

Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach

Thursday, 06 December 2018

Cormac Ryan

CEO of Pepper Finance Corporation (Ireland) DAC

Good afternoon Chairman and members of the Committee.

My name is Cormac Ryan and I am here in my capacity as CEO of Pepper Finance Corporation Ireland. I have held this role since I joined the company in October 2017. I'm accompanied here today by Dermot Caden, Finance Director, who will assist me in answering your questions.

I would like to thank you for the invitation to attend this session to discuss the securitisation transaction Project Glenbeigh announced by the PTSB on Thursday, November 29th. I am pleased to have an opportunity to give you an introduction to Pepper and to outline our planned approach to managing the 6,000+ borrower relationships on behalf of Glenbeigh Securities 2018 - 1 DAC once the customers transfer to Pepper from PTSB in the next six months.

I would like today to provide the members of the Committee with as much information, insight and reassurance as possible when it comes to this transaction and our management of these customer relationships into the future.

I would like to take this opportunity to give you a brief background on Pepper and our strong track record in Ireland.

The Pepper Group is an international financial services business specialising in Loan Servicing, Lending & Advisory Services. In Ireland, our main business is loan servicing.

We entered the Irish market in 2012. With our original 100 employees, from the outset we sought to position Pepper as a leading loan-servicing firm, providing a new and important service to banks and investors in Ireland by leveraging our significant track record and experience globally in onboarding and managing loan portfolios.

In particular, we are specialists in helping people experiencing financial difficulties manage their situation and get back on track through a sustainable solution suited to their individual circumstances.

When we entered the market, viable solutions for customers were in short supply. We have focused on delivering a wide range of new strategies and initiatives to assist customers in the Irish market. This has, for example, included split mortgages and Mortgage-to-Rent. Pepper has completed more mortgage-to-rent arrangements than any other firm in the Irish market.

Pepper is a regulated financial services provider, regulated and authorised by the Central Bank of Ireland under the Central Bank Act, 1997, as a retail credit firm. Pepper is authorised to provide credit in Ireland and is deemed a credit servicing firm authorised to provide credit servicing under the 1997 Act.

Pepper Ireland services over 64,000 loans in Ireland, across all asset classes, valued at circa €16 billion at the end of 2017. Following the Glenbeigh transaction, we expect to be servicing approximately €10 billion of residential mortgage loans for customers. Over 80% of these residential mortgage loans are fully performing.

We employ approximately 380 people in Ireland. The majority of our employees operate from our Shannon office in Co. Clare and we also have an office in Dublin.

Our customer facing teams are made up of highly experienced people with specialised expertise operating in compliance with the regulatory codes. This is one of the reasons why banks, investment funds and long-term investors, such as the PTSB and Glenbeigh Securities, entrust their customer relationships to Pepper.

The growing number of long term, performing and re-performing loans under our management is consistent with our long-term commitment to Ireland. Our strategy and plan is to continue growing and developing our business here and become an ever more important part of the financial services fabric in Ireland.

Our commitment to the ongoing growth of the business forms part of a wider European strategy to grow Pepper's Loan Servicing Business across Europe. Ultimately our long-term growth ambition for the Irish business is to export our services into the European loan servicing market as that market develops.

Our team mission at Pepper is to help people succeed. Finding solutions for customers is part of the Pepper DNA. Like many financial service companies, we are not perfect but we are working hard every day to improve how we service customers and find solutions. From a personal perspective, I have looked to reinforce this focus on customers in Pepper Ireland by setting 'Treating Customers Fairly and Achieving a Positive Customer Experience' as one of the 5 key strategic priorities in the Irish business.

In 2018, we have set up a dedicated Customer Experience programme to improve the skills of our customer facing staff working with customers in all situations. This includes quality assurance and complaint handling to ensure ongoing review and continuous improvement. Every member of our staff regardless of level or team has 'Treating Customers Fairly' built into their performance objectives.

We're proud of our people and their strong track record in managing loan books and servicing customers. We recognise every customer situation is unique and each case needs to be treated on its own merit. For customers in arrears, we use our experience and range of Alternative Repayment Arrangement (ARA) solutions to work with these customers constructively and sympathetically to,

where possible, put in place sustainable solutions that are tailored to their individual circumstances and situations.

Having the benefit of that background to Pepper, our expertise and our approach to customers, let me turn to the Glenbeigh portfolio and how we plan to engage with these customers. I appreciate this is a matter of significant interest to members of the Committee and the customers included in the Glenbeigh portfolio.

I would like to repeat and expand on the assurances that I have previously provided to the PTSB and to the CBI leading up to this transaction and provide five key assurances from Pepper:

1. All the customers transferring to Pepper in the next six months as part of Glenbeigh will be fully covered by the protections of the Central Bank's consumer protection codes and regulations as they were before.
2. Pepper is legally obliged to adhere to and will honour the existing terms of any previously agreed restructure if the customer is meeting all the terms of their restructuring arrangements.
3. If the borrower's personal circumstances do not change and the customer engages in a review process, there is a legal obligation to continue to comply with the terms of the existing restructure arrangements.
4. Following a change in the borrower's circumstances, any change to the restructure will reflect the relevant improvements or dis-improvement in the borrower's circumstances.
5. Where a borrower's circumstances have dis-improved or dis-improve in the future Pepper will work with that customer constructively to find, where possible, a long term sustainable solution to their individual situation that is in their best interests. Every case is different and Pepper is known for taking an individual and personal approach to working with customers, based on a deep understanding of their circumstances.

Being a regulated entity in Ireland, Pepper takes its responsibilities and reputation extremely seriously. We apply the highest standards of corporate governance across our business and we work extremely hard to ensure we comply with our regulatory obligations and meet our legal and contractual commitments.

In looking at how we plan to engage with customers in the Glenbeigh portfolio, I would note that this portfolio is made up of customers who are currently meeting the terms of their restructuring arrangements, which have been previously agreed between the customers and PTSB. The customers have been engaging and have a proven track record of meeting the terms of their restructuring agreements. The relevant accounts generate a steady stream of cashflow which are attractive to long term investors and Glenbeigh is presenting itself as a long-term investment vehicle.

Taking this into account and in addition to the assurances I have provided above, I would make the following final points on how Pepper plans to manage and administer the portfolio to treat customers fairly, especially during the process of scheduled reviews of any restructuring arrangements. Some of these points echo what Jeremy has already said in his opening statement:

- As Master Servicer, Pepper has the full power, authority and right to do all things that it reasonably considers necessary within applicable laws and regulations to manage the portfolio. The Glenbeigh securitisation vehicle itself has effectively legally delegated these decision-making rights to Pepper as the Irish-regulated entity.
- A review mechanism is commonplace in all restructuring agreements. If the loans had remained with Permanent TSB, PTSB would have reviewed with the same objectives as Pepper will have in the future.
- Over 80% of the restructuring arrangements in place in the Glenbeigh portfolio have an average of 10+ years to run and all involve the agreed suspension of repayments on a significant amount of the money borrowed by the customer. Those “warehoused” or “bullet” amounts remain due at the maturity of the mortgage term. It is important and in the customers best interests that the arrangement is reviewed regularly with Pepper in the future to see how that amount may be reduced over time to the long-term benefit of the borrower.

I am here to assure customers transferring to Pepper of our positive track record and standing as a regulated entity in Ireland and set out again the assurances we have provided.

It is our hope that customers transferring to us will come to view their engagement with us as a positive experience and that we have treated them in a fair and transparent way.

I'd like to again thank the Chairman and the Committee for their invitation and would be happy to answer your questions on this transaction.

ENDS