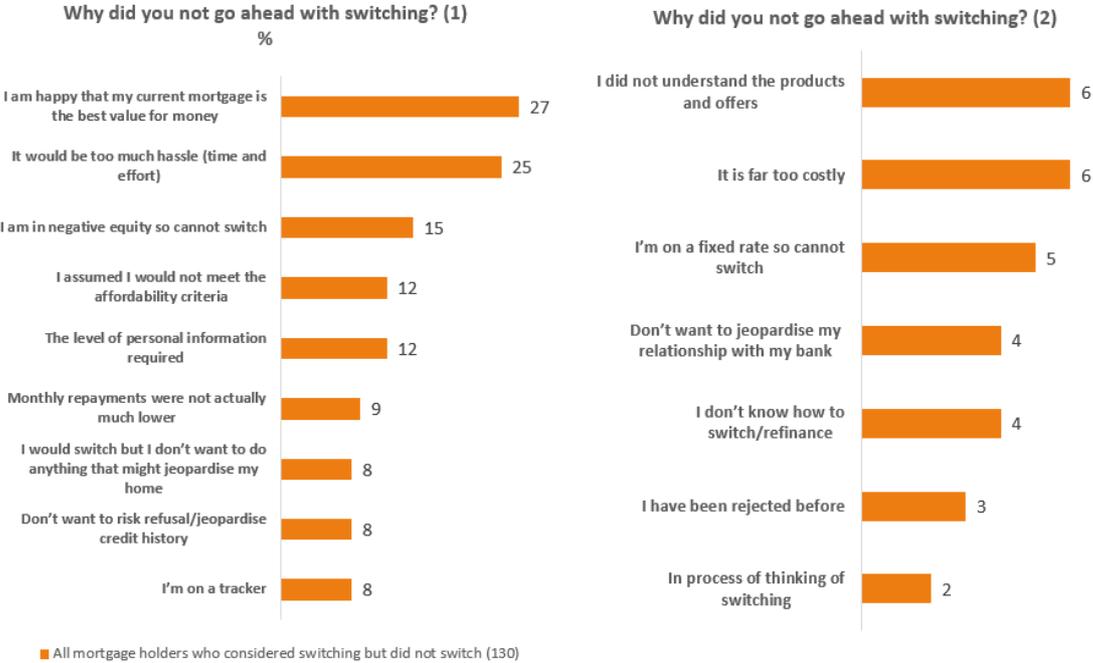
Figure 2.2.15. Satisfaction with the mortgage switching process



Mortgage holders who switched their mortgage were asked for their views on the mortgage switching process. While the majority agree (81%) that they understood what was going on at each stage, almost two-fifths (36%) had to chase to be kept informed during the process and almost two-fifths (37%) agreed that there were additional processing fees that they were unaware of. 32% of mortgage holders who switched disagreed that it was easy to compare mortgages from different lenders, while 30% disagreed that mortgage products were simple to understand.

Mortgage holders who considered switching but did not switch

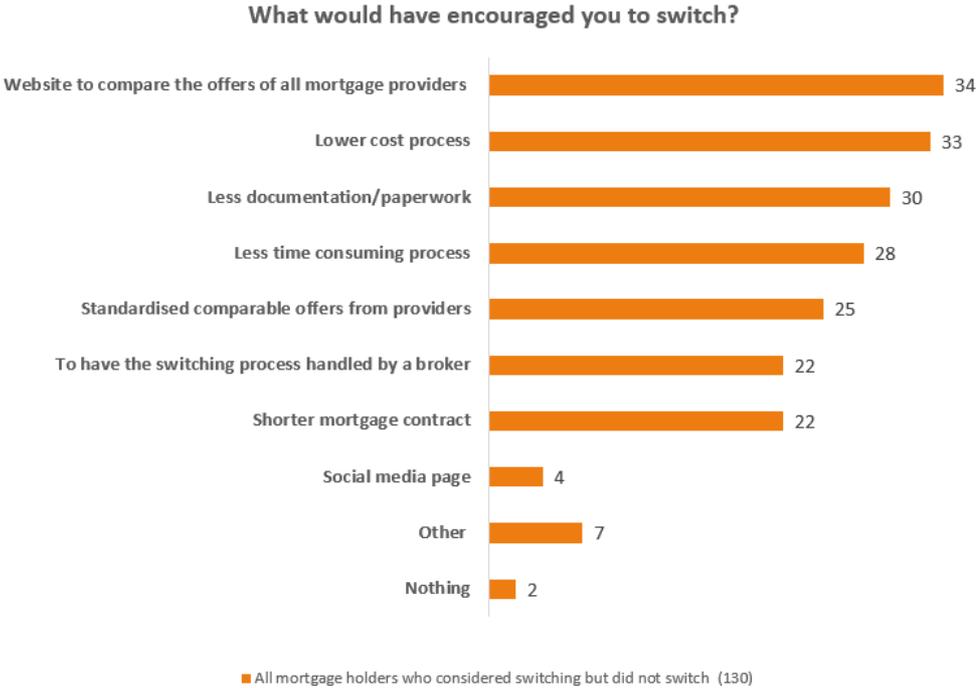
Figure 2.2.16. Reasons for not switching mortgage



Mortgage holders who considered switching but did not were asked why they did not go ahead and switch their mortgage. The main reasons for not switching included being happy with their current mortgage (27%), too much hassle (25%), and the level of personal information required (12%). There were also fears that they could not switch due to negative equity (15%) and that they would not meet the affordability criteria (12%). Additionally, a minority of mortgage holders had concerns about losing their home (8%) and jeopardising their credit history (8%) if their mortgage switch application was refused.

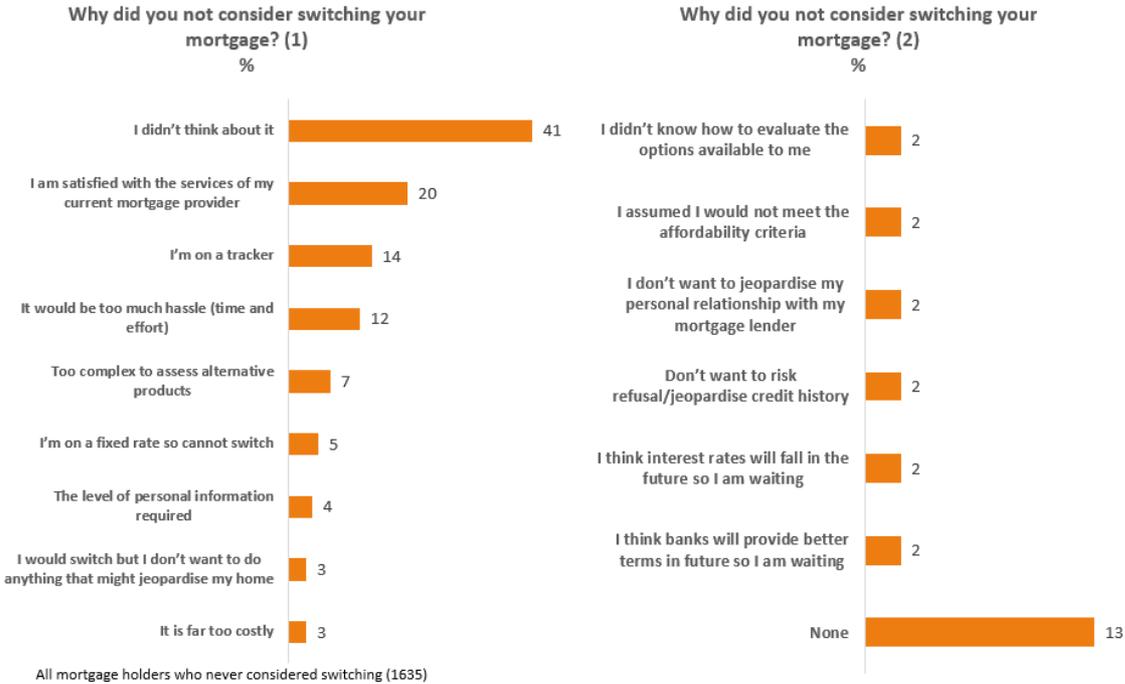
Figure 2.2.17. What would encourage mortgage switching

The main factors to encourage switching amongst mortgage holders who considered switching but did not, included a website to compare the offers provided by all mortgage lenders (34%), a lower cost process (33%), less documentation/paperwork (30%) and a less time consuming process (28%).



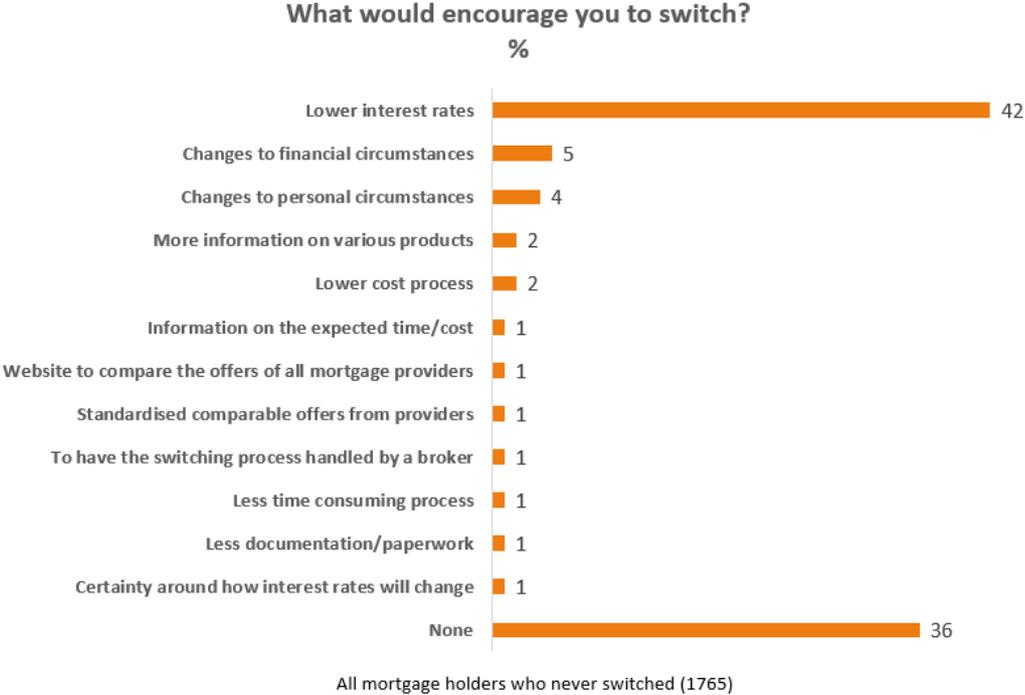
Mortgage holders who never considered switching

Figure 2.2.18. Reasons for not switching



The primary reason for not switching amongst mortgage holders who never considered switching is that they never thought about it (41%) or there was no particular reason for not switching (13%). One-fifth (20%) said they were satisfied with their current mortgage lender. 14% stated that they were on a tracker mortgage and a further 5% said they were on a fixed rate contract and so could not switch. 12% said that it would be too much hassle.

Figure 2.2.19. What would encourage mortgage switching



A lower interest rate was the predominant factor mentioned to encourage switching amongst mortgage holders who never switched before (considered but did not switch and never considered switching).

Overall attitudes to mortgage switching

Figure 2.2.20. Attitudes to mortgage switching

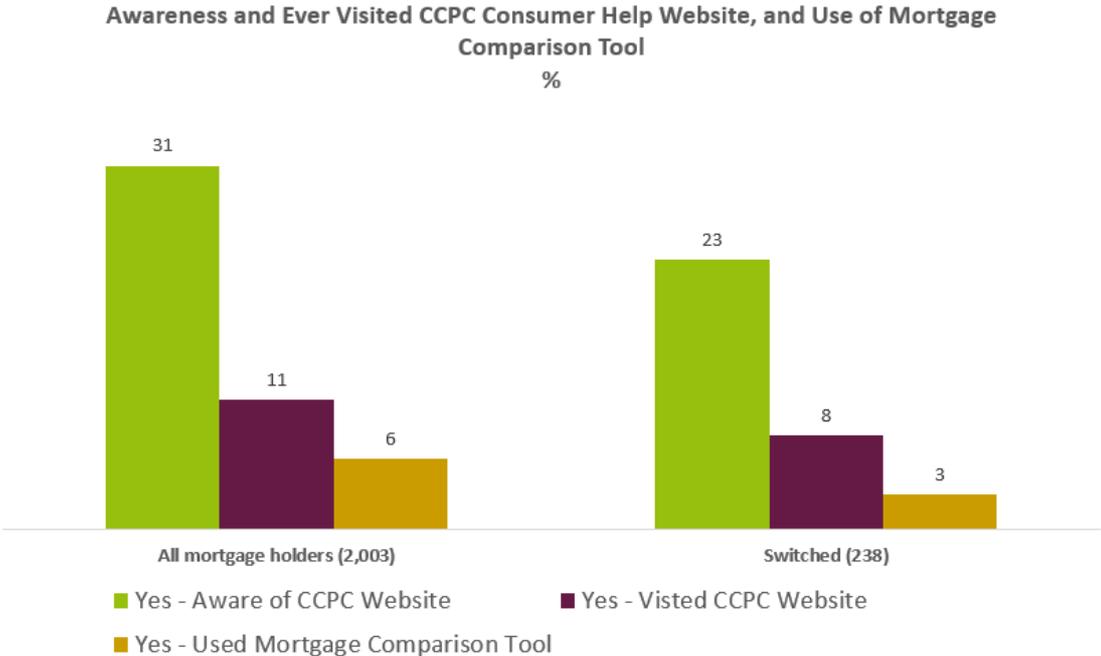


All mortgage holders were asked about their attitudes to mortgage switching across a number of different statements. Over half of mortgage holders (54%) agreed that they might switch if there was a long-term guarantee of an interest rate saving. However, over half of mortgage holders say that they do not know about the legal costs involved in switching (57%) or the amount of money that might be saved by switching (52%), and over two-fifths (44%) said that switching would be too complex. Additionally, a significant minority of mortgage holders had concerns about approaching their mortgage lender about switching (27%), how negative equity would be dealt with (27%) and a general fear of not wanting to do anything that might jeopardise their home (27%) or their credit rating (22%).

Mortgage holders who considered switching were more likely to report that they might switch if there was a long-term guarantee of an interest rate saving (77%) compared to all mortgage holders (54%). The complexity of switching was a particular concern for those who considered switching but did not switch (50%) in comparison to those who had already switched mortgage lender (27%).

CCPC website

Figure 2.2.21. CCPC Website – Awareness, ever visited and use of mortgage comparison tool



Around one-third of mortgage holders (31%) claimed that they were aware of the CCPC consumer help website but just 11% had ever visited the website and only 6% of mortgage holders had used the CCPC’s mortgage comparison tool.

There were lower levels of awareness of the CCPC consumer help website (23%) and usage of the mortgage comparison tool (3%) amongst those who had switched.

3. **INDUSTRY SURVEYS**

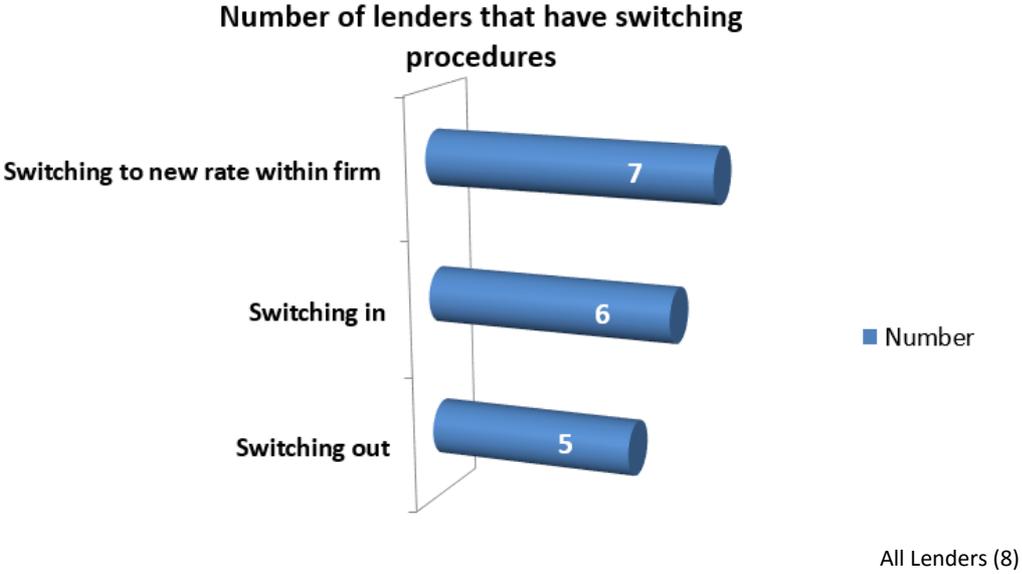
Lenders

A survey was issued to all eight mortgage lenders active in the Irish market, which was designed to provide an overview of the mortgage switching process from a lenders’ perspective, and specifically to identify:

- current procedures and time limits in place to complete a mortgage switch;
- number of steps in the internal mortgage switching process from mortgage application to drawdown of the mortgage;
- criteria for new customers switching in; and
- incentives to encourage mortgage switching.

The findings reveal that seven of the eight lenders had switching procedures for mortgage holders switching to new rates within that lender. Six lenders said that they have procedures for switching in and five lenders said they had switching procedures for switching out to another lender as outlined in Figure 3.1.

Figure 3.1. Mortgage switching procedures



Half of the lenders surveyed provide a single point of contact for the customer during the mortgage switching process i.e. switching in and out. In other lenders, customers are passed from one team to another depending on the stage of the switching process.

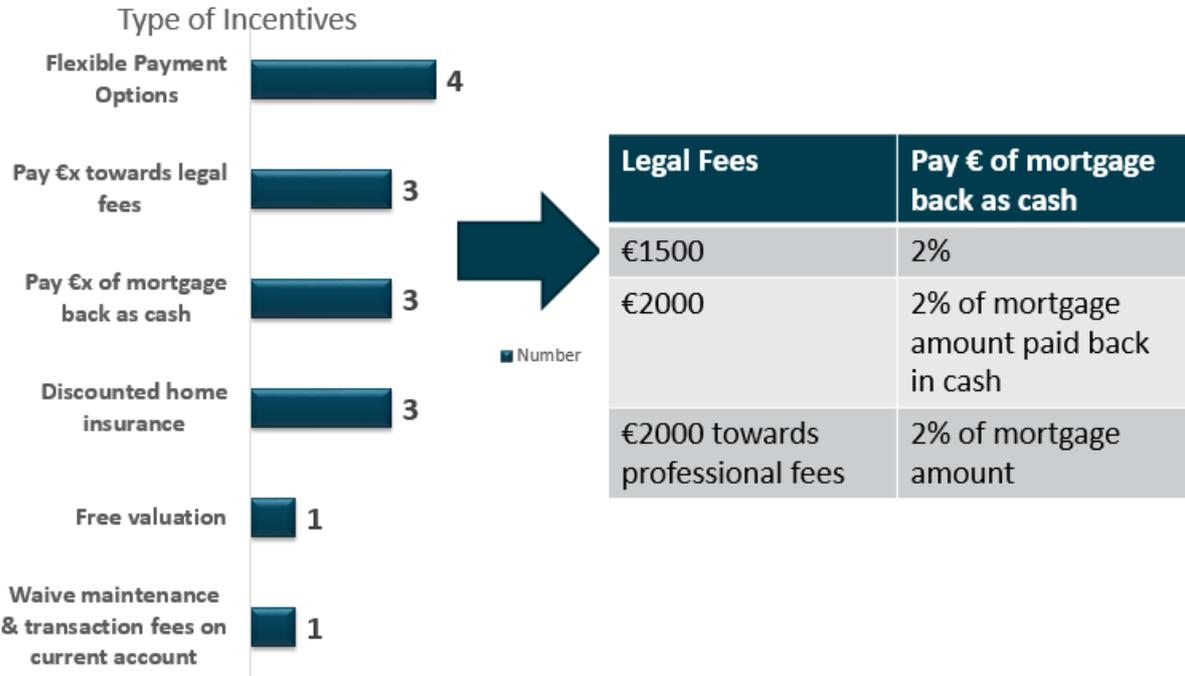
Six lenders said that they had time limits in place to complete a mortgage switch. For existing customers, time limits range from 2 days to 30 days. Longer time limits apply to new customers and these range from 6 days to 6 months for drawdown of the funds.

Some lenders had a more detailed switching process in place than others, covering steps from the initial contact with the lender to drawdown of the new mortgage while others had a less detailed process in place.

The criteria for new customers switching in varies between lenders as follows:

- The maximum age, at maturity of the mortgage, ranges between 65 years and 71 years;
- The maximum Loan to Value (LTV), for a switched mortgage, is between 75% and 90%, depending on loan size/property type and location;
- The maximum mortgage term ranges between 25 years and 35 years; and
- The minimum mortgage amount varies between €25,000 and €50,000.

Figure 3.2. Incentives to encourage mortgage switching



All lenders (8)

Flexible payment options are the main incentive provided by lenders to encourage mortgage customers to switch. Three lenders said that they provide payments towards legal fees, payment of a portion of the mortgage back as cash and discounted home insurance. All the incentives reported by lenders are set out in Figure 3.2. above.

Mortgage Intermediaries

11 mortgage intermediaries were surveyed in order to get their insight into the mortgage switching process, and specifically to identify:

- any impediments or delays in the mortgage switching process; and
- any amendments or improvements which could be made to improve the mortgage switching process.

Six of the eleven mortgage intermediaries reported that consumers see the level of paperwork required as onerous and off-putting. Five reported that the legal process⁷ was very slow and often the biggest hindrance in the switching process. Three reported that, in some instances, the underwriting process caused delays as some lenders treated customers as if they had never had a mortgage before while, in other cases, an existing mortgage lender can take up to 4 weeks to release title deeds. Two reported that a combination of all factors involved in the switching process caused it to be slow. All respondents highlighted other potential impediments, for example, some lenders being slow to process applications or grant Approval in Principle, LTV switching rules, the negative values of homes and issues assigning life cover/mortgage protection, as outlined in Figure 3.3. below.

Figure 3.3. Impediments and improvements identified by the mortgage intermediaries

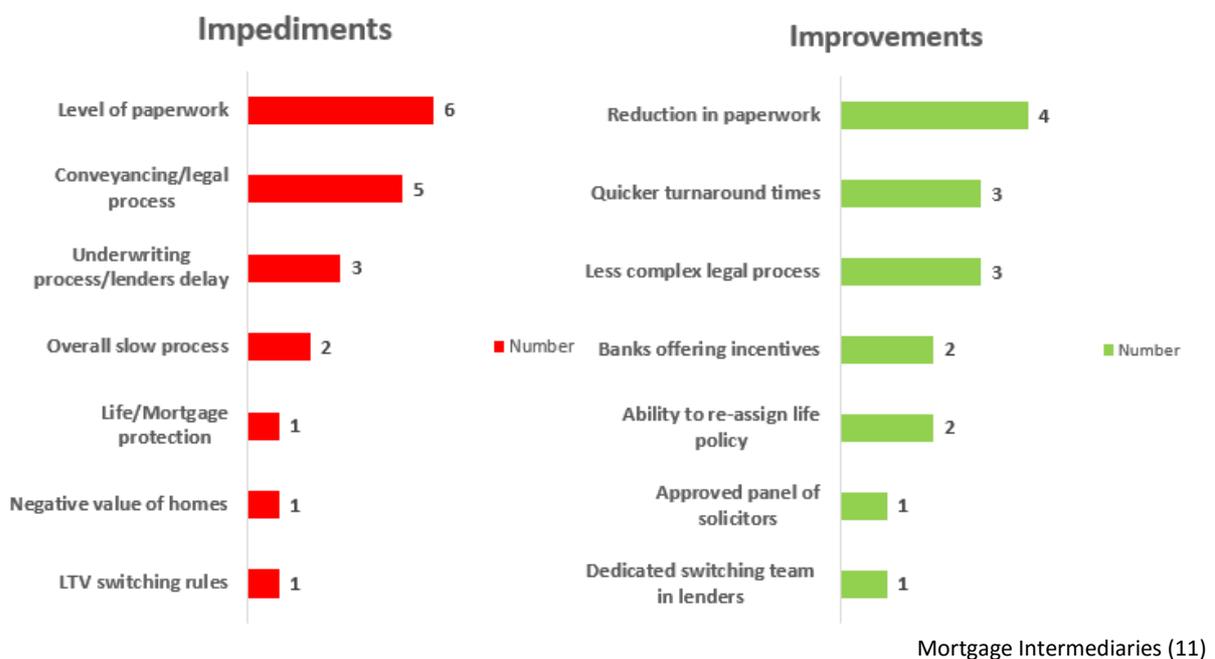


Figure 3.3. above also sets out potential improvements to the switching process put forward by mortgage intermediaries surveyed. Four of the eleven firms reported that a reduction in the level of paperwork might help. Three reported that a quicker turnaround time in the lenders is needed as lenders are slow to grant Approval in Principle or decline an application. Three also felt that the legal process needed to be simplified, in particular, releasing title deeds from the original lender to the solicitor would allow the solicitor to carry out the conveyancing in a more efficient manner. Two

⁷ This refers to the conveyancing element of the mortgage switching process

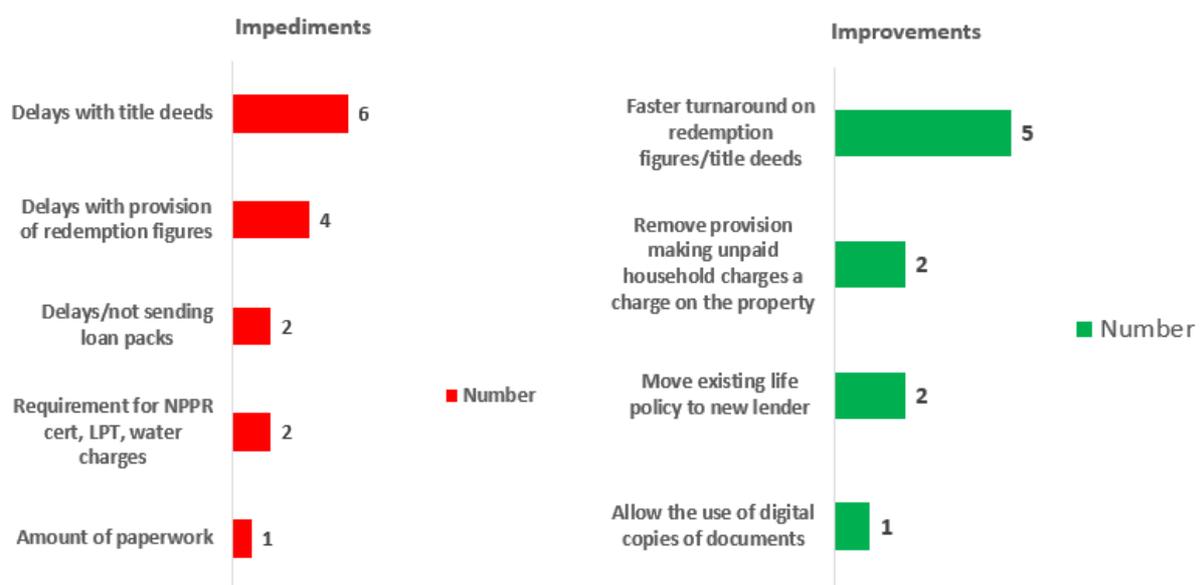
reported that more incentives by lenders may help, e.g. paying legal fees or offering x% cashback with two also suggesting that amendments to the rules around assigning the life policy would be an improvement. One suggested that the Law Society could approve a panel of solicitors to deal specifically with mortgage switching and that these solicitors could complete the conveyancing process at a reduced cost. One firm also suggested that lenders should have dedicated switcher teams whose sole function is to assess, underwrite and close applications within a set period of time.

Law firms

The Law Society facilitated responses to the mortgage switching survey from 9 law firms, through which the following impediments and proposed improvements were highlighted:

- Delays in receiving documentation from the lenders (such as title deeds, redemption figures and loan packs) were identified as an impediment while suggesting that faster turnaround times would be an improvement.
- Dealing with issues such as local property tax and the household charge were seen as an impediment and they suggested that removing the provision of making such unpaid issues a charge on a property, in the same way as was done for capital acquisitions tax, would be a significant enhancement.
- The ability to move the life policy from the original lender to the new lender would be an improvement.
- The level of paperwork was onerous and suggested that digital copies of documents (e.g. architect’s opinions on compliance, letters regarding financial contributions, declarations of identity) be accepted as outlined in Figure 3.4. below.

Figure 3.4. Impediments and improvements identified by law firms



Law Firms (9)



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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