

Group Briefing

July 2018

Making mortgage switching easier: Central Bank publishes new requirements for lenders

KEY CONTACTS



ORLA O'CONNOR
PARTNER, FINANCE

+353 1 920 1181
orla.oconnor@arthurcox.com



ROBERT CAIN
PARTNER, FINANCIAL REGULATION

+353 1 920 1050
robert.cain@arthurcox.com



MAEDHBH CLANCY
OF COUNSEL, FINANCE

+353 1 920 1225
maedhbh.clancy@arthurcox.com

The Central Bank has announced the publication of an Addendum to the Consumer Protection Code setting out new requirements for regulated entities that are designed to make mortgage switching easier for personal consumers.

The changes will apply to regulated entities from 1 January 2019, and follow the Central Bank's August 2017 Consultation on Mortgage Switching. Our briefing on that consultation is here.

FIXED INTEREST RATE MORTGAGES

A lender must tell a personal consumer, **60 days** before the fixed interest rate period expires, that it is going to expire and what the new interest rate will be. *The Central Bank had originally proposed a 30 day notification period, but subsequently decided to extend this to 60 days following the consultation.*

If the new interest rate will not be a tracker rate, the lender must give the personal consumer information about the other interest rates available. It must also give the personal consumer a link to the section of the website of the Competition and Consumer Protection Commission (CCPC) dealing with switching lenders or changing mortgage type.

VARIABLE INTEREST RATE MORTGAGES BASED ON LOAN-TO-VALUE (LTV) RATIOS

Where a personal consumer has a variable interest rate mortgage, and that mortgage is based on an LTV ratio, the lender must notify the personal consumer (as part of the personal consumer's annual statement) whether he/she can move LTV interest rate bands. This annual notification is subject to the provision, by the personal consumer, of an up-to-date valuation, and to the personal consumer meeting any other requirements that may apply to movement between LTV bands.

If the personal consumer is allowed to move between LTV bands, the lender must invite the personal consumer to contact it to discuss this further.

.....
This document contains a general summary of developments and is not a complete or definitive statement of the law. Specific legal advice should be obtained where appropriate.

If the personal consumer is not allowed to move between LTV bands, the lender must tell the personal consumer that lower LTV-based interest rates may be available from other lenders.

INCENTIVES

A lender must notify a personal consumer, before the personal consumer avails of a mortgage from that lender, of the potential impact of any associated incentive on the cost of the personal consumer's mortgage. Under the Consumer Protection Code, existing mortgage holders already benefit from transparency requirements regarding incentives. This change widens those protections to cover both new and switching mortgage holders.

Examples of such incentives are cash advances for the personal consumer's legal and other professional fees, or offers of a percentage of the mortgage back as cash.

The lender must also give the personal consumer any other key information that the personal consumer should have when considering such an incentive.

INDICATIVE COMPARISONS

To help personal consumers compare their mortgage to different mortgages, all lenders must provide (on request) an indicative comparison of the total interest payable on a personal consumer's existing mortgage and the interest that would be payable on a new mortgage offered by that same lender, or as a result of the alternative interest rate offered by that same lender.

STANDARD INFORMATION

Each lender must provide standard information on the mortgage switching process on its website, and must provide

paper copies of this information on request. That standard information must include, at a minimum, the following:

- » the lender's mortgage switching guide, including details of the lender's switching process, an explanation of the legal process involved and how the lender will engage with the personal consumer or its solicitors, and the lender's requirements in respect of insurance;
- » application forms;
- » information on timelines that apply to the assessment of mortgage applications;
- » the information that the personal consumer will need to provide;
- » confirmation that the lender will provide, on request, an indicative comparison of the personal consumer's existing mortgage interest rate against alternative interest rates offered by the same lender; and
- » a link to the relevant section of the CCPC's website dealing with switching lenders or changing mortgage type.

The proposal in the consultation that the lender confirm, as part of this standard information, whether a refusal of an application would negatively impact the personal consumer's credit rating, has been removed to avoid causing confusion.

TIME-FRAMES: ORIGINAL LENDER

The original lender will be required to give redemption figures to the personal consumer or their legal representative within **5 business days** of a request being made. *The proposal in the consultation paper was 3 business days, but*

the Central Bank decided to extend this to 5 business days following responses received to the consultation.

TIME-FRAMES: NEW LENDER

The new lender will be required to keep the personal consumer updated throughout the switching process as follows (*these requirements are broadly similar to those proposed in the consultation, with some minor variations*):

- » Acknowledge receipt of a completed application within **3 business days**.
- » If an application is incomplete, acknowledge receipt within **3 business days**, setting out what additional documents or items are necessary.
- » Tell the personal consumer of its decision within **10 business days** of receiving all documents and information required (if it will be unable to make a decision within that period, it must give the personal consumer an expected timeframe for a decision).
- » If the application is approved, tell the personal consumer what documents it needs to complete the drawdown process.

SWITCHING POINT OF CONTACT

Both existing lenders and new lenders will need to have clear points of contact for personal consumers who are considering switching their mortgage, or otherwise have mortgage-related queries.

arthurcox.com

Dublin

+353 1 920 1000
dublin@arthurcox.com

Belfast

+44 28 9023 0007
belfast@arthurcox.com

London

+44 207 832 0200
london@arthurcox.com

New York

+1 212 782 3294
newyork@arthurcox.com

Silicon Valley

+1 650 943 2330
siliconvalley@arthurcox.com