

PATRICK SHARKEY,

Redress Focus Group – Banking and Insurance

Patrick Sharkey's Opening Statement for Meeting with Joint Committee on Finance, Public Expenditure and Reform and Taoiseach.

Thank you Chairman and members of the Committee for inviting our Group to attend today's meeting.

At the beginning of 2023, the Redress Focus Groups initiative was set up by Roisin Gallagher, Joy Beard, Brenda Joyce and Claire McDaid. This initiative seen a public call out to our wider community in County Donegal seeking volunteers with a range of skill-sets to focus in on the many issues we face resulting from the Defective Block Crisis in our County. One such area is that of Banking and Insurance, which is what our Group has been focussed and engaging on over the last number of months. The shortcomings of the Government's response to this crisis is leaving our community as having to work together to try and make the best of what is a very inadequate scheme.

By way of personal introduction, I am an impacted homeowner with my family home showing all the signs of defective blocks. Relatively speaking, the property is not yet in bad condition so I am yet to apply for redress and await details of the enhanced scheme. I volunteered for our group having experience of working in financial services and harbour concerns about how Bank's are not helping to address this problem.

Personally, my wife and I were wrongfully removed from a tracker mortgage by our lender and were only restored to a tracker rate after a 5 year process through the FSPO's office. We were over charged by tens of thousands. In 2019, whilst the FSPO investigation into my rate was ongoing, my mortgage was sold to a vulture fund and is now managed by Pepper on a rate of 7.25%. As we know, Pepper is not a normal lender and I simply do not know how the funding I will need in future to engage with the redress scheme will be forthcoming.

Moving on, members of our Group who have commenced demolition and rebuild of their homes will read statements to the committee outlining the dreadful experience they have been through. Their experience highlights the need for mortgage providers to step up and provide interim finance to ensure homeowners can carry out the initial phases of work pending drawdown of their grant.

In the opening stages of our group's work, we reviewed our standard mortgage terms and conditions. These are terms that apply to all of our mortgages. We were struck by the obligations placed on homeowners regarding maintenance and repair of our homes. Examples of such conditions within the BPFI's Standard Terms and Conditions include:

Not to jeopardise or allow any harm to occur to our homes which may in any way depreciate their value.

to Keep our homes in good and substantial repair

Allowing our mortgage provider access to our homes to assess the condition of our homes without them being liable as mortgagee in possession

To insure and keep insured all parts of the Secured Assets

We cannot comply with these covenants when we have defective blocks in our homes.

Moving on,

Our mortgage terms and conditions contain what we call “demand or enforcement events” in which the Total Debt on our mortgages becomes repayable immediately. Section 7.6 of my Terms and Conditions state that the Total Debt shall become immediately payable to Permanent TSB if my home is either damaged so as to materially depreciate the value of my house as security or where it is demolished. This clause is consistent across all lenders and brings our mortgage providers into the centre of this issue.

Clearly, each and every mortgage secured on a defective block home of which there are several thousand, are in technical default position. Effectively, until our homes are rebuilt, we are repaying unsecured mortgages. We cannot understand why we are here in 2023 highlighting these clauses and where Banks have not offered any support or assistance outside of their “business as usual processes”. With thousands of effectively unsecured mortgages on their books, this is a problem for Banks and mortgage providers as well as for us homeowners.

Our objectives therefore have been as follows:

- 1) That Banks and Loan Servicing Companies to put in place dedicated trained staff, policies, procedure and tailored interim finance products to remove the financial barriers to access the scheme.
- 2) That all impacted homeowners without exception are dealt with in conjunction with the vulnerable client processes.
- 3) That impacted homeowners have a clear and well publicised way of contacting dedicated Team in each Bank.
- 4) Bank approval for demolition to be based on their assessment and approval of the proposed works to rebuild our homes based on professional and independent engineer reporting.
- 5) That the Banking and insurance sectors work together to ensure all homeowners are sold appropriate insurance policies, noting full comprehensive cover is not possible with defective block homes.

The key measure of the scheme should be to restore our homes in an unambiguous manner to a fully mortgage condition leaving no shred of doubt about our home’s being fully restored to market value.

We believe there may be issues regarding rebuild on untested foundations, outer-leaf replacement or where semi-detached homes are being demolished in isolation from adjoining properties. We have discussed these scenarios with local auctioneers who believe such scenarios will not restore full market value. The repair of our homes have to satisfy

both home owner and mortgage provider that full value is restored based on professional engineers recommendations

Anything short of that, leaves us as mortgage holders with a lasting damage default on our mortgages.

Such an outcome is not effective use of tax payers money and highlights the need to do things right.

Thank you for your time.

SEAN MCCABE

Redress Focus Group – Banking & Insurance- Sean McCabe

Oireachtas Joint Committee Meeting 5/7/2023 Leinster House 1.30pm

Chair & Committee Members,

Thank you for inviting me here today to participate in this meeting.

My name is Sean McCabe and like my fellow volunteers within the Focus groups I am a defective block homeowner. My wife and I moved into our home in 2016 and after “Core Testing” in July 2021 under supervision with our appointed engineer we were advised that our home should be demolished due to high levels of deleterious materials. I have completed Stage 1 of the scheme (Defective Concrete Blocks Grant Scheme), and we are now due to enter Stage 2 of the scheme as it stands.

I have a Financial Services background based in the North where I specialise in Mortgages and Insurances. However, I must add I am here on a personal capacity.

I was invited onto the Focus Group and accepted in February past as I could no longer sit back and watch my family, neighbours and community suffer due to the failings of the scheme. Many are unable to enter the scheme. This scheme is not suitable for all that need it. This is the reason I am here.

I would like to focus on our meetings and work to date and in particular our meetings with the main banks, BPFI and the Minister for Finance and some key areas that were discussed.

Meetings

- 1 We have met and engaged all our local TD's and requested their help.
- 2 As a group we have met individually with AIB (EBS), Bank Of Ireland in County Donegal and await a meeting with Perm TSB on a local level.
- 3 At our own request we engaged in a meeting hosted by Brian Hayes- Banking and Payments Federation Ireland in Dublin on 29th May 2023 in which the following banks attended. AIB/EBS, BOI and Perm TSB along with Irish Banking Culture Board (IBCB).
- 4 We met most recently with the Minister of Finance Mr Mc Grath on 21st June 2023 at Government Buildings.

Key Areas Discussed & Areas of Concern

1 Emergency need for a “Short Term” interim finance i.e. overdraft/ 0% bridging type facility and the need for interim funding up to the cap level of the scheme. Beyond the cap threshold the need for an equity release type facility that is fair for vulnerable homeowners. We need each lender to develop a tailored bespoke product that allows each homeowner to cover the shortfall of the scheme due to staged payments. In simple terms this allows the homeowner to pay their tradesmen and finish their property.

The banks that we have met have acknowledged the need for this and Minister Mc Grath agreed that this was indeed a “reasonable request”. We need these products implemented by the individual banks with the help of the government. The banks must understand that these products will be “State guaranteed” due to the scheme and as such loans should be at 0% interest. We have been very clear when engaging with the banks that they should not profit from the misfortune of “Defective Block” homeowners. These products are within the remit and capability of our lenders and they must be reminded they have a “duty of care” to look after their customers.

2 Mortgage Terms & Conditions state that damage to the property or demolition of a property is regarded as a “demand event” and as such mortgage holders are in breach of their terms and conditions. Although we acknowledge this is at the discretion of the lender homeowners must be given solid assurances around this.

3 In reference to the new scheme we are hearing soundings around Engineers being appointed by the Dept. of Housing. Can we get assurances around the impartiality of this system and certification of proposed works? Is there for example an appeal process? Can we be 100% sure that people won’t be coerced to go with “partial remediation”?

4 In regards to “partial remediation” and homes still being party to deleterious materials we have concerns around how these properties will achieve market value if foundations and partially remediated walls are left in place. We have concerns around future impact on the re-mortgage capacity for the homeowner. If full market value is not restored this could disadvantage a homeowner in regards to their loan to value and interest rate. Further to this, if our homes are not restored to full market value then what is the potential ongoing affect to the economy and housing stock within Donegal and further afield?

5 We are aware of other successful schemes within the country where the government has played a part. Government initiatives such as Fresh Start, Local Authority Home Loans, Government backed Covid Business Loans. Further to this, is there a role for the SBCI (Strategic Banking Corporation of Ireland) in all of this. The Minister touched on this at our meeting. These are areas that need to be explored and should be discussed as a matter of urgency.

In conclusion, we have a small number of banking institutions in this country that lend the vast majority of home- loans/ mortgages. We do not have a system like other countries where there are hundreds of lenders in a very multi layered banking world. Surely, the banks along with the government can sit down with us moving forward, listen to our concerns and engage with us on this and I appeal to you members of the committee today to take this message home with you and do everything you can as elected representatives to make this happen.

Go raibh maith agaibh,

Sean McCabe

Finance committee 5th July

My name is Sarah Shovlin & I am here to inform you of the horrendous experience my family have been through, trying to engage with the “Defective Block Scheme” and our existing mortgage Provider, EBS.

With the launch of a scheme in 2020, I quickly engaged an Engineer. His report stated our Bison slabs were supported with a 2N block and the house needed to be demolished. We were distraught.

On 12th Jan 2021, we registered for the Defective block scheme and we notified EBS the same day that the house was affected by Mica. We requested information and advice on how best to proceed with the existing mortgage. EBS response to this, was to issue a SFS although we were not in arrears. EBS then advised a working group was in place to address the Mica situation. We followed up 5mts later On May 6th , EBS still had no direction from their “working group”.

Further follow up on our side on Aug 20th 2021, EBS reiterated that “Normal Lending Criteria” resulted in no approval for a top up mortgage.

At no point in this 8 month communication did EBS draw our attention to the covenants of our Mortgage terms and conditions. You can imagine our utter dismay when in March 2023, as we started demolition of our house, which coincided with the creation of this group, where I learned, Demolition was an immediate default per the T&C !!!!!

2 years of constant communication with EBS and they never once mentioned we would be in default. **If this is not a case of dereliction of duty, I don't know what is!**

We duly requested a special exemption in March 2023, which was issued, in relation to demolition. This letter from EBS did not cover

any of the other covenants which were also in breach since before 2021.

2.5 yrs on EBS have yet to identify/offer a product that meets the very special needs of our situation as “Defective Block Homeowners”, they have not engaged in a meaningful way and have demonstrated a clear lack of understanding of the scheme and the circumstances we find ourselves in.

I would like assurance that all banks will categorise Defective block homeowners as “Vulnerable”, there is no evidence that EBS have done this in our situation to date. I ask you here today, to ensure this happens for all DCB homeowners.

Normal lending criteria cannot apply to this situation; age, stress test, LTV, are not applicable. We need short term cash flow funding supported by the grant and longer term low cost funding to reinstate their asset/our home.

It is not only EBS with whom we have engaged with in the last 3 yrs.

In Dec 2022, We complained to the Central bank. CASE-0004055

The Central bank have refused to take any action stating “ *we are aware that most of the commercial banks have put in place dedicated advisors for those customers who are impacted by mica or pyrite. I would suggest bringing your case to your mortgage provider for your lender to review*”.

They then went on to encourage me to go to the ombudsman if necessary.

I had already been to the ombudsman man in July 2021 regarding our situation,

(EBS DAC - Ref. [309597]) the only solutions proposed by EBS at that time was

- 1 review our accounts for affordability under normal lending criteria
- 2 offered a payment break (full moratorium or interest only)
- 3 Confirmed a full suite of options available if we are in financial difficulty.

It needs to be noted that the bank would profit from the solutions they offered and these options would cost us thousands in the long run. No one should be profiting from this humanitarian disaster.

Banks need to acknowledge the complexity and difficulty DCB remediation creates and engage in a collaborative and positive manner offering **practical and workable solutions** for both short term and longer term funding. They need to be part of the solution on a scheme **that does not offer 100%** redress.

Stage payment on the new JUN 23 scheme will be made 10% short of the value requested. For each €100K invoiced by your builder you will get €90K from the council. Each homeowner therefore needs €42K in their back pocket to make this scheme work.

If a local builder is doing 2 or 3 Defective block homes in a year they will have a cash flow shortage of \$120k in a year. Many small builders in the area won't be able to sustain this and therefore will not take on this work.

In addition to the lack of engagement from the banks our government continue to contribute to the problem

We are paying a 5% levy on all concrete products used to reinstate my home.

We are paying VAT on all purchased materials and labor adding thousands to my rebuild, thousands we don't have and cannot borrow.

I have reduced the size of my house and still cannot make the scheme finances work.

Without funding, the entire scheme is not workable and my project will be stalled, others will never get started and the banks asset will never be reinstated as things stand.

Having raised my case with the Ombudsman, the Central bank and our current lender, with no solutions forthcoming. **I ask you, where do we turn now**

My name is Donna McDade and I am no longer the owner of a defective block home. My home was demolished earlier this year. I am currently in the process of rebuilding and trying to manage all the complications that building a home entails, let alone through these circumstances. As well as paying a mortgage, rent, storage and a loan, whilst we are dealing with a cost of living crisis.

Before I summarise the financial difficulties I have experienced thus far in trying to finance the build, please allow me to outline the lack of support, compassion and empathy that the banking sector, in particular Permanent TSB, are enacting. I can answer any questions you have on finances and provide an overview of our journey since August 2022.

Upon receiving confirmation from our Engineer, in July 2021, that our home was recommended for demolition, I arranged a meeting with Permanent TSB to inform the bank of our circumstances, at that meeting the bank had placed a market value of €320,000.00 on the property. Within that meeting our home became valueless.

For 18 months, I attempted to negotiate with Permanent TSB, firstly at branch level and then I contacted senior management as the branch representative was clearly not in a position to offer any form of solution other than forbearance. I outlined a number of options that I deemed favourable to both parties, however, they never negotiated or put in to place any specific supports for vulnerable defective block homeowners, and always responded with **'we have agreed to support customers by way of payment breaks or applications for further advances subject to credit assessment'**. The offer of a mortgage break would be an additional cost to me and credit, only subject to normal lending criteria. I ask the committee here today; do you believe that the banks should continue to profit from families who are having to deal with this horrendous situation that is not the fault of the homeowner?

Having nowhere else to turn, I raised a complaint with the Ombudsman, and through a mediation process, it was deemed that the banks position had not changed, reiterating their final response dated 15th August 2022. The Ombudsman informed me that Permanent TSB stated, **this is not the banks fault**. A rather callous and unsupportive response from the bank, as we are all aware, this disaster has occurred due to the lack of enforced regulations by government and government agencies. In addition, may I respectfully remind the committee, the State retains a 57.4% shareholding in Permanent TSB.

Further insult, August 2022, I received a letter from Permanent TSB informing me that the interest rate on my tracker mortgage was going to increase and has continued to do so. Since the aforementioned date, the interest rates have increased by 4% that equates to an increase of almost €300 per month. I am currently paying €1,237.22 on a property that no longer exists. Do you consider this to be fair?

I contacted the European Central Bank and the Central Bank of Ireland and both confirmed that it is at the *'lender's discretion'* as to whether or not they *'pass on'* interest rate hikes. Once again, I contacted senior management, in December 2022, requesting that they show an ounce of empathy and pause the continued increase to interest rates on defective homeowner mortgages. The response from Permanent TSB, **'unfortunately we are not in a position to amend your tracker rate as this is your contractual rate of interest which we must honour'**. Furthermore, the senior manager outlined, **'I know that this is not what you had hoped but you will appreciate that we have many thousands of customers on tracker rates and we can't change the rates for any particular customer segment'**. Time and time again I attempted to highlight that defective

homeowners are in a devastatingly unique position, with valueless properties, through no fault of our own. That support should be considered as unprecedented circumstances and helping this customer segment.

In March 2023, I contacted the same senior manager and asked if the bank has since implemented anything specifically for defective block homeowners and if there are any further developments or indeed talks with Government. To which the bank responded ***'we have supports in place for anyone that needs our help. There are no unique options for defective block owners as our standard supports cover everyone. There have been no further developments since we last exchanged emails'***.

Throughout this process I have continued to pay the mortgage. I had informed the bank that I am willing to continue with mortgage payments, as I am aware of the callous nature of how banks *'sell on'* mortgage accounts in arrears. This is not about not paying the mortgage, but that banks accept that they have a duty of care to vulnerable customers and a vested interest in the outcomes of their customers engaging with the defective block scheme and the shortfalls of said scheme.

This is what brings us here today, homeowners yet again having to work in collaboration and form support groups to tackle these injustices, because that's what this is, an injustice. The group worked tirelessly to find a clause, something that would grab the banks attention. This is how the banks own Terms and Conditions entered this minefield of institutional bureaucracy. Once again, an approach was made to Permanent TSB, to which they replied on 6th April 2023, ***'the Bank confirms that for the purposes of clause 5.2 of your mortgage terms and conditions, the Bank consents to the Mica remediation works ("Works") taking place in respect of the Mortgage Property. Permanent TSB also noted 'I note from your letter that the Mica redress scheme is unlikely to cover the full cost of rebuilding your property. In this regard, while the Bank has no obligation to advance further funding, the Bank would be happy to consider any application that you may wish to make for additional borrowing. Such application will be subject to the Bank's usual lending terms and conditions and affordability criteria'***.

This was the final straw for me and I stopped contacting Permanent TSB. Every request proposed over the last 18 months has been met with indifference, lack of urgency and empathy. This is profiteering and exploitation by the Banking sector, which highlights a blatant disregard for ethical practices and the well-being of customers, as they continue to prioritise their own financial gains over a vulnerable segment of their customers.

If the Enhanced Scheme is delivered as the 90 / 10 scheme, in that, stage works must be completed before an interim payment is claimed and the banks do not offer 0% bridging finance and take a level of responsibility, homeowners will simply be unable to engage. Especially if the banking sector, continue to outline that finance is subject to normal lending criteria. There is nothing normal about our circumstances, defective block homeowners need to be supported and not vilified by the very institutions that *claim* to have our interests as core of *their* values. Permanent TSB and other banks, need to step up and deal with this disaster as unprecedented circumstances and not financial difficulties. This burden has been thrust upon 1000's homeowners and in the words of the senior manager – this is not the banks fault, it most certainly is not the homeowners fault, yet we are left to rebuild our lives and homes whilst trying to stay sane, and trying to cope with not living the life we should be living, this has been ripped from us.