



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Addendum to the Consumer Protection Code 2012

June 2018

CONSUMER PROTECTION CODE 2012

Contents of the Addendum to the Consumer Protection Code 2012:

- Addendum for Enhanced Mortgage Switching Measures: Transparency and Switching

ADDENDUM FOR ENHANCED MORTGAGE SWITCHING MEASURES: TRANSPARENCY AND SWITCHING

Introduction

In August 2017, the Central Bank published a consultation paper on *Enhanced Mortgage Measures: Transparency and Switching (CP112)*. This consultation paper sought views from stakeholders on proposals on a series of enhanced mortgage transparency and switching measures for consumers to enhance protections for consumers, to help them make savings on their mortgage repayments and to facilitate mortgage switching through enhancing the transparency of the mortgage framework.

Having considered the responses received to the public consultation, the Central Bank is now introducing new and amending certain existing provisions of the Consumer Protection Code 2012 (the 2012 Code). The purpose of this Addendum is to give effect to these enhanced protections.

This Addendum is effective 1 January 2019.

For the purposes of giving effect to the enhanced protections, the following parts of the 2012 Code are now amended:

- Chapter 4 – Provision of Information
- Chapter 5 – Knowing the Consumer and Suitability
- Chapter 6 – Post-Sale Information Requirements

LEGAL BASIS

Pursuant to Section 117 of the Central Bank Act 1989, the 2012 Code is hereby amended as set out below.

CHAPTER 4 – PROVISION OF INFORMATION

New Provisions 4.22a and 4.22b

The following new provisions are added to Chapter 4 of the 2012 Code, after Provision 4.22:

“4.22a A **regulated entity** shall publish the following information on its website, and shall provide paper copies on request:

- a) a guide to mortgage switching to include at least the following information:
 - (i) the switching process the **regulated entity** has in place;
 - (ii) an explanation of the legal process and how the **regulated entity** will engage with the **personal consumer** and/or the **personal consumer’s** legal representative;
 - (iii) the **regulated entity’s** general requirements in relation to insurance policies; and
 - (iv) a statement that the **personal consumer** should consider whether, and how, their existing insurance policy may be maintained;
- b) mortgage application forms, including any separate application forms applicable to top-up mortgages;
- c) the timelines which apply to the assessment of a mortgage application as set out in the **regulated entity’s** policies and procedures;
- d) the information required from a **personal consumer** in support of a **personal consumer’s** mortgage application;
- e) a link to the relevant section on the Competition and Consumer Protection Commission’s website relating to switching lenders or changing mortgage type; and
- f) a statement that, at the request of a **personal consumer** or the **personal consumer’s** legal representative, the **regulated entity** will provide an indicative comparison of the **personal consumer’s** existing mortgage interest rate with alternative interest rates that may be offered by the **regulated entity**.

4.22b At the request of a **personal consumer** or the **personal consumer's** legal representative, a **regulated entity** shall provide the following to that **personal consumer**, on paper or another **durable medium**, and using reasonable and justifiable assumptions that are clearly stated:

- a) an indicative comparison of the total interest payable over the remaining term of the mortgage held by the **personal consumer**;
- b) the total interest payable over the term of a new mortgage or under an alternative interest rate offered by the **regulated entity**; and
- c) where the **regulated entity** otherwise provides information under this provision, the **regulated entity** shall provide, together with that information, a link to the relevant section on the Competition and Consumer Protection Commission's website relating to switching lenders or changing mortgage type."

New Provision 4.29a

The following new provision is added to Chapter 4 of the 2012 Code, after Provision 4.29:

"4.29a A **regulated entity** shall provide to a **personal consumer** or their legal representative, on request, the redemption figure applicable to an existing mortgage provided to that **personal consumer**, within 5 **business days**."

CHAPTER 5 – KNOWING THE CONSUMER AND SUITABILITY

New Provision 5.6a

The following new provision is added to Chapter 5 of the 2012 Code, after Provision 5.6:

"5.6a A **regulated entity** shall:

- a) acknowledge receipt of a complete mortgage application within 3 **business days** of receipt of all documents or items of information necessary for a complete application;
- b) where a mortgage application is not complete, acknowledge receipt of the mortgage application within three **business days** of receipt and, together

- with that acknowledgement, provide notification of any documents or items of information necessary for a complete application;
- c) inform a **personal consumer** of the **regulated entity's** decision on the **personal consumer's** mortgage application within 10 business days of receipt of all documents or items of information necessary to assess the application;
 - d) if it cannot make a decision on whether it will grant or refuse the application within 10 **business days** of receipt of all documents or items of information necessary to assess the application, inform the **personal consumer** of the reasons why the **regulated entity's** assessment of the application will take longer than 10 **business days** and the expected timeframe within which a decision will be made;
 - e) ensure that it has clear points of contact for any enquiries from a **personal consumer** who is considering switching their mortgage and for any other enquiries relating to mortgage lending.”

New Provision 5.25

The following new provision is added to Chapter 5 of the 2012 Code, after Provision 5.24:

“TIMELINES FOR MORTGAGE DRAWDOWN PROCESS

5.25 A **regulated entity** shall:

- a) notify a **personal consumer** of the documentation required to complete the mortgage drawdown process; and
- b) ensure that it has clear points of contact for any enquiries from a **personal consumer** during the mortgage drawdown process or any other matters relating to mortgage lending.”

CHAPTER 6 – POST-SALE INFORMATION REQUIREMENTS

Amendment to Provision 6.5

Provision 6.5 (g) is amended by deleting the word ‘and’ after ‘changing mortgage type;’ and by substituting ‘available on its website;’ for ‘available on its website.’.

The following is inserted after 6.5 (g) v):

- vi) if the interest rate applies is based on a ratio of Loan-to-Value (hereinafter referred to as a “Loan-to-Value interest rate band”), a notification as to whether the mortgage provides for movement by the **personal consumer** between Loan-to-Value interest rate bands subject to the provision of an up-to-date valuation and any other requirements that may apply to movement between Loan-to-Value interest rate bands by the **personal consumer**;
- vii) if the **personal consumer** is permitted to move between Loan-to-Value interest rate bands, an invitation to the **personal consumer** to contact the **regulated entity** to discuss further; and
- viii) if the **personal consumer** is not permitted to move between Loan-to-Value interest rate bands, a notification that the **personal consumer** may be able to avail of lower Loan-to-Value interest rate bands from another **regulated entity** based on an up-to-date valuation.”

Amendment to Provision 6.6

Provision 6.6 (d) is amended by deleting the word ‘and’ after ‘higher repayments;’.

Provision 6.6 (e) is amended by substituting ‘mortgage type; and’ for ‘mortgage type.’.

The following is inserted after Provision 6.6 (e):

“(f) in the case of a mortgage with a fixed interest rate, 60 days prior to the expiry of the fixed interest rate period, a notification of the default rate of interest applicable on the expiry of the fixed rate period, including, where the default rate of interest is not a **tracker interest rate**:

- i) a summary of other mortgage interest rates provided by the **regulated entity** that could provide savings for the **personal consumer** compared to the default rate of interest at the time of notification;
- ii) details of how the **personal consumer** can obtain further information on the default rate of interest and other mortgage interest rates provided by the **regulated entity** referred to in subparagraph (f)(i);
- iii) a statement that the **personal consumer** should keep their mortgage arrangements under review as there may be other options that could provide savings for the **personal consumer**;
- iv) a link to the relevant section on the Competition and Consumer Protection Commission's website relating to switching lenders or changing mortgage type; and
- v) a reminder that the **regulated entity's** summary statement produced in accordance with Provision 4.28a is available on its website."

Amendment to Provision 6.12

Provision 6.12 is amended by adding "or prior to mortgage credit being approved," after "Where a **regulated entity** offers an incentive to a **personal consumer** on an existing mortgage," and, in subparagraph (a), by adding "or new mortgage credit" after "total cost of the existing mortgage".

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