

**Joint Committee on Finance, Public Expenditure, Reform and Taoiseach  
Opening Statement  
Francesca McDonagh, Group Chief Executive**

*Tuesday 30 January 2018*

**CHECK AGAINST DELIVERY**

Good evening, Chairman, Deputies and Senators, and thank you for inviting me today to speak to you on behalf of Bank of Ireland.

I am joined by my colleagues, John O’Beirne, Head of Products at the Bank and Stephen Mason, Head of Customer Operations.

As you may be aware, I took up the role of Chief Executive of the Bank of Ireland Group on the 2nd of October, 2017. Before this, I spent over 20 years in a variety of senior banking roles in the UK and internationally.

Bank of Ireland is the largest lender to the Irish economy, and has the largest community footprint of any bank in Ireland. I believe the Bank does many things well. However, the issue we are here to discuss today does not fall into that category.

Quite simply, I believe Bank of Ireland took too long to get to the right position, and didn’t go far enough in putting the customer first. This has undoubtedly caused many of our customers financial pain and personal distress.

Therefore – before moving ahead with my comments this evening – I wish to restate my unreserved apology to all customers affected by this issue for the financial loss and anxiety this has caused them and their families.

Since joining Bank of Ireland, I have reviewed the Bank’s approach to the tracker issue. I have concluded that the Bank placed a clear emphasis on the legal interpretation of our mortgage agreements but did not go far enough to fully ensure we were delivering the right outcomes for our customers.

I will return to this later in my remarks, but at this point wish to restate my personal commitment to dealing with this issue as quickly and comprehensively as possible.

When I took up the position of CEO at Bank of Ireland four months ago I set about immersing myself in all aspects of the business. Very quickly, the tracker mortgage issue became my key focus.

From my first week as CEO, the issue featured prominently in my interactions with the Board and with our regulators. This included communication between us and the Central Bank regarding the potential inclusion of additional customers into our redress and compensation scheme.

It became abundantly clear that understanding and resolving the tracker issue was a matter I needed to put at the top of my list.

In agreement with the Board – who wished to comprehensively resolve the issue – I made this matter my top priority so that I could understand it as best I could. Armed with this understanding, when the Bank of Ireland Chairman and I met Minister Paschal Donohoe in late October, we agreed to fix this issue as quickly as possible, and I gave the Minister a strong personal commitment that we would do the right thing for our customers.

In presenting to the Committee today, I would like to focus on four key points:

**Firstly**, our progress in addressing this issue;

**Secondly**, our understanding that we can't ever fully reverse the negative impact the tracker issue has had on our customers;

**Thirdly**, the announcement we made in November to include additional customers; and,

**Finally**, our determination to rebuild trust in Bank of Ireland.

**Turning to the first of these points, we have made significant progress in addressing this issue as a matter of priority.**

In total, as a result of this examination Bank of Ireland has identified approximately 9,400 customers affected by this issue. These customers fall into two groups – those who were denied a tracker rate, and those who were on a tracker but on an incorrect rate.

Of the total 9,400, approximately 6,000 customers were denied a tracker rate. Approximately 3,400 customers were on a tracker but on an incorrect rate. All of these customers with open mortgage accounts have now been returned to their correct tracker rate. All of these customers are also entitled to redress and compensation – and, as of today, we have now contacted almost 9 out of 10 of them with an offer.

Up to the end of December 2017, more than one third of these customers – almost 3,300 – had received redress and compensation. More than €38 million had been paid to these customers.

Since then we have continued to make strong progress.

As of 24 January, the number of customers receiving redress and compensation has increased to more than 5,000, and more than €68 million has been paid. The total amount of redress and compensation offered to affected customers is €108 million.

I trust these points underscore how seriously the Bank views this issue, and the steps we are taking to make things right for our customers.

However, behind these numbers are people whose lives have been affected by the way the tracker issue was handled.

**This leads me to my second point. While we are now resolving the financial aspects of the tracker issue with compensation and redress, we know we can never fully reverse the negative effect the tracker issue has had on our customers.**

A mortgage is more than a financial transaction or product. It represents a home, the place where we build our lives, the place where we raise our families.

In my efforts to ensure we comprehensively addressed this issue, I went through a number of individual, difficult, cases in some detail. I wanted to do this to fully understand the effect of the tracker issue on our customers. One case involved a customer who had been in extreme financial distress. Another case was a customer who was at risk of losing their home. And, I also looked at the detail of a customer who was dealing with a life threatening illness.

Whilst dealing with these challenging personal issues, each of these customers was also affected by the tracker issue. I am very sorry the Bank has added to their difficulties at what was already a very challenging time for them personally.

We are working hard to manage a small number of complex cases where the impact on customers has been extreme. This includes, in particular, cases where customers have lost their home as a direct result of the tracker issue. Extended and appropriate support – tailored to their circumstances – is available to each of these customers.

Since starting our redress and compensation process, we are also keeping in close contact with our customers, listening to their feedback and the feedback of other stakeholders, and improving our approach where appropriate.

For example, in December we reviewed – and increased – the amount we are offering to all customers for independent legal or financial advice. This is in recognition of the fact that some customers will have more complex legal and financial requirements at this time.

Our appeals panel is also now fully in place. This independent panel will hear the concerns of any customers who do not feel they have been treated fairly in our offer of redress or compensation.

**I would now like to turn to my third point, our decision last November to increase the number of customers who should receive compensation and redress, and to outline the context for that decision.**

From my first week as CEO, the tracker issue featured prominently in my interactions with the Board and with our regulators. At that time, the Central Bank challenged Bank of Ireland on whether all customers negatively affected by the tracker issue had been identified correctly – in particular a group of approximately 6,000 customers.

With the aim of achieving a comprehensive resolution, Bank of Ireland's Board gave me a strong mandate to take a fresh look at the tracker issue.

The terms of the tracker examination, as set out by the Central Bank, required banks to conduct a complete review of their mortgage loan books. The Central Bank's framework required Banks to determine whether contractual rights and consumer protection obligations were complied with. The examination also required banks to show that in assessing regulatory requirements, they had protected customers' interests, treated them fairly, and had considered customers' reasonable expectations regarding their tracker mortgage in the context of the information provided by the Bank.

I undertook a thorough review of the tracker issue. Work was already in progress but I wanted to ensure we were getting to the right outcome. This included listening to and reviewing the experience of affected customers to understand – at first-hand – the impact the tracker issue had on individuals and their homes.

I concluded that a clear emphasis had been placed on the legal interpretation of our mortgage agreements. However, while the Bank had considered the voice of the customer when reviewing cases, my view was that we had not always gone far enough to fully ensure we were delivering the right outcomes for our customers.

Therefore, in November 2017, I recommended to the Board that we go further and include the additional 6,000 customers in our compensation and redress scheme. And the Board strongly supported my recommendation.

There has been a concerted effort at all levels of Bank of Ireland to address this for the benefit of our customers; and in a decisive, efficient and effective way for all of our stakeholders.

**My primary focus right now is on resolving this. However, in addition to putting things right when things go wrong, we must also learn from this issue.**

Banking – at its very core – is based on trust. And I know trust has been damaged, both in Bank of Ireland and in the industry as a whole.

Right now, we will be judged on our actions: on what we do. We have taken immediate steps to prioritise the return of tracker rates, and the payment of compensation and redress, for all customers affected by this issue. This will remain a top priority until it is fixed for every customer.

Looking ahead, Ireland needs both a stable *and* a trusted banking sector – one which demonstrably acts responsibly and fairly towards customers. I have been reflecting on what we must do to restore trust.

My view is that the way in which we address the tracker issue will define the customer focused culture we aspire to at Bank of Ireland.

At the end of 2017, we defined Bank of Ireland's purpose, as one of enabling customers, colleagues and communities to thrive.

To help the Bank achieve this purpose, we have defined key values that will act as a behavioural compass for all of our people. These values aim to embed behaviour which is customer focused, accountable, agile, and which fosters teamwork.

Changing our culture in these ways will lead to the right outcomes for our customers, and will enhance our reputation as a fair and customer-focused bank. I believe it will also – as a direct result – support sustainable growth for our shareholders.

I would also add that, as well as redefining our own culture, Bank of Ireland is fully committed to the establishment of an Irish Banking Standards Board to drive positive change and rebuild trust across the wider banking industry in Ireland.

In conclusion, I would like to restate the importance that the Bank of Ireland Board, my senior management team, and I, have placed on addressing the tracker issue and resolving it fully for every affected customer.

As CEO, my role is to lead Bank of Ireland during the next stage of its development.

I recognise that we can grow our business *only* if we have the trust of our customers, the respect of our stakeholders, and the pride of our colleagues in their organisation.

Making things right when things go wrong is very important – and learning from this issue is critical.

It is my firm commitment that lessons will be learnt by Bank of Ireland – ensuring we become a more customer focused bank, rebuilding trust with our customers and the wider society we serve.

Thank you.

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