



TITHE AN OIREACHTAIS

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ

**Tuarascáil maidir le hÉisteachtaí I
dtaobh Nithe a Bhaineann le
Próisis Réitigh Riaráistí Morgáiste**

Iúil 2014

HOUSES OF THE OIREACHTAS

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM

**Report on Hearings on Matters
Relating to Mortgage Arrears
Resolution Processes**

July 2014

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Chairman's Preface

The difficulties faced by homeowners who have entered arrears is a matter of national concern. In addition to the personal turmoil experienced by both individuals and families, the delay in resolving such difficulties inevitably acts as a 'brake' on wider economic recovery. The ability and desire of those who find themselves in arrears to resolve their financial plight and regain solvency mirrors the overarching objective of the national economy returning to growth and future prosperity.

For too long, the mortgage arrears crisis was left to develop. The absence of any mechanism to address this issue inevitably created a "state of paralysis" where both debtors and creditors found themselves in a rapidly deteriorating situation. The Joint Committee on Finance, Public Expenditure and Reform recognized the lack of progress, in finding reasonable solutions, when it first examined this issue. The Committee sought, above all, that a process be set in place that would address the issue of debt sustainability.

Since the introduction of the Mortgage Arrears Resolution Targets (MART) by the Central Bank in 2013, the Committee has closely monitored the operation of these targets and the efforts of financial institutions to meet their intended outcome(s). The Committee is aware that the Mortgage Arrears Resolution Process (MARP) is just one element of a wider set of solutions available to resolve the mortgage crisis. In addition to proposals outlined in the 'Keane Report' in 2011, the enactment of new legislation governing insolvency arrangements and overhauling antiquated bankruptcy processes has added another valuable option in the resolution toolkit. The introduction of the revised Code of Conduct on Mortgage Arrears (CCMA), effective from 1 July 2013, is another important milestone in that it removed some of the restrictions on lenders chasing arrears.

Under the module examined in this report, the Joint Committee agreed to invite the following witnesses:

- (i) Representatives of organisations involved in assisting debtors who find themselves in arrears. The objective was to gain an insight into the practical workings of the resolution mechanisms in existence and to ascertain how successful they are or otherwise.
- (ii) CEOs of the four main financial institutions in the State to garner their experience of the operation of the resolution process. It also afforded the Committee the opportunity to reexamine issues highlighted in previous discussions with representative bodies concerning the interaction, or lack of it, by financial institutions in the process.
- (iii) Representatives from the Insolvency Service of Ireland and the Official Assignee in Bankruptcy to review progress within that office and to gain a greater understanding of the mechanics involved in both insolvency arrangements and the revised bankruptcy procedures now in place.
- (iv) The Governor of the Central Bank, Professor Patrick Honohan. As the overarching authority responsible for setting and reviewing the implementation of MART targets, the Committee deemed it important to report to the Governor its views on the effectiveness of the system and the deficiencies that require addressing.

The hearings and submissions made by those attending raised some very important and interesting matters. Whilst acknowledging that strides have been made to tackle the arrears situation, the Committee is clear in calling for renewed vigour and purpose in accelerating the resolution of the mortgage arrears crisis. The current options are not a remedy in themselves and the Committee believes that new and innovative approaches are required, and above all, a commitment to finding fair and sustainable solutions is of paramount importance.

On behalf of the Committee, I would like to express my gratitude to everyone who participated in the hearings and also to those who provided detailed briefing in advance to assist the Committee in its discussions.

I would also like to express my appreciation to the Members and staff of the Joint Committee for their work. I hope this work will assist in the efforts to resolve one of the most pressing issues in society today.

A handwritten signature in purple ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Ciarán Lynch TD,
Chairman

8 July, 2014

Introduction

The Joint Committee on Finance, Public Expenditure and Reform has closely monitored developments in relation to the mortgage arrears crisis. Previously, the Committee has met to review the Report of the Inter-Departmental Working Group on Mortgage Arrears. The Committee has, on an on-going basis, met with the main financial institutions and the Governor of the Central Bank to review the Code of Conduct on Mortgage Arrears, and specifically, the implementation of the Mortgage Arrears Resolution Targets (MART) introduced by the Central Bank in March 2013.

This report reflects the latest engagement of the Committee on this subject. At the outset, it was agreed to invite representative bodies involved in the day-to-day efforts of resolving mortgage arrears. Accordingly, the Committee issued invitations to the following groups:

- Irish Mortgage Holders Organisation (IMHO)
- Free Legal Advice Centres (FLAC)
- MABSndI
- Askaboutmoney
- The Phoenix Project
- New Beginning

Representatives of the above organisations attended a Committee meeting on 2 April 2014. The purpose of the meeting was to glean an understanding of the operation of the MART process from those involved at the 'coalface'. The Committee wishes to thank all the organisations for their work in this field and for providing an informative insight into the workings of the resolution process.

The Committee also invited written submissions from the following organisations:

- Association of Personal Insolvency Practitioners.
- Irish Property Owners Association.
- Irish Society of Insolvency Practitioners.
- Threshold.
- Tenants First.

Following on from this, the Committee agreed to discuss issues raised during the initial hearing with the four main financial institutions involved in the mortgage resolution process. Invitations were issued to the following:

- Mr. Jim Brown, CEO, Ulster Bank.
- Mr. Jeremy Masding, CEO, Permanent TSB.
- Mr. David Duffy, CEO, Allied Irish Banks.
- Mr. Richie Boucher, CEO, Bank of Ireland.

Meetings were held over three consecutive days between 8th and 10th April 2014. To assist the Committee in its preparation for the meetings, each of the institutions was requested to complete and return a detailed questionnaire forwarded in advance by the Joint Committee. The questionnaire sought further information connected with the institutions' dataset returns for MART for the period ending December 2013. The Committee wishes to thank the institutions for the work undertaken in completing the questionnaire and, in some instances, providing additional information relating to resolution measures undertaken in the first quarter of 2014.

The final meeting of the Committee took place on 30 April 2014. Invitations were issued to the following:

- Mr. Lorcan O'Connor, Director, Insolvency Service of Ireland.
- Professor Patrick Honohan, Governor, Central Bank of Ireland.

The Committee previously met with representatives of the Insolvency Service in July 2013. The discussion, at that time, focused on the objectives and resources of the newly established service. The recent meeting afforded the Committee to review progress made in the Insolvency Service and assess the practical impact it is exerting on the ground. The Committee also received a detailed summary of the new Bankruptcy Code from Mr. Christopher Lehane, Official Assignee.

Finally, the Committee concluded its series of meetings with Professor Patrick Honohan, Governor of the Central Bank. The focus of the meeting was to review the MART targets submitted for the fourth quarter of 2013. The Central Bank issued a press release of its analysis of these targets on March 8 2014. In addition to discussing the returns for the period in question, the Committee raised a number of concerns with the Governor in respect of the overall operation of the Code of Conduct on Mortgage Arrears.

In its final meeting, the Committee agreed to prepare a short report summarising the main concerns raised during the course of its hearings. It was further agreed to forward a copy of the completed report to both the Minister for Finance and the Governor of the Central Bank for further consideration and appropriate action.

The main findings of the Committee are contained in the Recommendations heading and result from discussions with a diverse range of stakeholders involved in the resolution process. Whilst not exhaustive, the findings are intended to highlight the weaknesses of the existing system and, where possible, propose alternatives. The Committee is aware of the size and complexity of the task at hand but also acknowledges the importance of implementing effective solutions. Above all, the Committee appreciates that there is not a "one size fits all" solution to the arrears crisis. All parties will have to confront the diverse and difficult challenges ahead with an enhanced degree of innovation and pragmatism. The Committee hopes the recommendations will be considered in detail and looks forward to future engagement and progress in this important area.

Key Improvements since January 2013

- 1) Rollout of 8,000 split mortgages by AIB, BoI, ptsb, KBC, Ulster Bank. Reduction in rate charged by Bank of Ireland on warehoused element (**Requested by the Committee in January 2013**),
- 2) Introduction of MARTs by the Central Bank (**Proposed by the Committee in January 2013**),
- 3) The Central Bank's Guidelines on Sustainable Mortgages have been amended to allow long term solutions to go beyond the age of 70 in exceptional circumstances (**Requested by the Committee in April 2014**),
- 4) AIB have updated their Split Mortgage Product to extend it to people who have retired (**Requested by the Committee in April 2014**),
- 5) Roll out of €150,000 pilot scheme, involving **intermediaries**, as **independent advisors** for AIB customers in arrears.

Background

The current phase of engagement with the financial institutions and the Central Bank on the issue of mortgage arrears began in January 2013. On 16 January 2013, Professor Patrick Honohan, Governor of the Central Bank attended a meeting of the Joint Committee. At the time, the numbers of those in arrears were increasing and the absence of a coherent response was exacerbating the situation. The then Director of Credit Institutions and Insurance Supervision, Fiona Muldoon, in a statement in October 2012 had referred to "*... too many extend and pretends masking as solutions!...*". In her own words, "*an urgency of purpose*" was required to deal effectively with the deteriorating situation.

Committee Members brought attention to the difficulties in the sector and pressed for a commensurate response to deal with those problems. Prior to this meeting, no targets were in place for financial institutions to progress the matter. Arising from this meeting, the Central Bank introduced the Mortgage Arrears Resolution Targets (MART) regime in

March 2013. For the first time, financial institutions were required to provide long-term sustainable solutions to customers who found themselves in arrears.

Since the introduction of the targets, the Committee has frequently met with the financial institutions and the Central Bank to review progress in this area. At all times, the Committee has challenged the institutions to exceed the minimum requirements, as set by the Central Bank, and to introduce innovative and practical resolution products that have real effect.

Split Mortgage Products (SMPs)

A number of notable achievements have occurred regarding SMPs. Both PTSB and AIB have introduced split SMPs that have allowed those in arrears to make viable payments over a longer schedule. In some instances, this has led to a significant saving for customers in arrears as well as enabling customers to pay capital off their loan. Also, AIB has contributed €150,000 to an independent advocacy/advisory body that assists customers in arrears to engage with AIB and KCB with the intention of attaining long-term sustainable solutions. In both cases, the purpose of the split mortgage offerings is to allow homeowners remain in their homes wherever possible. Previously, Bank of Ireland charged the full interest rate on the warehoused portion of their SMP. Following a meeting with Committee members, Bank of Ireland reduced the interest applicable to the cost of funds rate which is a significant improvement. Similarly, Ulster Bank has introduced an attractive concessionary product. The Committee welcomes the introduction of these products and commends those institutions for actively pursuing “outside the box” solutions.

Repayment Options for Retired People

Throughout the engagements with the financial institutions, the Committee has sought to assist in highlighting specific bottlenecks that are impacting on everyday lives. One such example is the issue of those in arrears being able to continue their repayment schedule into retirement. The Committee, in its most recent hearings, reiterated the advantages both to the institutions and the customers of having such a policy. While the Committee acknowledges that not all retirees are in a position to finance repayments, those that have funds and are able to do so were previously precluded from such an option.

The Committee, again, welcomes the recent announcement by the Central Bank on 13 June 2014, whereby revised sustainability guidelines for mortgage solutions beyond retirement now facilitates repayment into retirement under certain conditions. Undoubtedly, this will assist customers who may be experiencing immediate difficulties but who have the capacity to resolve those difficulties in the medium to longer term. Most importantly, this measure will reduce the threat of repossession proceedings taking place in situations where meeting mortgage repayments is ultimately viable.

Recommendations

Sustainability

1. The Central Bank should issue a definition of what constitutes a sustainable mortgage from the borrower's point of view. While the Central Bank has issued guidelines as to what constitutes a sustainable solution from the lenders' point of view under the Mortgage Arrears Resolution Targets (MART) regime, they have not provided a definition of a "sustainable mortgage" from the borrowers point of view. This leads to the anomalous situation where repossession counts as a "sustainable" solution.
2. The Committee rejects the Central Bank's general acceptance of legal solutions as "sustainable" and requests the Minister for Finance to intervene, in line with his own stated views, and ensure that legal letters are not regarded as satisfactory solutions.
3. Where a borrower agrees to the assisted voluntary sale of their home, as part of that agreement, any voluntary sale or repossession must include a sustainable treatment of the residual amount. The Committee welcomes AIB's decision to do this and urges the other financial institutions to follow suit. The Committee believes in almost all cases there is no justification for a family who have lost their home to be continued to be burdened with debt with no allowance for redemption or resolution.
4. The Central Bank should ensure that Affordability Assessments are conducted and recorded on all files reported by financial institutions as sustainable.
5. The Committee notes that the current sustainable solutions are not stress-tested. They are based on current ability to pay, but do not take account of future income shocks, or, the likelihood of

future interest rate rises. The Committee recommends that each financial institution should develop a robust system of 'stress testing' of all new product offerings before they are introduced.

6. The Committee notes with regret the increasing number of people losing their family home since MART began. In this context, it requests that the banks initiate serious efforts to grasp the full potential of the process to reach fair and sustainable solutions which keep families in their home.

Consistency of Approach

7. There should be greater consistency of approach amongst financial institutions in dealing with customers in mortgage arrears. The current disparity in approach undermines the entire process for distressed borrowers. Each bank involved in the MART process should be mandated to provide all relevant customers with all available solutions as specified in the Code of Conduct on Mortgage Arrears. In addition, all relevant customers should be given agreed definitions for all available solutions. This mandatory process would facilitate a customer's ability to query instances where an available option wasn't offered.
8. People in mortgage arrears, who meet certain criteria, should have a right to a resolution process.

Provision for Payment into Retirement

9. The financial institutions should extend all sustainable product offerings, including Split Mortgage Product (SMP) offerings, to people who have retired.
10. Provision should be made for mortgage holders to continue to repay their mortgage(s) on entering retirement as an alternative to having their mortgage deemed unsustainable and thereby resulting in its sale. Retirees should be able to avail of a payment

programme that continues into retirement. It makes no sense for either the lender or the borrower to have a home repossessed when the borrower is able to pay the standard variable rate (SVR) of interest on the mortgage. The Debt For Equity Solution might be particularly useful when considering how to deal with the restructured mortgage post retirement. AIB's decision to proceed on this basis is a positive example of how to deal with this challenge and the other banks should consider following suit.

Legal and Administrative Issues

- 11.** The Central Bank should review the categorisation of cases as devised under the MART targets. There should be greater flexibility to re-categorise cases from legal to non-legal where circumstances have changed significantly.
- 12.** Banks have too readily pursued the legal route in order to meet MART targets as set out by the Central Bank. The Central Bank should analyse whether the pressure to meet targets and avoid stringent financial penalties is hindering the resolution process.
- 13.** Commencing legal proceedings should, at all times, be an action of last resort. All other solutions should be discussed and explored before recourse to legal means. In this context, the Central Bank should issue a set of Guidelines promoting the use of alternative resolution routes.
- 14.** Properties in positive equity require careful consideration. Around 50% of borrowers in arrears over 90 days are in positive equity. Lenders appear to be less likely to offer these borrowers a restructuring such as a split mortgage, as a voluntary sale results in no loss for the lender. Perversely, the recent recovery in house prices may make these houses more likely to be repossessed than houses in negative equity. The Central bank and the lenders

need to develop solutions for these cases which balance the rights of borrowers and lenders.

- 15.** The lenders, Central Bank and borrowers' representatives should devise a uniform solution to the serious problem where Joint mortgage holders have separated, but one partner is not engaging with the process.
- 16.** Standard Financial Statements should be independently stress tested.
- 17.** The Appeals Process, applied by individual banks, should be adjudicated by an independent third party/authority.
- 18.** Financial institutions, guilty of breaching the Code of Conduct on Mortgage Arrears, in regard to the timely issuing of letters in respect of legal proceedings, should face disciplinary action by the Central Bank.
- 19.** When lenders appoint rent receivers to properties, they should ensure that the receivers treat the tenants with due respect and fully uphold the letter and spirit of the Residential Tenancies Act 2004.
- 20.** The Committee calls for the promised legislation on the Code of Conduct on Mortgage arrears (CCMA) to be progressed with the utmost urgency, by the Department of Finance, to provide both legislative protection to homeowners and address the legal uncertainty that exists at present.
- 21.** The Committee recommends that the Department of Justice and Equality undertake a comprehensive review of the Land and Conveyancing Law Reform Act 2013 as a matter of top priority.

- 22.** The Committee notes, with concern, anecdotal evidence that target driven sales are still being applied to personnel in financial institutions. The Committee recommends that the Central Bank continue to robustly monitor lending practices to ensure all financial institutions are adhering to the guidelines published by the Central Bank in 2009 and engaging in prudent lending practices.

Communication and Transparency

- 23.** Banks, when offering particular solutions to customers in arrears, should provide in writing the rationale for providing a particular solution or suite of solutions. Any offers prescribed by a financial institution should automatically be accompanied by a written explanation outlining why that particular option was offered.
- 24.** Banks who initiate legal proceedings against a borrower should be required to set out, in written detail, why the alternative resolution options are not appropriate for that particular customer.
- 25.** The Committee supports the concept of a Tracker Porting Product which allows families and individuals to trade up/down to more suitable accommodation. The Committee views this as a positive example of lenders introducing well-structured and innovative products that have real applicable effect. The Committee, however, notes that by raising the SVR rates, contrary to ECB policy, they have in many cases caused a greater likelihood of families falling into arrears. The Committee recommends the banks examine this potentially negative effect with a view to providing a solution.
- 26.** Where a lender classifies a borrower's mortgage as unsustainable the lender should be required to specify the reason, clearly and transparently, for such classification e.g. *"You have been unable to pay even the interest on your mortgage over the past two*

years. Consequently, the outstanding balance is rising. We see no likelihood of this changing in the medium term".

- 27.** Banks should assign a dedicated team to deal with customers in mortgage arrears. The assigned staff should mandatorily inform customers of their name and surname. A framework enabling recording/traceability of engagement should be instituted. Individual members should be assigned as Case Managers and become the principal point of contact for distressed borrowers for the duration of the resolution process. Lenders should strive as far as possible to give each borrower in arrears a dedicated Case Manager.
- 28.** Communications with customers, whenever verbal, should at all times be followed up with written correspondence. A framework enabling recording/traceability of engagement should be instituted.
- 29.** The Committee recommends full transparency when writing off debt. It should be mandatory that the underlying criteria is published.

Split Mortgage Products (SMP)s

- 30.** The Committee commends the designing of a resolution process by Ulster Bank in addition to the proposals set out in the "Keane Report". It also commends the SMPs introduced by both PTSB and AIB, which, in the latter case writes off some capital but keeps the borrower in the home.
- 31.** The Committee recommends that a zero interest rate be applied to the warehoused portion of all SMPs offered to customers in arrears.
- 32.** In regard to the BoI SMP, the Committee notes that the rate offered is (i) the only rate not at 0% and (ii) in the vast majority

of cases the offer is of no value as the rate is above the tracker rate. The Committee recommends Bank of Ireland adopt the position taken by all the other financial institutions in regard to SMPs.

Reforms and Supports

- 33.** A review of the Mortgage-To-Rent Scheme is urgently required. The Scheme, as devised, is not fit for purpose. The scheme needs to be simplified and the number of agencies involved streamlined. The valuation system requires careful reconsideration and recalibration to reflect current market conditions. Banks should not have the sole authority to recommend a customer for the Mortgage-To-Rent Scheme.
- 34.** Consideration should be given to initiating a debt-for-equity solution at the restructuring phase. The Central Bank should undertake an analysis of the potential of such a product and, on foot of this, introduce the solution on a pilot basis initially.
- 35.** The Committee notes the success of the pilot initiative financed by AIB, whereby, independent advisers to customers in arrears facilitate re-engagement into the resolution process. The Committee recommends that a National Framework is established, under the aegis of the Department of Finance, and funding is made available, from financial institutions, for borrower side support as a matter of urgent priority.
- 36.** The Committee notes the potential for a significant escalation in repossession proceedings. The Committee requests the Government to develop a National Plan, with requisite costings, to assess both the risks and potential supports for at risk families.

- 37.** The Committee welcomes the publication, monthly by the Department of Finance, and quarterly by the Central Bank, of mortgage arrears figures but notes the differences in what these figures show. It recommends both parties liaise to produce an agreed uniform set of figures. It also recommends that the Central Bank disaggregate the arrears data between customers on the Standard Variable Rate (SVR) and those on tracker rates.
- 38.** The Committee acknowledges positive developments to date and recommends ongoing engagement with all stakeholders involved in the mortgage arrears resolution process to ensure that progress continues to be made in providing sustainable solutions.
- 39.** The Committee acknowledges that besides engaging with the four main financial institutions in the State, there is considerable ongoing activity involving other financial institutions that the Committee intends investigating in the future.
- 40.** The Committee recommends that the Central Bank continue its robust monitoring of all lending institutions, reflecting its 2009 published guidelines, to ensure proper scrutiny and prudential lending practices are in place.
- 41.** The Committee recommends that the Financial Services Ombudsman utilizes the Office's existing powers enshrined in legislation, to the maximum extent, to ensure optimal outcomes for homeowners.
- 42.** The Committee is concerned about the outsourcing of work related to mortgage arrears having a negative impact on customers and the pay and working conditions of lower paid bank staff. The Committee recommends that staff dealing with mortgage arrears are well-trained, on long-term contracts, experienced and based in Ireland.

- 43.** The Committee notes the increase in homelessness due to rising rents, and in many cases, the selling or repossession of a property due to mortgage difficulties of the landlord. The Committee recommends that tenants should not have leases ended, their rent increased or any other detrimental changes imposed when a receiver takes over a property.

Insolvency Service

- 44.** The Committee notes the contributions of both the Director of the Insolvency Service of Ireland and the Official Assignee in Bankruptcy in highlighting the significant benefits of bankruptcy in offering the opportunity to discharge the burden of debt and regain financial independence. The Committee recommends that this positive communication is continued by both parties.
- 45.** The Committee recommends that barriers to bankruptcy be addressed, including the current prohibitive price of application.
- 46.** The Committee notes the high cost of engaging with a Personal Insolvency Practitioner, which acts as a potential barrier to the application of the Insolvency Legislation. The Committee recommends provision be made to ensure people are not denied access to insolvency solutions due to lack of money.
- 47.** The Committee notes the public refusal of some financial institutions to engage in any write-down of secured debt. The Committee notes this stance is in direct contravention to stated Government policy in regard to the enactment of Insolvency legislation. The Committee recommends a review of the existing Insolvency legislation by the Department of Justice and Equality to mitigate against such practice.

Conclusion

In reviewing the MART targets to date, the Committee has identified a number of themes it deems central to the ultimate success of the mortgage arrears resolution process. In no particular order, the following principles underpin the entire process. Furthermore, the absence or diminution of one, or all, of the following guidelines undermines the entire process:

Transparency:

Transparency is key to any project that involves public participation. In this case, borrowers should be aware of their rights and responsibilities. They should be sufficiently briefed and informed as to why a particular offer has been made and others have not. They should have sufficient information at their disposal about the right of appeal and right of reply. Finally, borrowers should have the right to appeal to someone other than the lender.

Sustainability:

Arguably, the single biggest “litmus test” for the validity of any offer is whether it is sustainable or not. Short-sighted, stop-gap, temporary measures only serve to make a difficult situation worse. Ultimately, such an approach, serves to delay and lengthen the requirement to confront the challenge presented head on. To satisfy the sustainability requirement, offers must be real. They should take into account “circumstances in the round” and focus on the long term objective over short term targets. Real people need real solutions that take into account the myriad of individual circumstances applicable to all members of society. In terms of mortgage arrears, this means facilitating the treatment of the residual debt from the outset. It also means detailing for customers the profile of their repayment schedule and emphasising key milestones in that schedule such as the beginning of retirement and the change in financial circumstances that entails.

Dignity:

Mortgage resolution is a process involving two or more parties. At its core is communication. The absence of engagement by one or more parties invariably undermines the process. However, the way in which the communication process is defined and administered is crucial to its success. Like any human relationship, dignity and respect are essential values. All parties should treat each other with mutual respect. Borrowers should be afforded dignity in the process and in the proposed solution.

Equity:

Equal treatment is paramount if the resolution process is going to gain public acceptance. The present situation whereby a lack of consistency, not only across the financial sector, but even within many of the same institutions, leads to uncertainty, negative speculation and the general perception of a "lottery" outcome. There should be consistency in the quality of offers, even if the details differ, across lenders.

Protection of Exchequer Funds:

The Committee fully appreciates the fundamental objective and duty to protect exchequer funds. Due regard to the overall balance and vigilance of the effect of the mortgage resolution process must be taken into account. Evaluating potential offsets in regard to capital buffers of institutions and the effects for the exchequer is a real concern considering the intertwined state of banks and the exchequer at this juncture.

Economic Growth:

The mortgage arrears resolution process must be viewed in the context of wider macro-economic growth. In many ways, both feed into each other. The mortgage crisis has inevitably acted as a drag on overall economic growth. This is particularly true for the domestic consumer sector and exchequer returns. The sustainability of the mortgage sector is a micro element of the general sustainability of national debt. It is widely acknowledged that fiscal consolidation through taxation increases has reached its limit as a viable economic tool. Therefore, the single largest factor that has the potential to reduce the national debt is economic

growth. In terms of the resolution process, it is imperative that all lenders approach this issue with a common objective of driving sustainable economic growth.

Implementation of the above principles is necessary if the mortgage resolution process, as constituted, is to succeed. Public anger and apathy towards financial institutions is pervasive. Many perceive the actions and policies pursued in the recent past as reckless and incompetent leaving behind a human financial scar that will take generations to heal.

Resolution of the mortgage arrears crisis has reached a crossroads. No longer is it a matter solely between the individual customer and their borrower. The impact of the crisis continues to weigh down the national recovery. The European Commission has appropriately noted this effect in its recent publication of the 2014 Country Specific Recommendations for Ireland. Any delay in dealing effectively with the arrears crisis represents a looming threat to the economic recovery of the nation as a whole.

Finally, it is important to emphasise that the arrears crisis is, above all, a human crisis. While houses consist of bricks and mortar the consequences and ramifications for those involved are borne of real human emotion. In effect, what is at stake is one's home, the right to "a roof over one's head", the most basic freedom enshrined in our constitution and the protections and shelter afforded under that precept to every individual and family in this land. Generally, people will do everything in their capacity to retain this right. What is required is for all parties to come together, engage in a meaningful way and plan a resolution strategy that serves the interests of both parties in a fair and sustainable manner.

The Joint Committee on Finance, Public Expenditure and Reform will continue to review, propose, report and engage with all stakeholders and looks forward to significant resolution in this area in the near future.

APPENDIX 1

MEMBERS OF THE JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM

List of Members¹

Chairman:	Ciarán Lynch (LAB) ²
Deputies:	Richard Boyd Barrett (PBP) Michael Creed (FG) Pearse Doherty (SF) Regina Doherty (FG) ³ Stephen S. Donnelly (IND) Timmy Dooley (FF) ⁴ Alan Farrell (FG) ⁵ Seán Fleming (FF) Simon Harris (FG) ⁶ Joe Higgins (SP) Heather Humphreys (FG) Kevin Humphreys (LAB) Mary Lou McDonald (SF) Michael McGrath (FF) Dara Murphy (FG) ⁷ Kieran O'Donnell (FG) Aodhán Ó Ríordáin (LAB) ⁸ Arthur Spring (LAB) Brian Stanley (SF) ⁹ Liam Twomey (FG) (Vice-Chair)
Senators:	Seán D. Barrett (IND) Thomas Byrne (FF) Paul Coghlan (FG) ¹⁰ Michael D'Arcy (FG) Aideen Hayden (LAB) Tom Sheahan (FG)

¹ Deputies appointed to the Committee by order of the Dáil on 9 June 2011; Senators appointed to the Committee by order of the Seanad on 16 June 2011. Deputy Alex White elected as Chairman on 23 June 2011; Deputy Liam Twomey elected as Vice-Chairman on 23 June 2011.

² Deputy Alex White promoted Minister of State 2 October 2012; Deputy Ciarán Lynch replaced Deputy White by order of the Dáil on 10 October 2012 and was elected Chairman 10 October 2012.

³ Deputy Regina Doherty appointed on 3 July 2013 in place of Deputy Peter Mathews.

⁴ Deputy Timmy Dooley appointed on 21 June 2011 in place of Deputy Seán Ó Fearghail.

⁵ Deputy Paschal Donohoe appointed on 3 July 2013 in place of Deputy Billy Timmins and discharged on his appointment as Minister of State 12 July 2013 being replaced by Deputy Alan Farrell by order of the Dáil on 18 July 2013.

⁶ Deputy Simon Harris appointed on 28 November 2012 in place of Deputy Jim Daly.

⁷ Deputy Dara Murphy appointed on 19 July 2012 in place of Deputy Olivia Mitchell.

⁸ Deputy Aodhán Ó Ríordáin appointed on 28 November 2012 in place of Deputy Michael McNamara who was appointed on 8 December 2011 in place of Deputy Thomas P. Broughan.

⁹ Deputy Brian Stanley appointed on 25 September 2012 in place of Deputy Pádraig Mac Lochlainn who was appointed on 14 December 2011 in place of Deputy Jonathan O'Brien.

¹⁰ Senator Paul Coghlan appointed on 14 June 2012 in place of Senator Denis O'Donovan who was appointed on 10 May 2012 in place of Senator Katherine Zappone.

APPENDIX 2

List of Witnesses – Matters Relating to Mortgage Arrears Resolution Processes.

Irish Mortgage Holders Organisation:

Mr. David Hall, Director

Mr. Stephen Curtis

Free Legal Advice Centres (FLAC:

Ms. Noeline Blackwell, Director General

Mr. Paul Joyce, Senior Policy Analyst

MABSndI:

Ms. Carol Dunne, Business Manager

Ms. Anna Walsh

AskAboutMoney:

Mr. Brendan Burgess

Phoenix Project Ireland:

Ms. Julie Sadlier, Solicitor

Mr. Tom O'Reilly

New Beginning:

Mr. Ross Maguire,

Ms. Ruth Fanning

Ulster Bank:

Mr. Jim Brown, Chief Executive Officer

Mr. Stephen Bell, Chief Risk Officer

Mr. Jim Ryan, Head of Branch banking – Republic of Ireland

Permanent TSB:

Mr. Jeremy Masding, Group Chief Executive

Mr. Stephen Groarke, Head of Financial Reporting and Planning

Mr. Shane O'Sullivan, Managing Director - Asset Management & Non-Core Units

Mr. Ger Mitchell, Director of Mortgage & Consumer Finance

Allied Irish Banks:

Mr. David Duffy, Chief Executive

Mr. Bernard Byrne, Director of Personal Business and Corporate Banking

Mr. Fergus Murphy, Director of Products and Capital Market

Mr. Brendan O'Connor, Head of Financial Solutions Group

Bank of Ireland:

Mr Pat Farrell, Head of Group Communications

Mr Richie Boucher, Group Chief Executive

Mr Stephen Mason, Director – Mortgage Arrears Resolution Strategy

Mr Liam McLoughlin, Chief Executive – Retail Ireland

Insolvency Service of Ireland:

Mr. Lorcan O'Connor, Director

Ms. Cathy Clarke, Head of Regulation Division

Mr. Randall Plunkett, Head of Case Management Division

Mr. Christopher Lehane, Head of Bankruptcy Division and Official Assignee in Bankruptcy

Central Bank of Ireland:

Mr. Patrick Honohan, Governor

Links to Official Meeting Transcripts

Transcripts of all Committee Meetings can be accessed at the following links:

2 April – Meeting of the Joint Committee on Finance, Public Expenditure and Reform:

<http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FIJ2014040200003?opendocument#B00100>

8 April – Meeting of the Joint Committee on Finance, Public Expenditure and Reform:

<http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FIJ2014040800003?opendocument#K00100>

9 April – Meeting of the Joint Committee on Finance, Public Expenditure and Reform:

<http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FIJ2014040900002?opendocument#A00200>

10 April – Meeting of the Joint Committee on Finance, Public Expenditure and Reform:

<http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FIJ2014041000003?opendocument#C00500>

30 April – Meeting of the Joint Committee on Finance, Public Expenditure and Reform:

<http://oireachtasdebates.oireachtas.ie/Debates%20Authoring/DebatesWebPack.nsf/committeetakes/FIJ2014043000001?opendocument>