



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

**BY EMAIL AND BY POST**

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12 September 2019

**Re: Application of legal costs to mortgage accounts in arrears**

Dear Deputy McGrath

Thank you for your letter of 23 July 2019 in relation to the application of legal costs to mortgage accounts in arrears and the charging of interest on those legal costs. The Central Bank of Ireland (the Central Bank) had already identified this risk prior to receiving your letter and opened an investigation into the matter.

On foot of this ongoing investigation, the Central Bank has already intervened with relevant regulated entities and, while our analysis of the issue is continuing, a number of regulated entities have now amended their practices in this regard.

This investigation is now at an advanced stage, and on conclusion, we will communicate with industry setting out our expectations regarding the approach to be taken to ensure the best interests of consumers are protected. We will forward a copy of this industry letter to you once issued.

In the course of our investigation, we have been considering all relevant existing legislation, including the requirements of the Consumer Protection Code 2012 (CPC), the Code of Conduct on Mortgage Arrears 2013 (CCMA), the European Union



(Consumer Mortgage Credit Agreements) Regulations 2016 and the Consumer Credit Act 1995.

On your questions specifically, regulated entities can charge legal costs to consumers in mortgage arrears. It is primarily a contractual matter between the consumer and the regulated entity, set out in the terms and conditions of a mortgage, but such costs can be adjusted by a Court. Regarding your question on whether legal costs would follow the borrower in the instance of transfer of a loan, this is permitted as a matter of contract law.

It should be noted that in the event of a loan transfer, all regulatory protections available to the borrower, including those protections provided by the CPC and the CCMA, travel with the loan in all cases.

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I trust the above addresses the queries you have raised, and of course I am happy to discuss further.

Yours sincerely

A handwritten signature in black ink, reading "Derville Rowland".

**Derville Rowland**  
**Director General, Financial Conduct**