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Dear Sir/Madam,

Mortgage Switching Measures

Ulster Bank Ireland DAC (Ulster Bank) welcomes the opportunity to submit responses to the questions proposed by the Central Bank of Ireland (CBI) in its Consultation Paper 112 on Enhanced Mortgage Measures: Transparency and Switching.

Ulster Bank supports the key priority of the CBI to maintain a strong consumer protection framework which has the best interest of the consumer at its heart. We are supportive of measures to increase transparency in the mortgage market and to help bring clarity to potential savings which consumers can make by switching mortgage provider or rate.

Broadly Ulster Bank subscribes to the aims and measures set out in this consultation paper, especially the measures to enable standardisation of information across the industry. This consistency of terminology should allow consumers to make fully informed decisions about their mortgage, which is one of the most significant lending products that consumers will purchase during their lifetime.

Ulster Bank notes that these measures will extend to all mortgage applications, including first time buyers, switchers, movers and top-ups. This harmonisation of the information, communication and process to be followed will be in the best interests of all consumers who wish to purchase a mortgage.

Incentives are a key element of the mortgage proposition, and in our view encourage competition, which is beneficial to the consumer. We would note however that this incentive based lending may lead to difficulties for consumers in measuring the benefit of one type of incentive against the other. Each consumer is different and what is suitable for one may not be suitable for another. Ulster Bank would like to ensure that there is the flexibility maintained in the market to offer incentives tailored to the changing needs of all consumers.

While Ulster Bank acknowledges the benefits of the measures proposed by the CBI, it notes that a significant part of purchasing a mortgage or switching a mortgage lender will be dependent on the legal process. The information requirements regarding the legal process should rightfully be directed to the Law Society of Ireland and Ulster Bank would encourage the CBI to engage with the legal industry at the earliest opportunity to seek its opinion on enhancing the legal process to allow for a quicker switching process.

Ireland has a diverse population of consumers who are interested in purchasing property and investing in a mortgage product. The methodology of delivering information to consumers

should meet the needs of the consumer. Ulster Bank would encourage the CBI to maintain flexibility in the delivery of information with the emphasis on ensuring that the information delivered is standard across the industry.

Ulster Bank contributed to and supports the general thrust of the views expressed by the wider banking industry response submitted separately by the Banking & Payments Federation Ireland.

We would welcome the opportunity to discuss the responses we have provided in this submission at your earliest convenience.

Yours faithfully

Jim McCormick

Interim Head of Products

Responses to questions

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.***

In our view, the CBI's approach outlined in this consultation paper will ensure that borrowers are supplied with all the necessary information about their mortgage which will ensure full transparency and simplification of the switching process.

Key considerations would be:

- a) **Lenders can only provide information on their own products** as it is not possible for a lender to always provide up-to-date accurate and reliable information on the interest rates, applicable fees, breakage costs and incentives applied by other lenders in the mortgage market. Lenders could not provide customers with advice in relation to a mortgage with another lender.
 - b) **Proposal in relation to Fixed Interest Rates** includes a requirement that the lender notifies the consumer 30 days before the expiry of a fixed interest rate and to include the details of the new rate applicable from the expiry date of the fixed rate.
 - I. This is a reasonable action to take to ensure that consumers have the necessary information in a timely manner and that they have time to consider their options.
 - II. Proposal is that when the default rate of interest on the expiry of the fixed rate is not a tracker rate, that information should be provided about other available interest rates and mortgage products and a link to the online CCPC mortgage comparison tool. In most cases this communication will be via letter and therefore a hyperlink cannot be provided. However a URL could be included. It should also be clarified that this information will only include the products available from their current lender.
 - c) **Requirement for a credit assessment** – customers' should be informed that if they are considering switching to a new lender that a full credit assessment will need to be performed by the new lender. The customer should also be informed that a credit assessment is not required by their current lender in order to switch rate.
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.***

Currently the code requires that lenders notify consumers with an existing mortgage of the potential impact of an associated incentive on the cost of their mortgage and any other key information that the consumer should have available to them when considering such an incentive. This is currently being done where a customer switches products with the same lender. Where customers switch between lenders there is a reliance on comparison websites such as the CCPC.

Points for consideration:

- a) This may have an impact on the Consumer Credit Act APR requirements.
- b) Page 10 of the consultation paper – proposal that lenders should on request of the consumer set out an indicative comparison of the total interest payable if the consumer continues with their existing interest rate and the total interest payable on

the new mortgage. This can only be achieved by lenders conducting a calculation on the existing lenders product, which may lead to mis-information being given to consumers. This follows from response (a) to question 1 above and is because the interest charging approach, fees and charges may differ between lenders, and may also vary depending on when the original mortgage was taken out.

- c) For rate changes with existing lender - proposal states that “the existing lender would have to provide the consumer with an indication of the possible savings if they moved to a different interest rate with the same lender”. This is currently in place.
- d) All key information in relation to incentives should be made available to consumers regardless of whether they are new or existing borrowers as long as the product and incentive is available to that customer. Giving customers’ information on products which they are not eligible for may lead to confusion, for example giving a customer who has a Residential Investment Property the information and incentives available a customer with a Private Dwelling House.
- e) Not all consumers may be eligible for the same offer or incentive. It may also be difficult to compare different incentives, as some may have a material impact on the pricing of a product, for instance by way of a higher interest rate, whereas others may not have any material impact.

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?***

The FinCoNet sets out guidance for supervisors and regulators on the setting of standards and in the field of sales incentives (employee incentive schemes) and responsible lending. For the avoidance of doubt the assumption made for this paper is that the sections in relation to consumers are the only relevant provisions for the purpose of the consultation paper and this response.

Points for consideration:

- a) The FinCoNet is a policy document which provides guidance to industry regulators, these standards should not be applied to the relationship between lenders and consumers.
- b) Ulster Bank recognises that it is in the consumers’ best interest to be fully informed, have the necessary warnings and any other pertinent information in order to make a fully informed decision.
- c) The choice in relation to the most suitable mortgage for a particular borrower should be made by that borrower and with independent professional advice if required.
- d) The ability to offer incentives to customers is to be welcomed; however this should not necessitate the introduction of incentive by lenders. A lender’s risk appetite should also be noted as well as acknowledging that all consumers will still need to meet the eligibility criteria and parameters of the product offered.
- e) There is a risk that this approach will lead to all lenders having the same product available on the market at the same time and this could lead to a distortion of competition. There is a balance to be sought between the information requirements to be given to consumers and the reality of all the lenders having the same product.

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

The proposed policy measures require that all lenders provide on request, an indicative comparison of the total interest payable on the consumer's existing mortgage and the interest payable on the new mortgage or alternative interest rate.

Points for consideration:

- a) By extension this would require lenders to calculate the interest payable on products being offered by other lenders. As per our response to question 1 (part a) and question 2 (part b), we have concerns about this requirement.
- b) While we support the introduction of transparency measures around possible savings that could be made over the lifetime of a mortgage within the lender, we believe this proposal requires further clarification.
- c) There are limitations to this proposed measure as we currently understand it particularly in the context of reliability and accuracy of comparisons with products available from other lenders.
- d) We believe the onus should be on each lender to give accurate information on its own products and thus allow borrowers to approach competitors with facts on their current loan.
- e) Currently there is a requirement on lenders to provide consumers with options available to them and an indicative comparison table of these products when they are switching to another product with the same lender. As an alternative to calculating another lenders interest rate payable, we would suggest that all lenders are required to give indicative comparisons of all the suitable products on offer, using standard terminology and formatting.
- f) In our view, the availability of independent sources of information is the best option to meet the requirement for an assessment of the potential savings for consumers considering switching their mortgage. With increased awareness in the market, more information online and the advent of financial advisors there is independent information available to consumers.
- g) Further consideration needs to be given to the role of the independent advisor brokers and their point of view. In broker applications it is always the broker that provides the advice and not the lender, this needs to remain 'as is'.

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

The proposal to standardise switching information is welcome. However a delicate balance needs to be struck to avoid significantly increasing the quantity of information given to customers' up front, which may lead to an excess of information and therefore be counter productive.

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.

The delivery of information to consumers in relation to mortgage switching should be in a format that suits their needs and aligns with their current banking behavior. The aim of any proposals in this area must be to ensure maximum flexibility in the delivery of information so that there are no unnecessary limitations on potential future developments and positive outcomes for consumers. We would welcome standardised industry wording and definitions in order to simplify the information being presented to consumers.

Points for consideration on each of the minimum requirements:

	<i>Requirement</i>	<i>Consideration</i>
<i>i</i>	a guide to the lender's switching process including an explanation of the legal process and how the lender will engage with a consumer's legal representative	The legal process is largely outside of the control of lenders and the banking Industry in general. We suggest that engagement should be sought with the Law Society of Ireland, at an industry level, to co-operate in producing information materials on the mortgage process as required.
<i>ii</i>	the requirements in relation to insurance policies, and the steps that a personal consumer can take to maintain existing insurance policies, and	The CPC code discourages lenders' from "tying products" such as life insurance with the lender's mortgage product. The requirement to advise consumers in relation to insurance policies which may not be the lender's product, is again an onerous requirement for any lender. Not all insurance policies have the same terms and conditions. The consumer should seek information from their professional advisors or insurance provider to establish the transferability of an insurance policy in the event of switching a mortgage to a new lender.
<i>iii</i>	all relevant mortgage application forms including application forms for top-up mortgages;	It's not clear why top-up application forms are singled out. Ulster Bank treats top-up's as new lending with the full application process to be carried out again including a credit assessment. Providing application forms to consumers who are not going to use them is environmentally wasteful, expensive and could led to a situation where consumers are using an application form which is out of date. Digital or telephone communication options should be considered as an alternative.
<i>iv</i>	the timelines which apply to the assessment of a mortgage application as set out in the regulated entity's policies and procedures,	While general timeframes within the lenders control should be provided, it's important to note that much of the timeframe is outside of the direct control of lenders. As the process currently stands a lender is dependent on the consumer giving all the information required, on the solicitor acting for the consumer and the length of time it takes for the legal process to complete.
<i>v</i>	the information required from a borrower in order for the lender to assess the borrower's application form,	This information should be made available to a consumer at the earliest opportunity both in the suite of information and generally on a lender's website. This will enable the process to be completed in a timely manner.
<i>vi</i>	a statement confirming whether a refused mortgage application will result in a negative impact on the borrower's credit rating,	This is dependent on the rules of the Central Credit Register.
<i>vii</i>	a link to the relevant section on the CCPC's website relating to mortgages.	This can be made available on the lenders website. Where the information is in hard copy a URL will have to be provided or wording directing the consumer to this website.

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

Original lender requirement to provide redemption figures within 3 business days.

- a) All member banks of the BPFi have agreed to the Law Society of Ireland Approved Guidelines and Agreement (2011 Edition) of a maximum 10 working days timeline. This process is working satisfactorily, and we are not aware of any customer detriment/complaints with the current timeline. The provision of redemption figures can involve complex calculations and we believe that a three business day timeline is too tight.

New lender requirement to keep the consumer up to date throughout the process.

- b) Information and documentation requirements - once the suite of information is agreed there should be no difficulty in engaging the consumer in this manner.
- c) Requirement to notify and follow-up with a consumer regarding the next steps in the process.
- I. This requirement would necessitate lenders building out a process of follow-up contact for consumers which may require substantial change to processes already in place.
- II. There is also a risk that this could be seen by consumers as unnecessary communications. There may be reasons why a consumer has not continued with this process, for example they have decided to remain with their current lender or they are switching to another lender. A balance needs to be struck to ensure that consumers do not feel pressurised into purchasing a lending product.
- d) Consumers who are switching should be treated and processed in the same manner as new to market applicants ensuring that all consumers are being treated in an equal and fair manner.
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;***
- b) ***Acknowledgement within three business days of receipt of completed mortgage application;***
- c) ***Decision within 10 business days following receipt of all required information for assessment of mortgage application? Please provide reasons for your answer(s).***

The critical requirement for any switching process is to ensure that it meets the needs of the consumer.

As consumer behaviors continue to change and move to more digital / online options we believe that there is potential to provide more consumer centric solutions rather than introducing limits and barriers to new initiatives.

From the lender perspective, developing and implementing a process which makes switching as efficient and straightforward as possible will lead to a more effective business model.

The requirement of strict timelines in the mortgage application process may force lenders to enhance and improve technology and processes in a timely manner. The requirements of the switching process also apply to all other mortgage applications so the introduction of external timelines and deadlines may not be achievable by lenders in the short term.

As set out by BPF1 we would reiterate the following specific comments on the items proposed:

- a) The acknowledgement of receipt of each item / document is considered to be of little benefit to the customer and in fact may lead to a negative customer experience. With this in mind we feel the cost to implement outweighs any tangible benefit to customers and may end up slowing the overall approval process.
- b) The term 'acknowledgement' should be defined in as a broad a meaning as possible and could include letters, text messages, telephone message, emails, updates on a document portal, updates on an App etc.
- c) The time required to build automated communications would be significant. As each application must undergo a credit assessment, we would recommend that the 10 days decision timeframe begins once all outstanding documentation required has been received and any queries arising from these have been clarified by the customer and satisfactorily addressed from the Bank's perspective. It is only on this basis that Underwriters can make an informed decision.

The introduction of 'blanket' timeframes may not be appropriate from a customer service perspective as they will be too short for some and too long for others. In the interest of clarity and in support of a competitive market place for new business it may be more appropriate to enable each lender to set out timeframes based on their process. This would lead to the development of a 'best in class' model for switching and provide real consumer benefits in the longer term.

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?***

We agree that it's important to have clear points of contact for all mortgage customers, both new and existing, with communication processes and channels aligned to the needs of the customer.

Beyond this and given that the application process is very similar for all new mortgages, we don't believe that it's necessary to have a dedicated mortgage switching team. Based on current volumes of switching activity in the market, it may not be sustainable for all lenders to have a dedicated switching team.