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Mr Brendan Burgess
Chairman
Financial Services Consultative Consumer Panel
21 Northumberland Road
Dublin 4

8 June 2007

Our Ref: 07/7890

Dear Brendan,

Thank you for your response to Mr Neary's letter of 13 April on the subject of changes in the housing and mortgage markets which has been passed to me for reply.

In relation to your specific queries at numbers 1) to 5) regarding the 'survey of industry practices' that we carried out in 2006, this review was focused specifically on the provision by a number of regulated credit institutions of residential mortgage loans to customers. It was a preliminary review to assist us in gaining a better understanding of the workings of this sector of the lending industry, to enable us to focus on possible 'themes' for future inspections. The information gathered during the review would not enable us to address the specific queries in your letter of 20 April 2007. However, your questions and previous suggestions will be considered in the context of possible future themed inspections (No. 10 in your letter refers).

With regard to your query at No. 6), you will be aware that the Consumer Protection Code, including the requirement to have in place procedures for handling of arrears cases, will come into full effect on 1 July. In addition, as I am sure you will acknowledge there is a connection, in terms of prudential issues, between the proper management of bad debts, the reasonable enforcement of lending contracts (via the collection of arrears) and the requirement to treat consumers fairly.

We use information from a number of sources, including the FSO, to focus our inspections in order to monitor compliance with the provisions in the Code. The FSO has power under the legislation that established his office, to make recommendations to the Financial Regulator to deal with persistent patterns of complaints, to improve the way in which providers deal with complaints and to deal with any other matter relating to promoting the interests of consumers of financial services (S.57CQ(2) of the CBFSAI Act 2004).



With regard to the suggestions at Nos. 7) and 8) while we do not have immediate plans for a specific booklet in relation to mortgage arrears, our current “guide to personal loans and credit” does have information for consumers on what to do if they find themselves in difficulties with debt (see page 29). Our “mortgages made easy” guide and our “managing your money” booklet have information to assist consumers when they are considering how much they can afford to borrow. We continue to keep this area under review, particularly in the context of the redevelopment of our consumer website. In addition, we refer consumers who are having difficulties with managing their debts to MABS.

Regarding item 9, Table A2.2 (Private Sector Credit to Irish Residents) in the CBFSAI monthly statistics includes information on residential mortgages. While this includes data from licensed credit institutions and institutions operating in Ireland on a branch basis it does not include statistics in respect of lenders we do not regulate such as non-deposit taking lenders. As we do not regulate these firms we do not have information/statistics in respect of their mortgage business. In addition, where credit institutions operate here on a cross-border or branch basis, prudential supervision, and any associated financial reporting by these firms, is the responsibility of the home regulator.

As mentioned in our letter of 13 April, as part of our prudential supervision of banks, we already obtain general information on asset quality and ‘non-performing’ assets in relation to residential mortgages, other mortgages and other credit. We also have indicative figures from certain credit institutions on the number of home loans outstanding. However, these figures do not represent the totality of the market given the caveats above regarding non-deposit taking lenders and cross-border business. For these reasons, it would not be possible to compile the type of data you suggest in a comprehensive manner.

Finally, in relation to item 10, see my comments above in relation to themed inspections. On the issue of information for consumers in relation to sub-prime lending, we are considering how best to produce such information. As you aware, the regulatory structures in relation to sub-prime lending are complex and we wish to ensure that the information we produce is clear and appropriate for consumers of these products.

Yours sincerely

Sharon Donnery,
Head of Consumer Information.