



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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Mr Pearse Doherty TD
Leinster House
Kildare Street
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2 December 2020

Dear Deputy Doherty,

Thank you for your email to Governor Makhoul, dated 25 November. The Governor has asked me to respond on his behalf.

In relation to the first two bullets in your email, the specific nature and extent of the Central Bank's engagement with Ulster Bank in relation to the NatWest Group Strategic Review is not something that we can disclose. The Central Bank's ability to comment on its communication with regulated firms is limited by supervisory confidentiality obligations.

Nonetheless, I can confirm that, the Central Bank has regular and intensive engagement with Ulster Bank on a broad range of matters, including the NatWest Group Strategic Review, and is in contact with the NatWest Group and the UK regulatory authorities, as appropriate. The Central Bank has regular and comprehensive supervisory engagement with the senior management of regulated firms on a wide range of topics including their business model, future strategy and the protection of consumers.

The third bullet in your email referred to competition. The Central Bank aims to serve the public interest by safeguarding monetary and financial stability and working to ensure that the financial system operates in the best interests of consumers and the wider economy. While competition issues are primarily a matter for the Competition and Consumer Protection Commission, competitive pressures can clearly have an effect on the functioning of the financial system and the achievement of the Central Bank's aims, as can the ability of firms to enter and exit the system in an orderly fashion.

The Irish retail banking system is concentrated by international standards, with five retail banks accounting for the majority of new mortgage lending, and three retail banks accounting for the majority of new bank lending to



SMEs. The Central Bank recognises that the relatively lower levels of competition in the Irish retail banking market may be one contributing factor to average interest rates for mortgage and SME lending being higher in Ireland than the Eurozone averages. However, price competition is possible even in a concentrated system. The exit of one entity from such a system, all other things equal, could contribute to upward pressure to lending interest rates and potentially lead to weaker credit availability. However, the wider context is one of improving competition in the provision of financial services, with new entrants to both bank and non-bank lending markets for households and businesses in Ireland either already announced or likely in the coming years.

The final bullet in your email referred to the impacts on consumer protection, should the NatWest Group decide to withdraw from the Irish market.

In the event that a regulated entity intends to withdraw from the Irish market, the withdrawal must be undertaken in accordance with the provisions of Irish financial services legislation, including the Central Bank's statutory codes of conduct. Specifically, provision 3.11 of the Consumer Protection Code 2012 requires that, where a regulated entity intends to cease operating, merge with another, or transfer all or part of its regulated activities to another regulated entity, it must:

- notify the Central Bank immediately;
- provide affected consumers with at least two months' notice to enable them to make alternative arrangements if they so wish;
- ensure all outstanding business is properly completed prior to any transfer, merger or cessation of operations; or, in the case of a transfer or merger, inform customers as to how continuity of service will be provided following a transfer or merger; and
- in the case of a merger or transfer of regulated activities, inform customers that their details are being transferred to the other regulated entity, if that is the case.

Where a loan is sold or transferred to another regulated entity, the protections that were available to borrowers prior to the transaction continue to be in place with the new loan owner. Under the Consumer Protection (Regulation of Credit Servicing Firms) Act 2018, if a loan is transferred or sold, the holder of the legal title to the credit must be authorised by the Central Bank and must comply with Irish financial services law that applies to regulated financial service providers. This ensures that borrowers whose loans are sold or transferred, maintain the same regulatory protections, including under the various Central Bank's statutory codes of conduct, such as the Consumer Protection Code 2012 and the Code of Conduct on Mortgage Arrears 2013 (CCMA).

I understand and appreciate the nature of the concerns that you raised in your email. The Central Bank will continue to engage as appropriate on this matter. I trust that you can understand that the Central Bank is not in a position to comment further on the specifics of this engagement at this time.



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Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ed Sibley', written over a light grey rectangular background.

Ed Sibley

Deputy Governor, Prudential Regulation