

EDDIE HOBBS SUBMISSION

To address the imbalance in power as between mortgage provider and borrower the following should be considered;

1. That the Central Bank adjusts the Consumer Protection Code to require banks to fully and fairly engage with Insolvency Trustees and that the use of veto is restricted to the default option provided the borrowers are non-cooperative. Banks should be required to separately hold for priority inspection all files where veto has been used, each required to hold a detailed explanation for same and supported by documentation and correspondence.

Reason ; Most mortgages in distress are held by borrowers in trouble across unsecured loans and requires a holistic workout, thus there needs to be equivalence in treatment otherwise there will be illogical arbitrage as borrowers funnel cash into repaying unsecured debt instead of home mortgage debt.

2. The appeals process will not have the credibility or efficiency of a formal Ombudsman service given that it will be run by an organisation where prudential supervision trumps consumer protection historically by a country mile. The Central Bank should request an extension of duties and powers for the Financial Services Ombudsman and support that office with seconded staff for the next number of years.

Reason; Inevitably agreements will break down including formal insolvency agreements. In a relationship where there is a power imbalance a service of binding arbitration is far superior to an insider appeals process. The Financial Services Ombudsman's Office has public credibility in dispute resolution and should be expanded to arbitrate on agreements that are in dispute.

3. The mental health costs and damage caused by prolonged exposure to unresolved debt stresses has not been measured nor provided for in the proposed code. This needs to be addressed on two fronts. Lenders should be required to refer customers to skilled therapists and counsellors where damaging symptoms of extreme stress are noted. Professional guidance to identify these is available and staff can be trained to detect. Consequently in the underwriting process banks should be required to complete psychological assessment in conjunction with financial.

4. Credit for time served is common to natural justice. There has been a four year delay in providing Irish citizens with the procedures, models and tools to tackle this issue, because of failure by the State to act promptly. Workouts proposed must be back dated to the time that borrowers first actively engaged with lenders to lessen the time spent under extreme stress and worry. This has the practical impact of incentivising borrowers by compressing the time they would otherwise spend in workouts before a fresh start.

5. Banks, auditors when producing annual accounts, should be required to produce statements of adherence to new rules. Reason -brings the force of external independent auditors to bear in addition to Central Bank inspection.