

Brokers Ireland submission on Enhanced Mortgage Measures: Transparency & Switching Consultation Paper CP112

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This submission outlines the views of Brokers Ireland in relation to Enhanced Mortgage Measures: Transparency and Switching, Consultation Paper CP112.

Brokers Ireland's is the leading representative body representing over 90% of full time professional brokers in the Irish market. Brokers Ireland welcome a number of the proposals contained in the consultation paper and believe that it is a step in the right direction for consumers. The proposals focus on the interactions between the lender and the consumer, however, we feel it is important to acknowledge the role of the mortgage broker. The mortgage broker plays a pivotal role in providing advice on a wide range of lenders and can therefore compare all offers/ long term projections of total amount repayable etc. They can liaise between the lender and the consumer and explain terms and conditions on a one to one basis with the consumer which helps to make the process of switching much less daunting for the consumer.

Mortgage Brokers can also advice on associated products such as life assurance/home insurance which means the consumer can access the most suitable, cost effective policy rather than policies sold directly by the lender.

Unfortunately, over the past two years we have seen a significant decrease in the number of mortgage intermediaries due to the introduction of a revised authorisation process in March 2016. This process acts as a significant barrier to entry and continuation in the market. Under the Consumer Credit Act 1995 "CCA" intermediaries are required to renew their authorisations either on a 5/10 year basis, which means that mortgage intermediaries are required to go through the full Central Bank authorisation process to continue to provide the services they were providing.

The authorisation application form and process was revised in March 2016 and our member feedback indicates that many mortgage intermediaries are choosing not to renew their mortgage authorisations given the onerous process for re-authorisation. The application form involves the completion of a 40 page application form and supplementary documents such as Business Plan and Programme of Operations which can total up to another 40 pages, along with detailed accountancy submissions. This is in contrast to other European countries, for example in Germany, the application form is 7 pages. Such is the volume of information requested and the detail required that compliance consultants are charging up to €7000 in order to assist applicants through the process. The Central Bank timeline for re-authorisation is 90 working days, however feedback from members indicate that it is taking approximately 4-6 months.

We believe that the current authorisation process should be proportionate to the applicant entities. We believe a 'one size fits all' approach that neither takes into account of the size nature and complexity of the entities applying nor the business they are transacting, is causing major delays, presenting a barrier to business and preventing members continuing to make a reasonable living whilst not providing any added protection for consumers.

It is disappointing that there is no consideration for existing mortgage entities that already hold authorisations, make annual returns and that no account is taken of their previous regulatory track record. The detrimental effect of a disproportionate application form is evident in the Debt Management sector. Many intermediaries provided these services in tandem with their mortgage services, however since the introduction of the authorisation process in 2013 only 52 firms sought.

Brokers Ireland welcome the recent revision to the process whereby, going forward where an authorisation is granted under the CCA/CMCAR, the authorisation will be granted for an indefinite duration (i.e. an evergreen authorisation).

The significant decline in mortgage intermediary numbers is worrying, as it means that consumers are forced to go directly to lenders and thereby removes the facility for advice and choice for the client.

Outlined below are responses to the individual questions posed in the consultation paper:

Question 1 Do you have any views on the proposals to enhance the transparency measures for fixed interest rates and for variable interest rates based on LTV? Please explain your answer.

Brokers Ireland believes that in relation to notice of expiry of fixed interest rate mortgage terms, 90 days' notice would be more appropriate than 30 days as it allows consumers adequate time to research/switch before the fixed rate expires.

We believe that lender information in relation to how "break costs" are calculated for fixed rates should be more clear and concise for the consumer. Feedback from members indicate that consumer find current formats complicated and only serve to confuse the client and frighten them into remaining with the lender.

In relation to variable interest rates, we believe that lenders should be obliged to give the current best LTV Variable Rate available on provision of an up to date valuation report rather than lenders been required to "invite" customers to engage. We also believe that lenders should be required to show the benefit in terms of monthly repayment AND interest saved by the cheaper interest rate over the remaining term.

Lost borrowers – We believe that every lender should have a policy to deal with clients who have a mortgage with a 'ghost' lender such as Capita for example where they administer Danske loans. They will continue to administer these mortgages but cannot provide fresh terms and we have a lost generation stuck in such scenarios. Lenders don't have a definitive 'no' policy in writing but feedback from members indicate that some lenders have indicated that any client in a 'restructured arrangement' will not be considered for financing. We acknowledge that certain parameters would need to apply such as a clean credit profile/acceptable loan to value but we feel there must be a policy to offer a facility and where declined then a clear explanation of why it was declined must be provided so it is then transparent for the consumer.

Question 2 Do you have any views on the proposal to extend the existing Code protection on incentives linked to mortgages for existing mortgage holders to all mortgage holders i.e. for new, existing and switching mortgages? Please explain your answer.

We agree that the existing code protection on incentives should be extended to all mortgage holders.

Question 3 What are your views on the impact of lenders offering incentives linked to mortgages to consumers, whether in terms of risks or benefits to consumers? Please explain your answer(s).

Brokers Ireland agrees that the benefits and costs of the incentive should be explained clearly to consumers. We believe incentives promotes competition which is to the benefit of consumers. We believe that warnings should be included in all advertisements/communications with consumers outlining what are the conditions and restrictions of the incentives and whether the cost of the incentive is incorporated in the cost of credit.

Currently, some providers provide offers such as upfront cashback or payment of legal fees. We feel it is very important that consumers are not swayed by these incentives without understanding the true cost of these offers which are incorporated in the cost of credit.

Question 4 Do you have any views on the proposal to introduce a transparency measure on potential mortgage switching savings? Please explain your answer.

We believe that these transparency measures would be beneficial to consumers.

Question 5 Do you have any views on the proposal to require lenders to provide a suite of standardised switching information to consumers?

A key of frustration for consumers who are switching is in relation to the legal process – The legal profession need to comply with the timeframes which are set down in order to ensure that lenders can meet the required timeframes for processing switchers.

There should be a '30 day' guide to the process breaking down:

1. Application received – initial decision/AIP within 3 days.
2. Loan offer information required – explain the next step and number of days (5/7) to get to letter of loan offer issued. (valuation for example)
3. At point 1 client is requested to contact solicitor and have title deeds taken up on accountable trust receipt. Review life cover and insurances with bank/advisor.
4. By week 3 loan offer has issued – solicitor has deeds and then it is just down to return of same and life cover to close of the remortgage.

Brokers Ireland feel that lenders need to review process for releasing title deeds in a more time efficient manner.

Question 6 Do you have any views on the proposed standardised information for consumers or what other information should be provided? Do you have any views on whether lenders should be required to provide this standardised information in a specific format, for example, digitally? Please explain your answer.

We believe that the requirement for original documents to be sent to the lender causes unnecessary delay, it should be permissible that the lender can accept certified copies (for example valuation reports) by the Broker which verify the accuracy of the document.

Question 7. Do you have any views on the proposal to introduce a three business day timeline for the provision of redemption figures? Please explain your answer.

No comment.

Question 8. Do you have any views on the proposals to introduce a time-bound switching process, and in particular, on proposed specific timelines for:

a) acknowledgement within three business days of receipt of each item/documents required to complete the mortgage application;

We believe that the format for communication with the client should be as broad as possible, and should not be restricted to letter. Email/text acknowledgement should be permissible provided the consumer has given consent for communication in that manner.

We feel that where certified copies of certain documentation were acceptable rather than original documentation as currently required, this would speed up processing times.

b) acknowledgement within three business days of receipt of completed mortgage application;

Please see comments above.

c) decision within 10 business days following receipt of all required information for assessment of mortgage application? Please provide reasons for your answer(s).

We feel that a 10 business day timeframe for a decision is excessive, switcher applications should not be treated as a new mortgage application. Consumers have a credit history, normally are reducing debt so have repayment capacity and LTV is established. If there is a dedicated remortgage credit team as per question 9, timeframes for processing these applications should improve.

Question 9 Do you have any views on the proposal to require lenders to establish a switching point of contact/switching team? Please explain your answer. What are your views, if any, on whether the format for the switching point of contact should be prescribed, for example, a digital contact point or hub in addition to a person?

Brokers Ireland believe that a remortgage credit and remortgage support team and supervising manager/team leaders needs to be established. Service level agreements with brokers/clients needs to be made clear and communicated at the outset.

