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Central Bank of Ireland

Eurosystem

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Mr Pearse Doherty TD  
Dáil Éireann  
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8 April 2020

Dear Deputy Doherty,

Thank you for your email dated 30 March 2020 in relation to measures taken by banks and other regulated financial services providers to respond to the financial impact on borrowers of the COVID-19 public health emergency.

The public health emergency has created significant economic disruption and is consequently a cause of significant stress for consumers, households and businesses. The Central Bank is focused on safeguarding stability and protecting consumers through this extraordinary time, seeking to ensure the financial system does not amplify the effects of the pandemic.

The Central Bank is not responding in isolation. In addition to our domestic action, we are also responding as part of the Eurosystem (which comprises the ECB and the National Central Banks of those countries that have adopted the euro), the Single Supervisory Mechanism (SSM), and the European System of Financial Supervision (encompassing the three European Supervisory Authorities (ESAs), the European Systemic Risk Board and national supervisors), as well through international authorities.

Payment breaks give borrowers affected by COVID-19 the opportunity to postpone or substantially reduce their repayments at a time of stress. It is clear that these payment breaks are necessary for many borrowers to enable them to deal with the immediate shock that they are experiencing. It is critically important that borrowers understand the implications of these contractual breaks. It is also important that these breaks are not automatically considered forbearance under the international accounting and European regulations, so that they do not become classified as non-performing loans.

The Central Bank continues to have extensive engagement with the Banking and Payments Federation of Ireland and the credit union representative bodies in relation to COVID-19, particularly in relation to payment breaks. This engagement is ongoing and includes consideration of the approach to dealing with those borrowers affected by COVID-19 beyond the first three months. The Central Bank expects lenders to clearly explain to their customers the implications of a payment break, for the term, payment schedule and costs of the loan. This includes clarity on how the term of the mortgage will extend, and/or whether the payment break will require increased monthly payments in the future once the break expires.



Across the European Union, there are considerable differences in the approaches to implementing payment moratoria. However, non-performing loans are classified according to a common set of rules. The Central Bank has engaged extensively with our colleagues across the EU (in the European Banking Authority and as part of the SSM) to ensure that the non-legislative moratoria being applied in Ireland avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, which we believe to be in the best interests of affected borrowers.

In this context, the recently published EBA Guidelines (see <https://eba.europa.eu/eba-publishes-guidelines-treatment-public-and-private-moratoria-light-covid-19-measures>) clarify that payment moratoria do not trigger classification as forbearance or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions.

In relation to your query about the Central Credit Register, the Register does not produce a credit score or a credit rating; it simply records the information that is submitted by lenders on a monthly basis. It is factual, impartial information.

The Central Bank has clarified to lenders that a payment break agreed between a lender and a borrower as a response to COVID-19 is not, in itself, an event that is reportable to the Central Credit Register. The Central Bank has further clarified that a payment break agreed between a lender and a borrower as a response to COVID-19 should **not** be reported as a “missed payment”. This guidance is intended to ensure that lenders provide consistent and accurate information to the Central Credit Register. Consistent with this guidance, these payment breaks should not be identified specifically on borrowers’ credit reports.

As always, if a borrower or a lender identifies information on a credit report that is inaccurate, incomplete or not up to date, the Central Credit Register will process amendments to that credit report, if requested to do so.

Separately, borrowers may also wish to check with their lender to see if they submit information on loans to any other credit bureaux, which may produce credit ratings or credit scores. Please note that only the Central Credit Register is within the remit of the Central Bank and private credit bureaux are not.

The Central Bank has launched a dedicated COVID-19 online hub (see [https://www.centralbank.ie/consumer-hub/covid-19?utm\\_medium=website&utm\\_source=CBI-homepage&utm\\_campaign=covid-19-hub&utm\\_content=43924](https://www.centralbank.ie/consumer-hub/covid-19?utm_medium=website&utm_source=CBI-homepage&utm_campaign=covid-19-hub&utm_content=43924)) with information for consumers, businesses and firms. We plan to update the hub to reflect the rapidly evolving European and domestic response required to safeguard stability and protect consumers. We hope you, and your constituents, will find it useful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Alan Dwyer".