

Protocol for independent advice to borrowers availing of long term mortgage forbearance

Parties

Recognised Accountancy Bodies, such as ACCA, CAI and ICPAI
Participating mortgage lenders regulated by the Central Bank of Ireland.

Relevant Public Bodies

Department of Social Protection
Department of Finance
Central Bank of Ireland

Scope

This protocol, which is not legally binding on any of the parties, addresses the arrangements regarding the provision of specified independent financial advice* to mortgage borrowers arising from the advanced forbearance process with respect to a mortgage secured on a primary residence (as defined in the Code of Conduct on Mortgage Arrears as issued under Section 117 of the Central Bank Act 1989).

General

At the advanced stages of the Code of Conduct on Mortgage Arrears MARP process, some co-operating borrowers will be offered a long term forbearance arrangement for their mortgage. The description “long term” is used to describe arrangements that are intended to be both permanent and/or long term. Long term forbearance will involve the borrower being offered a scheme that is affordable in the long term and in the normal course of events and should not, save for provision for annual review by the lender, need to be revisited, amended or adjusted over the remaining life of the mortgage other than standard bank loan reviews or any reviews required by the forbearance proposal itself.

The long term forbearance options covered by this protocol, where they are offered by a participating lender, may include one or more of the options as outlined below (or variations of same);

- Split Mortgages
- Term Extensions
- Long Term Interest Only
- Mortgage to Rent (or potentially Lease)
- Trade Down Forbearance
- Equity participation
- Voluntary Sale forbearance
- Repossession (co-operating customer)

The above list of options, however, is not exhaustive and variations of the above options or other options may also be offered to borrowers.

Once the borrower has been presented with a final long term forbearance option for consideration, the lender will advise the borrower to take independent financial advice on the proposed arrangement and that, if the borrower wishes to avail of the

option, that the lender will pay €250 (plus VAT where applicable) to an accountant for the provision of specified independent financial advice directly to the borrower. The specified advice assignments will be provided by a panel of practicing accountants. The advisory scheme will be promoted to accountants by the Recognised Accountancy Bodies and a list of participating accountants will be prepared. Borrowers will be free to choose their own adviser from this list and the lender will pay for the advice once only per borrower.

Protocol

The general scope of work of the independent financial advice would be:

- Obtaining customer due diligence documentation as required by Anti-Money Laundering rules;
- Agreeing a standard letter of engagement for a specified independent financial advice assignment with the client;
- Obtain from the client a copy of their Standard Financial Statement (SFS) and a Financial Statement summary;
- Obtain from the client details of the lender's proposed long term forbearance arrangement(s);
- Explain technical terms and language in the proposal,
- Advise on the implications of the advanced forbearance options in terms of:
 - The revised monthly/weekly cash cost of debt servicing compared to the client's weekly/monthly net wages
 - The new term of the loans compared to previous
 - The interest rate being charged compared to previous
 - Surplus after expenses of discretionary money available on a weekly/monthly basis per the Financial Statement Summary
 - Other on-going financial implications arising from the proposal
 - The financial implication of the final outcome
 - The practical implications of default on the scheme
- Advice provided within a two week period of initial client approach, where possible.
- The provision of specified independent financial advice under this arrangement will be free to the borrower. (However, should the borrower require and wish to obtain further financial advice from the accountant, such as in relation to taxation or self-employment/business options etc, this will not be covered by this agreement. It may, however, by agreement between the borrower and the accountant be the subject of a separate engagement between them, the terms of which are a matter for the parties concerned. The additional costs for this will not be met by the mortgage lender).
- The specified advice under this arrangement could involve up to two meetings between the borrower and accountant, although it is expected that most assignments will be completed in one meeting.
- The accountant will explain to the client that the advice provided under this arrangement does not constitute legal advice and, if necessary, legal advice should be obtained on a separate basis.
- The accountant will not specifically advise the client to accept or reject the proposed arrangement(s).

- The accountant will not have any liability to the mortgage lender in respect of the advice provided to the borrower under this arrangement or in respect of the decision of the borrower.

Data collection The participating mortgage lenders will collect and make available to the relevant public bodies as required and where reasonable statistical data on the take up and usage of the scheme including for publishing (in an appropriate way) or other policy purpose. The Recognised Accounting Bodies have agreed where practical to cooperate in the collection of such data. The mechanisms for the collection of statistical data will be finalised by the parties as soon as possible.

Review mechanism

The arrangement will be kept under review by the relevant public bodies.

Nothing in this protocol shall be taken to amend or diminish mortgage lenders' legal obligations, including without limitation, their obligations under the Consumer Protection Code 2012 and the Code of Conduct for Mortgage Arrears. This protocol shall also not [impact on the independence of the Central Bank of Ireland in the performance of its statutory functions and this protocol is without prejudice to the performance by the Central Bank of Ireland of its statutory functions.](#)

* - the advice given by the firm does not constitute investment advice as defined by the Investment Intermediaries Act 1995 or a mortgage advice as defined by Consumer Credit Act 1995

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