

Banking & Payments Federation Ireland

Response to CP139

Review of the Standard Financial Statement

20th April 2021

1. General Comments

Banking & Payments Federation Ireland (BPFI) welcomes the opportunity to respond to the Central Bank of Ireland's (CBI) Consultation Paper on the Review of the Standard Financial Statement. We were also grateful for the opportunity to form part of the stakeholder working group convened by the CBI at the end of 2020.

We support the overall objective of the CBI's review of the SFS to identify enhancements to the SFS and to the supports available to customers, while ensuring that the document is sufficiently comprehensive to allow for a full understanding of the customer's circumstances and the nature and extent of financial difficulties.

While the Standard Financial Statement (SFS) can be considered a lengthy and difficult document to complete, it provides a sound basis on which to permit a lender to conduct a thorough assessment of a borrower's circumstances and to take a fully informed view of the most appropriate solution for a borrower. We see it as an important part of the assessment process therefore.

While we accept that changes will arise to the document with knock-on implications for associated processes, we ask the CBI to note that, as with any change to established systems and processes, members will require an appropriate timeframe to incorporate any final changes into their business. We have outlined some further detail in response to Question 7 below.

Our responses to the consultation questions and the proposed revisions are set out below. If any further detail or context is required, we would be happy to engage to provide same as the CBI's review progresses.

2. Response to Consultation Questions

Question 1: Do you agree with, and/or have any comments on, the proposals for the 'Important information for completing your SFS' section of the revised SFS?

The proposal to set out key information for the borrower at the outset of the SFS is welcomed. As part of our input to the stakeholder working group, BPFI had suggested that the key areas that typically result in delays to assessment e.g., the provision of full supporting information with the SFS; the provision of information for the borrower on access to trusted third-party advisors etc. be set out at the beginning of the document and the proposal to move to this position and in the format indicated is welcomed.

Some additional comments for consideration include:

- The SFS should be subject to a Plain English review to ensure the most customer friendly tone and language are used.
- A checklist should be included in the SFS to confirm, prior to submission of the SFS to the provider, that:

- All sections have been fully completed;
 - The document has been signed;
 - The customer is satisfied to proceed with/without independent advice; and
 - Supporting documents have been included.
- The SFS should call out at the beginning that including details of all expenses that may be incurred during the expected period of financial difficulty should be included in the form.
 - As BPFi set out during the stakeholder engagement in Q4 2020, it may be worth considering inclusion of a field to capture the customer's PPSN within the SFS, to enable members to run the necessary enquiries on the CCR, noting that the customer signs consent to run credit register checks as part of the existing SFS.

Question 2: Do you agree with, and/or have any comments on, the proposals for Section A (My Details) of the revised SFS?

BPFi agrees with the proposal to have Section A purely focused on the personal details of the customer, with information relating to the mortgage now proposed to be contained within Section B.

Comments relating to specific fields in the section include:

- **Field A2:** We suggest the addition of a note below the words "*Correspondence Address*" in brackets as follows - (*This address will be used for correspondence relating to this SFS.*) - noting that if a new correspondence address is provided on the SFS, proof of this change of correspondence address will be required before correspondence can issue, in line with AML requirements.
- **Field A3/A4:** We suggest removal of the row between A3 and A4 which states "Please indicate preferred contact method". Removing this would potentially prompt the customer to provide all of their details instead of only providing details of one contact method to avoid any difficulties arising with regard to communicating with the customer e.g., not all lenders communicate by email which could lead to potential problems with engagement.
- **Field A12:** We suggest this be amended to "*contributing to the household on an ongoing basis*" to show whether or not the income stream is sustainable.
- **Field A11 - A13:** consider amending "*dependant*" to "*member of the household*" to broaden the scope beyond dependant children residing with parents.
- **Field A13:** In addition to above, under Field A13, we suggest including "*If Yes, please include the monthly cost of any related medical expenses in field D4.*"
- **Field A14:** We suggest the text in bold underline be added - "*Are you currently employed? (Y/N) If you are self-employed or retired please provide details.*"
- **Field A15:** We suggest the text in bold underline be added - "*What is your current occupation? If you are unemployed or retired please state and include your previous occupation.*"

- **Field A19:** We would ask that the CBI reconsiders the relevance of the expected duration of financial difficulties in the case of customers who are bereaved or divorced/separated, where Field A19 is called out as not applying in cases of bereavement and/or divorce/separation. It is sometimes the case that the reason for a customer's financial difficulty may arise from a bereavement e.g., this can occur in the instance of no life cover being in place. Similarly, it is also relevant for divorced /separated customers, where the financial difficulty may be short-term as they go through legal proceedings or their difficulty might be more permanent due to their separation.

More generally in relation to Section A, we have the following comments:

- Section A would also benefit from a section where the customer can provide information on any non-borrower (who is not a dependant) who is contributing to the household e.g., a spouse or partner who is not party to the mortgage but who does contribute to the household's income. Linked to this, Field C8 should also be updated to include "*non-borrower non-dependent*" to take account of any contributions to the household income which does not come from a dependant.
- Following on from this, in such cases where there is a non-borrower (non-dependant) who contributes to the household income e.g., a partner's salary, consideration needs to be given as to the level of supporting documentation/evidence required to validate the information, noting that they are not party to the mortgage. This person's income could be the difference between a sustainable solution being available and the mortgage being deemed unsustainable.

Question 3: Do you agree with, and/or have any comments on, the proposals for Section B (My Mortgage) of the revised SFS?

While we agree with the proposal to have the details of the mortgage(s) consolidated into one section in the SFS, we have some comments for consideration:

- Including some of the fields proposed may result in a delay in completion of the SFS, as the customer is unlikely to have all of the information to hand e.g., interest rate, whether fixed/variable, remaining term of the mortgage. This is information that the provider will have readily available and would not need to obtain from the customer therefore - the account number is the only piece of information that is required by the provider from the customer.
- If it is decided to retain these fields, then additional fields and/or subsections should be considered to accommodate:
 - Details on whether the mortgage account is Capital & Interest (C&I) or Permanent Interest Only (PIO). If PIO, details would be required on how the customer intends to repay the capital due on expiry of the term.
 - Details on the long-term plan in relation to the secured property i.e., any known circumstances affecting potential future affordability.

- Multiple accounts e.g., top ups - there would be a need in such cases to have separate sections so the customer can enter specific details if they hold more than one account e.g., to provide information pertaining to different terms, rates, balance etc.

Question 4: Do you agree with, and/or have any comments on, the proposals for Section D (My Monthly Expenditure) of the revised SFS?

Overall, we agree with the proposal, provided the new condensed format does not result in reduced insight into the specific individual circumstances of the borrower.

In addition, we have the following comments suggested for consideration:

- Field D4: We suggest the field be amended to include the following text in bold underline - “Health/**Medical Expenses**”.
- There should be a specific section for “*Expenditure on other Properties*” in section D. There is a field included in Section C for income from other properties (Field C9). We believe that the expenditure section should correspond.
- Consider inclusion of a simple example of how to estimate the average monthly cost within the guidance section.
- The section should call out that the inclusion of the detail of all expenses that may be incurred during the expected period of financial difficulty, including expenses relating to caring for elderly parents/being financially responsible for elderly not living at the same property, should be included in the form.

Question 5: Do you agree with, and/or have any comments on, the proposals for Section E (My Other Monthly Debt Payments) of the revised SFS?

We agree with the proposals set out for Section E, with the following suggestions for consideration:

- There should be an additional field to specify *Revenue Debt*.
- There should be an additional, specific field to include for any unsecured debt repayment to capture the current repayment, the original date of the unsecured loan, the term remaining and the balance.

Question 6: Do you agree with, and/or have any comments on, the proposals for other amendments to the revised SFS?

We have the following comments on other aspects of the proposed revised SFS:

General comments

- We suggest that the number of footnotes is significantly reduced throughout the document. Information within footnotes is important and there is a concern that the information will not be seen or will be deemed un-important when presented in this way. Might the CBI consider

including the information from the footnotes within the relevant section of the form where possible and/or highlighting the information in a box? It is also important that the information presented in this way is plain English and easily understood by the customer.

Section C

- Along with an overall suggestion to remove as many footnotes as possible throughout the document, we suggest that the information currently contained within footnotes is in plain English. One specific suggestion in relation to footnote 25 is that it should be reworded to read *“If you have a deduction from your salary for any of the expenses listed above i.e., Health Insurance, Pension, Credit Union or Revenue payments such as Local Property Tax, do not include them again in the above table.”*
- Footnote 26 infers that this source of income is now paid under the Supplementary Welfare Scheme. We suggest that Field C5 should be renamed accordingly, along with deletion of the footnote as the Mortgage Interest Supplement Scheme has ceased.

Section F

- Borrowers can have more than 4 properties - is there an option to have more than 4 lines in this section?

Section H

- Section H is recognised as a second check for the borrower to ensure the information being provided is correct and the figures should tally with their expectations of what their surplus/deficit may be. To make this clear, we suggest adding the words ***“to be completed by the borrower”*** in brackets after the section heading to read *“Section H: Summary (to be completed by the borrower)”*.
- The way this section is laid out may create an expectation that the customer’s *“Other monthly debt repayments”* will be permitted as allowable expenditure when calculating the debt service capacity available for the PDH mortgage repayments. This is not the case - PDH repayments are prioritised ahead of all other debt repayments. Therefore, it is suggested that fields H5 and H6 are swapped so that it is clear to the customer what their surplus/deficit is when compared to the PDH repayments alone.
- Field H5 should then be renamed to read *“Total Surplus/Deficit **available to make mortgage repayments**”*.

Signature Page

- Additional clarity would be beneficial regarding the signature page. There are several declarations and regulatory items that need to be included and it is unclear what the CBI’s expectations are in this regard. An example of this is whether a non-borrower, whose income may be referenced in Section A and detailed in Section C, needs to sign the SFS.
- Members will continue to accept a verbal signature, rather than a written signature, where appropriate and relevant to do so.

Question 7: Do you have any other comments on the revised SFS not captured by the above questions?

As with any change to established systems and processes, members will require an appropriate timeframe to incorporate any final changes into their business.

Any changes will have to be incorporated into members' change programme plans, which already include a number of required regulatory changes. Consideration of the costs of any amendments to the SFS will need to be funded and may not be fully factored into 2021 investment plans. Cost and timing considerations are particularly relevant for amendments that are required to any online/digital SFS offering, as changes to IT/web systems take longer than if just changing the paper-based SFS.

Staff training is also a consideration and the final revised SFS proposal will determine the level of staff training required. This will also have a timing implication.

We therefore seek clarity from the CBI regarding the proposed timeline for implementation.

Question 8: Do you have any comments on the above areas where improved supports for borrowers in completing the SFS could be implemented by regulated entities?

The most common issue that occurs when a customer completes an SFS is that they do not provide all the necessary supporting documentation. It would be helpful that a checklist at the end of the SFS calls out the requirement to provide supporting documentation.

It would also be helpful that the CBI's consumer guide to completing the SFS makes customers aware that there may be a requirement to provide supporting documentation. Further views on this are set out in response to Question 10.

Question 9: Do you have any additional suggestions for improved supports or examples of good practices in this context?

Some additional suggestions for improved supports/good practice include:

- The SFS should be translated into various languages to support the diverse customer base including Polish, Spanish and Irish by way of example.
- A standard online audio version on the supports available and guidelines for completion should be available for those with learning and other difficulties.
- The suggestion that an online SFS as an improved support for customers is a cause of concern for some members. Those who do not currently provide an online SFS would need to fully consider the provision of the SFS online from a cost benefit perspective. Depending on an individual member's customer base, the effort required may not result in any significant benefit. While the move to an online SFS is suggested as an improved support, its provision should be a matter for individual firms to pursue, as some already have.
- There are some concerns in relation to the suggestion regarding video calls, relating primarily to concerns over health and safety, GDPR, potential screenshots and recordings of staff.

Question 10: Do you have any specific suggestions for the Central Bank’s consumer guide to completing the SFS?

We have the following suggestions for consideration in relation to the Central Bank’s consumer guide to completing the SFS:

- It would be beneficial if the guide provided clear detail to the customer as to why they are being asked to complete an SFS and the benefits that come with completing it accurately e.g., a quick assessment, better customer experience etc.
- The guide needs to ensure that customers are aware that there may be a requirement to provide supporting documentation. It might also be beneficial to include a high-level list of the documentation required, noting that there may be others requested by a lender. The CBI might also consider listing the documents required based on the category of employment relevant to the customer e.g., PAYE/Self Employed/ Unemployed/Retired/Student etc., again noting that individual providers may require additional documentation.
- It should be clear in informing customers that their provider has many support tools available to assist them in completing the form. The SFS could advise the customer to check the relevant provider’s website for these supports.
- It may be worthwhile reviewing certain Government guidance/guidance published by State bodies on form completion e.g., the ‘Passport completion guide’, Guidance Notes published by the National Driver Licence Service (NDLS).

Question 11: Do you agree with, and/or have any comments on, the proposed changes to the debt management firm SFS?

In the absence of fully understanding the proposed changes in relation to debt management firms and their use of the SFS, we do not have any comment.

Question for discussion: Do you have any views or comments you wish to raise on the MARP, and/or the CCMA more widely?

Overall, we believe that the CCMA in its current form works well. The CCMA and more specifically, the MARP, provide a clear framework for providers to follow in ensuring fair and transparent engagement with borrowers in arrears or pre-arrears on their mortgage. We believe it also provides the customer with clarity and assurances of a fair approach when they find themselves in financial difficulty.

We note the Central Bank’s position outlined in Part 2 of the consultation paper regarding the CCMA and any future review. At this point and in the context of Part 2, we put forward the following for consideration:

- We believe the CCMA would benefit with inclusion of clear guidance on how long a SFS is valid for and what steps would be required to validate that the information contained in a previous SFS remains accurate.
- We believe that improvements could be introduced to the CCMA in relation to the approach to separated, non-co-operating borrowers, where the non-co-operating party is not living in or contributing to the property. Separated borrowers make up a large proportion of mortgage customers in difficulty and it can be challenging to resolve these cases.

BPFI is working with members on the topic of separated borrowers, and it has been agreed that clarity in the relevant regulation would be welcome. We would be happy to engage with the Central Bank to provide more detail on this issue if helpful.

- While the merits and demerits of a potential short-form SFS were discussed as part of the stakeholder working group discussions, we feel it would be unreasonable to seek to change the SFS twice, primarily given the potential for confusion that may arise for customers. What could be considered in any further review of the SFS process however would be limited scenarios where completion of the SFS may not be required. For example, in situations where a customer is sale agreed on a property and may need a few months of reduced repayments while they complete the sale, currently the customer will have to go through the full SFS process for what would be a short-term requirement.

We would welcome the opportunity to raise additional and more detailed views in due course should a review of the CCMA be undertaken.