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[CEO]

[Regulated Entity]

11 November 2020

RE: Expectations of mortgage lenders in relation to changes to the mortgage application process

Dear [CEO]

As a result of, and in response to, the uncertainty arising from the COVID-19 pandemic, the Central Bank of Ireland (the Central Bank) is aware, through its supervisory work, that mortgage lenders have implemented changes to their mortgage application processes. Some of these changes have resulted in additional credit checks prior to the drawdown of mortgages, to ensure that there has been no material change to the customer's financial circumstances, and that the customer remains likely to be able to meet his/her obligations under the credit agreement¹. However, some mortgage lenders have not sufficiently considered the impact of these changes on customers in the mortgage application process and have not managed communications with these customers in a proactive and consumer-centric way.

The Central Bank is taking this opportunity to set out its expectations of mortgage lenders in the context of General Principle 2.6 of the Consumer Protection Code 2012². The Central Bank expects mortgage lenders to clearly communicate with customers at all stages of the mortgage application process, including those customers who have already received loan offers. Mortgage lenders must make clear to customers that where there has been any material change to the customer's circumstances prior to the drawdown of funds³, the loan offer may subsequently be withdrawn, paused or varied. At a minimum, this communication must be included in the loan offer letter.

¹ Regulation 19 (5) of the European Union (Consumer Mortgage Credit Agreements) Regulations 2016 states that "a creditor shall only make credit available to the consumer where the result of the creditworthiness assessment indicates that the consumer's obligations resulting from the credit agreement are likely to be met in the manner required under that agreement".

² "A regulated entity must ensure that in all its dealings with customers and within the context of its authorisation it: makes full disclosure of all relevant material information, including all charges, in a way that seeks to inform the customer".

³ Including where drawdown of funds may be in stages.



Next Steps

You are asked to consider the contents of this letter and provide the Central Bank with confirmation that:

1. Following the introduction of changes to the mortgage application process, in light of the COVID-19 pandemic, [Regulated Entity] (the Firm) has undertaken a review to establish whether or not the relevant systems, policies, procedures, practices and customer communications are in line with the expectations outlined in this letter; and
2. Where the Firm identifies that any systems, policies, procedures, practices or customer communications are not in line with the expectations outlined in this letter, the Firm has taken appropriate action in relation to any issues identified and has or will undertake any necessary follow up actions as a matter of priority.

Please provide the above confirmations by no later than **4 December 2020**. If you have any questions or would like to discuss the contents of this letter, please contact Aidan O'Connor at aidan.oconnor@centralbank.ie or Grace McDonnell at grace.mcdonnell@centralbank.ie.

Yours sincerely

Helena Mitchell
Head of Consumer Protection
Supervision Division

Cc [Head of Compliance]