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Deputy Michael McGrath
Constituency Office
Main Street
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29 August 2017

**Re: Tracker Mortgage Examination**

Dear Deputy McGrath

Thank you for your letter of 15 August regarding the tracker mortgage examination (the "**Examination**") and your queries regarding the progress of certain aspects of the Examination. Governor Lane has requested me to respond to your correspondence.

Before addressing your specific queries, I would like to reiterate that, as set out in our *Update Report on the Central Bank of Ireland's Examination of Tracker Mortgage-Related Issues* published in March 2017 (the "**March Update Report**"), the Examination is the largest, most complex and significant supervisory review that the Central Bank has undertaken to date in the context of its consumer protection mandate. The Examination continues to be a priority, with significant progress made to date.

A priority for the Central Bank is to ensure that all in-scope impacted customers are identified in the first instance, and that the lender moves immediately to stop any further harm, and this process is ongoing. As you will be aware, the Central Bank has set specific timelines for lenders to complete Phase 2 (the "**Review Phase**") of the Examination and in line with those timelines, we expect the vast majority of impacted customers to be identified by lenders by end September 2017. As the lenders' reviews are subject to assurance work by the Central Bank, it is possible that additional impacted accounts may be identified post this date. The Central Bank has and continues to challenge lenders through a combination of bilateral engagements and on-site assurance work to ensure that this Review Phase is completed as quickly and accurately as possible. Lenders are currently at varying stages of their reviews and we continue to challenge them to ensure that deadlines for completion are met.

Lenders must also develop a specific redress and compensation programme to address the detriment to impacted customers and submit it to the Central Bank for review prior to implementation. The Central Bank has and will continue to challenge lenders in respect of the development of these programmes to ensure that they address the detriment they have caused. Some lenders have already commenced redress and compensation programmes and these programmes, along with the Central Bank's assurance work, will continue beyond September 2017 for some lenders.

With regard to the other specific queries raised in your letter, I have set out responses below:

***Availability of Updated Figures and Status of Rate Rectification***
The Central Bank has committed to the publication of a further progress report in autumn 2017, which will include the most up-to-date figures available at that point. We will send you a copy of this update when published, which we expect to be in October.

In line with the Central Bank's expectations, lenders are completing rate rectification as impacted customers are identified. Rate rectification is running concurrently with Phase 2, with interest rates having been rectified on more than 95% of the identified accounts that require rate rectification, to date, with the remaining accounts being progressed. In the majority of cases a two-step process will apply, i.e. rate rectification followed by redress and compensation. However, rate rectification may not be possible in some cases, for example where the mortgage has been redeemed or closed, as there is no open account with the lender. In these cases, customers will be contacted in respect of redress and compensation.

***Redress and Compensation Programmes***
In relation to your question regarding enforcement action and penalties against particular lenders for not putting in place an adequate tracker mortgage redress and compensation process, as set out in the March Update Report, the Central Bank does not have the statutory power to compel lenders to implement redress and compensation programmes in respect of failures that occurred prior to the introduction of the Central Bank (Supervision and Enforcement) Act 2013 (the "2013 Act"). We have clearly articulated our expectations of lenders to provide appropriate redress and compensation to all impacted customers in line with prescribed Principles for Redress developed by the Central Bank. Each lender is responsible for designing and executing their individual redress and compensation programmes in line with these Principles. The timeframes for progression of the redress and compensation programmes vary from lender to lender, however, the Central Bank remains focussed on challenging lenders to ensure that they are progressing redress and compensation and that impacted customers are treated fairly.

Lenders have, or are in the process of establishing independent appeals processes to deal with customers who are dissatisfied with any aspect of the redress and compensation offers that they receive from lenders. Where customers are not satisfied with the offer of redress and compensation from their lender, they are entitled to take that initial offer upfront, in line with the Principles for Redress. Taking the lender's offer upfront does not preclude the customer from subsequently making an appeal to the lender in relation to the offer. This initial offer cannot be reduced by virtue of a customer lodging an appeal. Lenders are required to make this important protection known to customers when communicating with them regarding redress and compensation.

In addition, the impacted customers have the option of bringing complaints to the Financial Services Ombudsman (FSO) or initiating court proceedings. In accordance with the Principles for Redress, the Central Bank also expects lenders not to raise any time limit defences, such as defences based on the Statute of Limitations, which might otherwise apply in circumstances where impacted customers make complaints to the FSO or initiate proceedings before courts.

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The Central Bank will take appropriate supervisory action, up to and including enforcement action where there is evidence of non-compliance with regulatory requirements. To date the Central Bank has concluded an enforcement investigation in respect of tracker mortgage failures identified at a regulated entity and imposed a monetary penalty of €4.5m, on that entity in respect of the failures. The Central Bank has also commenced two other tracker mortgage-related enforcement investigations.

The Central Bank is acutely conscious of the detriment caused to impacted customers and the urgency of progressing the Examination. While I appreciate that some impacted customers are frustrated that that they have not yet received redress, this is a large and complex body of work, which is necessarily taking time to complete in order to ensure that all impacted customers are identified and appropriately compensated for the detriment caused by lenders.

Yours sincerely

Bernard Sheridan

**Bernard Sheridan**
**Acting Deputy Governor (Financial Regulation)**