Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Appropriate and Sustainable Alternative Repayment Arrangements

Code of Conduct on Mortgage Arrears 2013

July 2025

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Introduction

This section provides background to the Central Bank's development of criteria which it considers necessary for an alternative repayment arrangement (ARA) to fulfil in order to be appropriate and sustainable for a borrower's individual circumstances for the purposes of the CCMA. The purpose and scope of this document are also set out.

1. Background

The protection of mortgage loan borrowers, including those in arrears, is a key priority of the Central Bank of Ireland (Central Bank). The Central Bank has introduced, advocated for and strengthened its consumer protection framework since the introduction of the Code of Conduct on Mortgage Arrears (CCMA) in 2009. We have continuously challenged regulated entities to do more to support borrowers experiencing financial difficulty, and in particular those in long-term mortgage arrears. When the framework is properly applied, it works well to support borrowers.

The CCMA is a statutory code put in place to ensure that regulated entities have fair and transparent processes for dealing with borrowers in or facing mortgage arrears on a primary residence. All cases must be handled sympathetically and positively by the regulated entity, with the objective at all times of assisting borrowers with meeting their mortgage obligations. The CCMA sets out the Mortgage Arrears Resolution Process (MARP), a four step process that regulated entities must follow for handling specified cases. The MARP regulates communicating with a borrower, obtaining the borrower's financial information, assessing the borrower's individual circumstances, and reaching resolution.

Alternative repayment arrangements (ARAs) have and continue to be a core tool for resolving mortgage arrears cases. The Central Bank has engaged extensively with regulated entities to encourage consideration of a wide range of possible ARAs, as well as to develop

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more innovative options for ARAs, particularly in the context of the cohort of borrowers in longer term mortgage arrears.

Within the CCMA, there are a number of provisions that refer to ARAs that are appropriate and sustainable for the borrower's individual circumstances.[1] Since the introduction of the CCMA, the Central Bank has engaged with regulated entities on the criteria it considers necessary for an ARA to fulfil in order to be appropriate and sustainable for a borrower's individual circumstances and which will lead to resolution of the mortgage over time.

2. Purpose

This purpose of this document is to articulate the Central Bank's expectations as to what criteria an ARA should fulfil in order to be considered appropriate and sustainable for a borrower's individual circumstances for the purposes of the CCMA.[2] This reflects the Central Bank's long-standing engagement with regulated entities in relation to the application of appropriate and sustainable resolutions for mortgage arrears in practice.

It is recognised that there can be different stages in the journey for a mortgage borrower experiencing financial difficulties, for example, a borrower may be in pre-arrears, early arrears, or in long-term arrears.[3] The over-arching aim of regulated entities should be for all borrowers who require support to resolve financial difficulty to be on an ARA that is appropriate and sustainable and will resolve the mortgage arrears over the long-term. For some borrowers, a short-term ARA for a limited period of time will be an appropriate and sustainable solution and this document sets out specific expectations in this regard.

The Central Bank expects that regulated entities will incorporate the criteria for an ARA to be considered appropriate and sustainable into their policies, procedures and processes in place for the purposes of complying with the CCMA.

[1] Provisions 40, 42, 46 (the latter of which refers to the Central Bank's "policy on sustainability", which should now be taken as referring to this document)
[2] In advance of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Consumer Protection) Regulations 2025 coming into force on 24 March 2026, this document will be updated as appropriate to reflect the amended legislative references.
[3] "Pre-arrears" is as defined in the CCMA. "Early arrears" is defined as arrears of less than 90 days past due. "Long term arrears" is defined as arrears of more than one year past due.

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3. Scope

The criteria for an ARA to be considered appropriate and sustainable, as set out in this document, applies in respect of regulated entities and activities in scope of the CCMA. All terms used therein have the same meaning as those in the CCMA.

The criteria and associated expectations apply to the assessment of a borrower's case in accordance with the CCMA, including assessments undertaken when an existing ARA is being reviewed or expires. They apply in respect of all ARAs offered to or put in place for borrowers who are in scope of the CCMA, with the exception of temporary ARAs that are offered to or put in place for borrowers for a limited period of time, prior to completing the full assessment of the borrower's standard financial statement, in accordance with Provision 38 of the CCMA.

From 27th January 2025 this document replaces all previous guidance issued by the Central Bank relating to appropriate and sustainable ARAs.[4]

[4] Such guidance includes the 2013 "Internal Guideline – Sustainable Mortgage Arrears Solutions" and the 2020 "Guidance on Appropriate and Sustainable Alternative Repayment Arrangements".

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Overarching Criteria

This section outlines the overarching criteria an ARA must fulfil in order to be considered appropriate and sustainable for a borrower's individual circumstances for the purposes of the CCMA.

For an ARA to be considered appropriate and sustainable for the borrower, all of the following should apply:

a) The ARA makes provision for affordable repayments, allowing for the borrower's reasonable (including current and future) expenses;
b) The ARA enables full repayment of the outstanding principal sum or an agreed revised principal sum;
c) The ARA takes account of the borrower's individual circumstances;
d) The ARA is based on realistic assumptions about the borrower's future servicing capacity;
e) The ARA is clear and unambiguous as to its full implications for the borrower over the life of the mortgage; and
f) The ARA is subject to agreement by both the regulated entity and the borrower before it can be put in place.

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Additional Considerations

This section sets out further considerations and expectations for regulated entities to take into account in implementing the overarching criteria for an ARA to be considered appropriate and sustainable for a borrower's individual circumstances.

1. Servicing Capacity

An appropriate and sustainable ARA must be based on the borrower's individual circumstances and take appropriate account of both current and future expenses, in order to provide for long-term servicing capacity. Any assumptions made in relation to the borrower's servicing capacity must be credible and conservative. The ARA should allow for the borrower's reasonable (including current and future) expenses, and repayments required by the ARA should not constitute a disproportionately high proportion of the borrower's net disposable income.

2. Full Repayment

Where an ARA will not result in full repayment of the outstanding principal sum or an agreed revised principal sum on or by maturity, the ARA must include a clear, realistic and achievable plan as to how the outstanding mortgage balance will be fully repaid in order to be considered appropriate and sustainable. Such a plan should specify how full repayment will be achieved on or by maturity, for example, through regular lump sum payments over the remaining term; reducing the outstanding principal sum owed; and/or disposal of the asset. Regardless of the method chosen for repayment, it must be clearly set out to the borrower and mutually and formally agreed.

The agreement of any such plan as part of an ARA at a point in time is not intended to prevent future modification of that plan in agreement with the borrower, for example where the borrower's circumstances may have changed.

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3. Short-term ARAs

For the purposes of this document, a short-term ARA should be understood as an ARA that is designed to have a term of approximately one year or less.

The borrower's individual circumstances are a key consideration to be taken into account when assessing whether an ARA is appropriate and sustainable, including the nature and extent of the financial difficulties that the borrower is experiencing. For example, for those borrowers in pre-arrears or early arrears, a short-term ARA can be appropriate and sustainable to deal with a short-term challenge. For such a short-term ARA to be considered appropriate and sustainable in accordance with the overarching criteria set out in this document, the regulated entity should be able to clearly demonstrate that there is a reasonable expectation that the borrower is likely to achieve full repayment of the outstanding principal sum or revised principal sum over time.

The Central Bank has previously articulated its expectations around the excessive use of such short-term ARAs.[5] While the use of short-term ARAs can put a borrower on a pathway to full repayment, excessive use of such ARAs and non-recognition of distress allows problems to build up such that it becomes more difficult for appropriate and sustainable solutions to be implemented. A regulated entity must therefore ensure that short-term ARAs are not over utilised and are only used where it is in the borrower's longer term interest and where the ARA meets the criteria of being appropriate and sustainable as set out in this document.

4. Existing ARAs

Provision 43 of the CCMA requires a regulated entity to review an ARA at intervals that are appropriate to the type and duration of the arrangement. As part of the review, the regulated entity must check with the borrower whether there has been any change in his or her circumstances in the period since the ARA was put in place, or since the last review was conducted. Where there has been a change in that borrower's circumstances, the regulated entity must request an updated Standard Financial Statement (SFS) from the borrower and

[5] Dear CEO letter - Expectations for lenders in supporting borrowers affected by the COVID-19 Pandemic (November 2020)

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consider the appropriateness of that ARA for the borrower. As part of any such assessment, the regulated entity should incorporate the criteria and expectations set out in this document to ensure that any ARA put in place for the borrower is appropriate and sustainable.

Where the borrower advises that no change in circumstances has occurred as part of the review, but the ARA currently in place will not lead to full repayment of the outstanding mortgage on or by maturity, the Central Bank expects that the regulated entity will make reasonable efforts to engage with the borrower as part of the aforementioned review, with the aim of putting a clear, realistic and achievable plan in place as to how the outstanding mortgage will be fully repaid on or by maturity.[6]

5. Engagement

Early and effective engagement with borrowers is key to supporting the resolution of arrears cases and Provision 10 of the CCMA requires that a regulated entity must pro-actively encourage borrowers to engage with it about financial difficulties which may prevent the borrower from meeting his/her mortgage repayments. A regulated entity should therefore make every effort to encourage borrowers to engage, in order to allow for appropriate and sustainable ARAs to be put in place where necessary.

6. No Appropriate and Sustainable ARA option

In the first instance, Provision 39 of the CCMA requires that in order to determine which ARA options are viable for each particular case, a regulated entity must explore all of the options for ARAs offered by that regulated entity. The Central Bank continues to expect that regulated entities challenge their traditional solutions for resolving mortgage arrears and to consider innovative long-term ARA options that are appropriate and sustainable for a borrower's individual circumstances.

Where no appropriate and sustainable ARA can be identified for a borrower, the regulated entity should support the borrower through proactive, meaningful and innovative engagement with other options which allow the borrower to remain in their home, including

[6] For the avoidance of doubt, if the borrower does not respond to the regulated entity's efforts to engage in this specific and limited context, the borrower should not be classed as not co-operating.

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processes such as Personal Insolvency Arrangements and other social supports such as the Mortgage-to-Rent scheme. In some cases, legal proceedings may represent the only realistic resolution option, and Provisions 56 and 57 of the CCMA set out the conditions under which a regulated entity may commence legal proceedings for repossession of a borrower's primary residence where the borrower is in mortgage arrears. This includes the condition that the regulated entity has made every reasonable effort under the CCMA to agree an ARA with the borrower or his or her nominated representative.

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