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19 February 2009

I wish to advise that the Financial Regulator is introducing a Code of Conduct on Mortgage Arrears (the Code). This new Code will come into effect on 27 February 2009. The Code is being imposed under Section 117 of The Central Bank Act, 1989. Contraventions of the Code may be subject to the imposition of administrative sanctions. The requirements of the Consumer Protection Code, including those on mortgage arrears, will continue to apply.

The Code builds on the provisions of the Irish Banking Federation's (IBF) voluntary Code of Practice on Mortgage Arrears to which all members of the IBF subscribe. This new Code will apply to all mortgage lenders, not just banks. Apart from the statutory nature of the Code, the most significant variation from the IBF's Code requires that mortgage lenders may only apply to the courts to commence enforcement of legal action for repossession six months from the time arrears first arise. A lender may not seek repossession until every reasonable effort has been made to agree an alternative repayment schedule with the borrower.

However, the six-month requirement does not apply where the borrower is deliberately not engaging with the lender. The Financial Regulator is of the view that lenders should only seek repossession is less than six months in very exceptional circumstances and when all reasonable attempts to encourage engagement by the borrower have failed. We expect firms to take immediate steps towards implementing the necessary changes to systems, procedures and Documents and providing relevant staff training. In the initial two-month period following implementation, we will be particularly cognisant of issues relating to systems development or other technical difficulties and staff training in monitoring compliance.

A copy of the Code is attached and it will also be available on the Financial Regulator's website at www.financialregulator.ie.



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Yours sincerely

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