

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

Meeting: Wednesday, 1 March 2023

Topic: Non-Banks/Vulture Funds

Opening statement by Brendan Burgess, Consumer advocate and founder of askaboutmoney.com

Padraic Kissane and David Hall have covered most of the issues already, so I just want to emphasise a few key points.

This is not just about people in arrears

- When you asked the Central Bank what they were going to do about it, they said that they would insist that the vulture funds had solutions in place for people in arrears.
- But this is not just about arrears.
- 81% of vulture fund customers are *not* in arrears.
- It is wrong to gouge customers whether or not they are in arrears.
- The Central Bank should be protecting all customers and not just those in arrears.

The vulture funds argue that they are only passing on ECB rate increases

- For most of the past 10 years, we have had the highest rates for **new** mortgages.
- To the limited extent that Irish banks competed, they competed on short-term fixed rates.
- But with the exception of AIB, the banks kept their variable rates even higher again e.g. Bank of Ireland charged 4.5% when their fixed rates were 3%
- Why? Because customers defaulted onto their variable rates when the fixed rates ended. They could fix again if they wanted to, but many did not get around to it due to ignorance or inertia.
- So we had the highest rates for new business in the eurozone.
The rates for existing businesses were about 1.5% higher again
And now the vulture funds have increased them by 3%
- That is why Bank of Ireland and ptsb have not raised their variable rates – they were already artificially high.

The vulture funds have been encouraged by the Central Bank to pass on ECB rate increases

- The Central Bank governor told you at your most recent meeting?

It would be “concerning” if banks held off for a “long time” from increasing rates, as it would mean that ECB monetary policy is not “being transmitted” to the wider economy.

What was said at the time these mortgages were sold?

- The Central Bank and the Minister for Finance at the time, Paschal Donohoe, said that customers' terms and conditions would not be changed by having their mortgages sold to vulture funds. The clear implication was that they would be no worse off as a result of the sale.
- I pointed out, at the time, that under the terms and conditions, the vulture funds could charge non-tracker customers whatever rate they liked but the Central Bank said that there was no evidence that they were doing this.
- But this is what is now happening.

Take the permanent tsb mortgages sold to Pepper as an example

Here are some of the rates available:

Loan to value		Existing ptsb customer	Ptsb customer sold to Pepper
<50%	Variable	3.6%	6.6%
<50%	5 year fixed	3.4%	Not available
<90%	Variable	3.9%	6.9%
<90%	5 year fixed	3.75%	Not available

Note: Unlike the mainstream banks, Pepper does not publish its mortgage rates on its website. But I understand that Pepper has passed on or is in the process of passing on the full 3% ECB rate increase.

A customer with a €200,000 mortgage who pays an additional 3%, is paying €6,000 a year more in interest.

Borrowers whose mortgages were sold to vulture funds should be offered the same rates as borrowers whose mortgages remain with the original lender

- Vulture funds should offer their customers the rates being offered by their former lender, so that they do not lose out by having their mortgage sold.
- I would argue that this is a requirement of the Central Bank's Consumer Protection Code as it requires lenders to treat customers fairly.
- It would also be in line with the statements from Paschal Donohoe and the Central Bank that the terms and conditions would not be affected by the sale.
- It could also be argued that this is an implied term of the mortgage.
- I will bring a few of these cases to the Ombudsman, but that will take years.
- Others will probably challenge the higher rates in the courts – again, that will take years.
- The Central Bank should amend the Consumer Protection Code immediately so that it explicitly says that any purchaser of a mortgage must offer the same rates being offered by the lender who sold the mortgage.

- If the Central Bank does not agree to do this, the Oireachtas should legislate for it.