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By email to frances.fitzgerald@europarl.europa.eu

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Re: Letter of 29 October

Dear Ms. Fitzgerald,

Thank you for your letter of 29 October to Governor Makhlouf, regarding the issue of mortgage payment breaks as applied by Irish banks in light of the COVID-19 pandemic. He has asked that I reply to you on his behalf. The public health emergency created by the COVID-19 pandemic has resulted in significant economic disruption and is a cause of significant stress for households and businesses.

Payment breaks gave customers the opportunity to postpone or reduce repayments on mortgage, personal or business loans. This gave breathing space for borrowers from the severe income impact of COVID-19.

The Central Bank has been engaging closely with lenders on borrowers affected by COVID-19, both banks and retail credit firms/credit servicing firms. A key focus has been to ensure lenders are acting in a way that protects the best interests of borrowers, and in line with relevant codes and regulations. Through ongoing engagement with lenders and sector representatives, the Bank is working to ensure that borrowers affected by COVID-19 are supported through this unprecedented period of stress.

The Central Bank issued a 'Dear CEO'[1] letter to industry on 8 June which set out the Bank's expectations in relation to payment breaks. This letter requested that firms confirm that they are adhering to the Bank's supervisory expectations and what the Bank expects in firms' communications with borrowers. In addition, the

[1] Dear CEO Letter on payment breaks (8 June)

letter requested that firms submit both their board approved strategic and operational plans. The Central Bank is undertaking frequent engagement with firms on their strategic and operational plans and interactions with borrowers experiencing financial difficulty, and communicating the Bank's expectation to firms on the treatment of borrowers with expiring payment breaks. Supervisory engagement builds on the expectations and focuses on the key challenges being identified.

Lender support for borrowers is moving from a system-wide approach of one-size fits all payment moratoria to an individual approach, where the support should be appropriate for the individual borrower's needs. Unfortunately, there are borrowers who cannot return to full repayments and will require individually-assessed support to address the issues they are experiencing. Our clear expectation is that lenders engage effectively and sympathetically with distressed borrowers – in line with the Code of Conduct on Mortgage Arrears, the Consumer Protection Code and regulations for lenders lending to SMEs – to deliver appropriate and sustainable solutions and facilitate as many borrowers as possible to return to repaying their debt. In particular, in the current uncertain environment, we expect lenders to adopt interim measures to support borrowers experiencing temporary income shocks when the financial position of the borrower is not yet assessed or where more permanent solutions are being determined.

For some borrowers, temporary additional supports may be the answer initially, while for others the more appropriate and sustainable option will be deeper restructuring. Every borrower's circumstances are different and there are different levels of uncertainty for each borrower, in the current climate. We have engaged with lenders to ensure that they have strategies and plans for engaging with and supporting borrowers who are in difficulty meeting their repayments beyond the duration of the payment breaks. Such actions should not be delayed until the expiry of the payment break.

Thank you for contacting us on this topic and the Central Bank remains vigilant to the ever-changing environment and the impact on those borrowers experiencing financial distress.

Yours sincerely,

Ed Sibley
Deputy Governor, Prudential Regulation