

DÁIL ÉIREANN

AN COMHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

JOINT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND REFORM, AND TAOISEACH

Dé Máirt, 6 Feabhra 2018

Tuesday, 6 February 2018

The Joint Committee met at 4p.m.

MEMBERS PRESENT:

Deputy Peter Burke,	Senator Paddy Burke,
Deputy Pearse Doherty,	Senator Rose Conway-Walsh,
Deputy Michael McGrath,	Senator Gerry Horkan,
Deputy Paul Murphy,	Senator Kieran O'Donnell.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

BUSINESS OF JOINT COMMITTEE

Business of Joint Committee

Chairman: I propose we go into private session to deal with some matters.

The committee went into private session at 4.03 p.m. and resumed in public session at 4.21 p.m.

Scrutiny of EU Legislative Proposals

Chairman: Before we proceed with the business of the meeting, I wish to record the decision taken by the joint committee in the scrutiny of EU proposals. The committee has agreed that COM (2017) 783 does not warrant further scrutiny. Details of all EU proposals considered today and the decisions made on them will be published on the committee's website.

Tracker Mortgages: Permanent TSB

Chairman: I welcome Mr. Masding and his colleagues. By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the joint committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I invite Mr. Masding to make his opening statement.

Mr. Jeremy Masding: I thank the Chairman, Deputies and Senators for the invitation to appear before the joint committee. I am joined by my colleagues, Mr. Ger Mitchell and Mr. Stephen Groarke, each of whom has attended previous meetings of the committee, together with Ms Breege Timoney and Mr. Greg O'Leary.

I know that each of the various bank executives who have appeared before the committee in the past two weeks begun with an apology. I know that the committee has found the apologies to be wearing thin at times, but I must start in the same vein.

Nobody goes to work to do harm to customers, but real harm was caused as a result of the errors and failures that happened at our bank, for which we are very sorry. We are committed to doing better and working very hard to fix the situation.

Let me outline the current position. When we talk about our work in this area, we talk about three separate but linked work programmes, namely, the 2015 PTSB-specific mortgage redress programme which focused on specific issues and which was conducted under the supervision of the Central Bank of Ireland; the programme set up under the product review group which

we launched in late 2015 which focused initially on tracker mortgages; and the Central Bank of Ireland's industry-wide tracker examination programme. Each of these programmes reviewed the management and administration of different categories of mortgage account in respect of entitlements to tracker mortgage products and inevitably the three programmes had a substantial overlap.

Through the programmes we have identified a total of 1,979 customer accounts which have been deemed to be "impacted". A total of 1,374 of these accounts were identified under the mortgage redress programme in 2015; while 605 were identified under the Central Bank of Ireland's industry-wide tracker mortgage examination which included work commenced under the product review group. Of course, like every other institution, our work in this area is subject to review by the Central Bank of Ireland and we are co-operating fully.

In the case of impacted accounts, all have now been offered redress and compensation. The majority have accepted and received the payments. We await acceptance of offers to complete payments for the residual number of customers. Where accounts are still open, they are all on the correct tracker mortgage rate. The majority were redressed and compensated in the second half of 2015. The final letters were issued to the remaining customers in December 2017. We acknowledge, of course, that some have chosen not to accept the payments offered. However, as both the Minister for Finance and the Governor of the Central Bank of Ireland have recently confirmed to the committee, accepting the payments now will have no impact whatsoever on a customer's ability to appeal or challenge the amounts offered, if they consider that is appropriate. As there is literally no downside to accepting the payments, I urge anyone who has yet to do so to accept them now.

The committee has, rightly, spent a lot of time in trying to understand how the problems occurred. In the case of PTSB, the core problem was that we had not provided customers with full information when they asked us to break early from an agreed fixed rate, typically in 2008 and 2009. When customers applied to break early, we did not tell them that a consequence of that request would be loss of an automatic entitlement to move to a tracker mortgage rate at the point when the fixed-rate term would otherwise have concluded had the customer not requested to break early. We have found no evidence that this information was deliberately withheld. However, we accept that we erred by not providing the right information, which is why, in the mortgage redress programme in 2015, we went back to each of the customers and worked out how much they would have saved had they moved to a tracker mortgage rate at the relevant time. As a number of members of the committee have said in recent days, this was their own money and we have returned it to them with compensation.

The number of customers identified through the mortgage redress programme was 1,374 of the total of 1,979 impacted customers across all three programmes, or approximately 70%. The bank's work under the mortgage redress programme identified certain other categories of customer whom we felt might have been disadvantaged for various unrelated issues - typically administrative errors. In September 2015 the board initiated the product review group to review these additional issues and, on an ongoing basis, to monitor and deal with any other legacy issue we might find. Given our experience on the tracker mortgage issue, I think this was and continues to be a prudent measure.

The number of impacted tracker rate mortgage customers identified by the product review group was 201 of the final 1,979, or approximately 10%. As the product review group began its work in late 2015, the Central Bank of Ireland requested all banks to undertake a fuller examination of the issues related to tracker rate mortgages in their institutions. This required us to

TRACKER MORTGAGES: PERMANENT TSB

identify any mortgage account that ever had an entitlement to a tracker mortgage rate or an entitlement to be offered one. In addition, we had to consider how changes which could occur to a customer's mortgage throughout its duration might be related to their entitlement to a tracker mortgage rate, including changes to repayment dates, the use of payment holidays, switches in or out of fixed rates and so on. This required a review of the workings of 342,000 mortgages over a 12-year period. They were reviewed according to a detailed framework required by the Central Bank of Ireland which considered both legal and regulatory requirements. This took 24 months and involved close to 200 people. At all times the work and analysis were subject to oversight by an external firm. For the sake of completeness, this last element of the three work programmes, the Central Bank of Ireland industry-wide tracker examination, identified 404 of the 1,979 impacted accounts, or approximately 20%.

An issue which has received a lot of attention since the exercise began is that of the appropriate rate. It concerns the actual tracker mortgage rate to which certain customers have been returned and, in particular, the margin above the European Central Bank, ECB, rate which has been applied to accounts. To step back for one moment, what we are doing on the tracker mortgage issue is returning to people that which was theirs: first, the money we took from them that they would not have paid if we had not made our errors and, second, the option to move to a tracker mortgage rate that had been lost to them because of the errors. The margin to which they could have returned, however, differs from account to account, depending on the particular contract a customer signed when commencing his or her mortgage or the conditions to which he or she agreed when commencing an agreed fixed rate term.

In many cases, the relevant documents set out a specific margin above the ECB rate that would apply to the tracker mortgage of which the account holders could avail at a future point in time. Where that was the case, we have given all of the relevant customers a tracker mortgage rate with the specific margin applied. For other account holders, however, the margin which would apply to the tracker mortgage to which they could move in the future was not specified in the originating documents. That is similar to what happens today in the case of other mortgages. For example, customers today move to a fixed rate for two, three or five years in the understanding they will move back to a variable rate when it ends without knowing what that rate will be. Again, we have honoured the commitment to these customers in our redress and compensation programme. The tracker mortgage rate to which they have been moved is the one for which they would have been eligible when their fixed rate term reached its scheduled end. This is actually what was applied to customers in the same situation who did not break and, therefore, reached the agreed end date of their fixed rate term. This is reflected in the wide range of margins, from 0.75% to 3.35% above the ECB rate. The particular margin applied to a particular account depends on the date at which the fixed rate reaches its scheduled conclusion.

Our approach ensures consistency between customers who have a fixed rate maturing on the same date and who each have a commitment to an appropriate tracker mortgage rate. If one customer stayed with the fixed rate term to conclusion, he or she moves to a tracker mortgage rate without disruption. If a second customer broke early from the fixed rate term and was, therefore, incorrectly denied a tracker mortgage rate, we now give him or her the same tracker mortgage rate as the first, thereby applying consistency.

The other issue which has been discussed in detail is the overall attitude of the banks to tracker mortgages after the financial crash. Again, I can only speak for Permanent TSB, but I have seen no evidence to date to support the assertion that the bank was deliberately acting against customers with tracker mortgage entitlements. The following points are pertinent in

that regard. When the bank withdrew tracker mortgage products for new customers in 2008, we did not prevent existing customers from moving to where they were entitled and many did. By way of example, 47% of the balance sheet of the bank was tracker mortgages on the day the product was withdrawn for new customers in 2008 and this figure grew to 54% by the end of that year as existing fixed rate customers continued to mature on to tracker mortgages. The bank did not entice or encourage customers to apply to break early from their fixed rates. Almost half of our mortgage customers continue to have tracker mortgage rates which have operated entirely normally. In 2014, before the tracker mortgage issue exploded, my team had spent months developing and launching an innovative new product to help account holders to maintain their tracker mortgage, even where they had sold the underlying property and begun an entirely new mortgage on a new property. Of course, the bank has offered over 30,000 long-term treatments to customers in mortgage difficulties. For tracker mortgage customers, these treatments are constructed around the customer's pre-existing tracker mortgage conditions which we have not amended or removed.

This issue should never have arisen. The errors and failings that lie at the heart of the mess should never have emerged to harm our customers and their families, but they did, sometimes in very distressing ways, for which we acknowledge our responsibility and apologise. In response, we are undertaking, through the product review group, a forensic review of all of our products. Of course, this review started with the tracker mortgage issue. We have also taken unprecedented steps to avoid further damage to customers as a result of our failures. We resourced our redress and compensation programmes to conclude as urgently as possible; restructured both our management team and the board to reflect a new focus on risk and governance; and continue to invest in product design and control. Good banking should be at the very heart of Irish society. We are committed to rebuilding the reputation of and trust in our profession.

Deputy Michael McGrath: I thank Mr. Masding for his opening remarks and welcome him and his colleagues.

I will start with the treatment of those who lost their homes as a result of this issue and those who were subject to legal proceedings. To tease out the issue of the independent review panel which the bank set up, it hears cases in which there was a loss of ownership or the account holders were involved in legal proceedings at any stage. In response to Question No. 28 in the questionnaire which the bank completed, it stated that in the case of 40 appeals which were upheld or partially upheld by the panel, the total additional compensation awarded was 285% of the initial compensation figure. How many appeals in total were lodged with the independent review panel?

Mr. Jeremy Masding: I will talk, first, about the loss of ownership to give the Deputy the full basis for our answer. Perhaps I might ask Mr. Mitchell to help me. To complete the picture for the Deputy, at the time of my last appearance before the committee the guidance was that we would have up to 32 cases involving loss of ownership. I can confirm that in the end the number was 31. Of these, 12 involved private dwelling homes and 19 buy-to-let properties. I hope that gives the Deputy the final data point.

Perhaps Mr. Mitchell might address the issue of appeals.

Mr. Ger Mitchell: In total, there have been 278 appeals to the two panels, of which some 262 have been adjudicated on. Of these, 74 have been upheld in favour of the customer, or approximately 28%. Forty of the appeals were made to the independent review panel and 34 to the customer appeals panel.

Deputy Michael McGrath: Yes, but how many appeals were lodged with the independent review panel.

Mr. Ger Mitchell: Forty.

Deputy Michael McGrath: That is the number of appeals lodged.

Mr. Ger Mitchell: Yes.

Deputy Michael McGrath: Therefore, all of the appeals were either fully or partially upheld.

Mr. Ger Mitchell: Yes. They were all upheld because they were all at an advanced stage in the legal process. The other cases involved repossession or loss of ownership.

Deputy Michael McGrath: Just to be straight, 40 appeals were lodged with the independent review panel, the specific panel for customers who had been impacted on by the tracker mortgage scandal and who had either lost their home or were the subject of legal proceedings by Permanent TSB.

Mr. Ger Mitchell: Correct.

Deputy Michael McGrath: Every one of the appeals was upheld, either fully or in part, by the independent review panel.

Mr. Ger Mitchell: Yes.

Deputy Michael McGrath: That ignores the fact that this was not the first step in the process. They had been identified some time earlier as being those worst impacted. In many cases, they lost their homes. They were made an offer of redress and compensation, which they accepted or rejected, but then they decided to appeal it.

Mr. Ger Mitchell: That is correct.

Deputy Michael McGrath: In every case that appeal was upheld. That makes a complete mockery of the first stage in the process.

Mr. Ger Mitchell: Where customers experienced a loss of ownership, the bank moved to make an immediate payment of €50,000 to each customer who lost a family home and an immediate payment of €25,000 to each customer who lost a buy-to-let property. In addition, the bank made available €1,250 in legal expenses to customers. That was an immediate payment on account to each of the customers affected. Each of these customers was invited to take each individual case to the appeals panel to discuss and share with the panel the exact nature of what he or she lost. The appeals panel adjudicated on each case. The cases varied from person to person. The bank put in place measures as part of the appeals process such that customers were returned and fully redressed any overpayments they made. Any payments they made on any residual amount after they disposed of the properties were returned to the customers, as they should have been. A designated account manager was appointed. An allowance was made for the increase in valuation of each property. We also made available a tracker mortgage to customers who wished to purchase a new property. In some cases, we provided a 20% equity deposit. Finally, any shortfall in that mortgage was written off.

Deputy Michael McGrath: I get all of that. Is Mr. Mitchell saying it was always the case

that the person in each of those instances was going to go to appeal? Is that the point?

Mr. Ger Mitchell: Absolutely, it applied to any customer going through an extensive legal appeals process. We were very upfront. We took the view that those customers deserved to get more of a payment. That is why the specialist independent review panel was created.

Deputy Michael McGrath: What were they offered initially?

Mr. Ger Mitchell: A family home customer who lost a family home was paid €50,000 in a down payment initially. Any customer who lost a buy-to-let property was paid €25,000 in a down payment initially. That was a holding position to allow customers time to lodge the appeal and put them in funds. It would allow the appeal to work through with each individual case because the value of properties would have been different. The degree to which the detriment would have been incurred would have been different from customer to customer. It was an initial holding payment for each customer.

Deputy Michael McGrath: Is Mr. Mitchell saying that it was made clear in each case that a customer should appeal?

Mr. Ger Mitchell: Absolutely.

Deputy Michael McGrath: The term “appeal” in this case is really a misnomer, from what Mr. Mitchell is saying. It was an integral part of the process. Every case where the home was lost was going to end up in this review panel.

Mr. Ger Mitchell: That is why we set up two different panels. One panel was set up for customers who did not lose the home or property and for customers who were not at an advanced stage of the legal process. The cap for that customer appeals panel was €35,000. That panel could refer difficult cases to the independent review panel, which was set up separately. The independent review panel has an autonomous threshold of up to €250,000 to make awards to customers.

Deputy Michael McGrath: What if a customer who had lost her home did not appeal? Is Mr. Mitchell saying that was not possible? As it happens, they all did.

Mr. Ger Mitchell: Any customer who lost a home and who lodged an appeal has received additional compensation - insofar as money can help customers to restore their lives - and support in terms of getting back into the housing market.

Deputy Michael McGrath: Why was that extra step necessary? That is the point I am getting at. Why was that imposed in this case? Why could the bank not have calculated in the first instance what customers were entitled to and make the best offer of redress and compensation in the first place? These people lost their homes. I imagine the appeals process went on for months and months in some cases.

Mr. Ger Mitchell: Since there were two different appeals panels, it was quick in terms of how the process was gone through. The fact of the matter is that in 2015 we had the launch of the mortgage redress programme. This was an integral part of the process. It allowed an independent body of people – there were three independent people – that was separate from the bank to meet each customer and his or her advisers, as necessary, to make an independent decision proportionate to the detriment that the customer may have suffered.

Deputy Michael McGrath: Why did bank feel the need to have a representative on the

other appeals panel, the customer appeals panel? That panel operated where a home was not lost or where the customer was not in legal proceedings with the bank. To my knowledge, Permanent TSB is the only bank that has a nominee on one of these appeals panels.

Mr. Jeremy Masding: We took the view that we were going to have quite a number of appeals. We took the view that it was likely that there would be some complexity when we looked at the number of different customer types and product types that we had to review. We took the view that having a customer representative on that panel was useful for the panel to make the right decision. We were also cognisant that we wanted to avoid any belief that having a bank employee on the panel could disproportionately influence a decision. I presume that is the basis of Deputy McGrath's point. That is why it is a majority voting construct and the chairman has a casting vote.

Deputy Michael McGrath: My point is that other banks decided it was appropriate not to have a representative from the bank on the appeals panels.

Mr. Jeremy Masding: I cannot comment on how the other banks reckoned it. What I will say is that the chairman of the customer accounts appeal has been clear that the bank representative has been invaluable to the panel, the person has been objective, and the person has been helpful in unpicking the complexity. I have no wish to comment on design principles employed by the other banks. I am comfortable that the panel retained objectivity at all times.

Deputy Michael McGrath: I guess the point I am making is that the defendant does not get to be a member of the jury.

Mr. Jeremy Masding: I am comfortable that we provided all the information from the bank's side. I am comfortable with the fact that it is independent as a panel. I am also comfortable that if we look at the processes we go through and if the customer provides new information, then those panels absolutely retain their objectivity and, most important, understand the level of customer detriment that was caused as well as the bank's duty to make that right as well as it can.

Deputy Michael McGrath: I have a query on compensation generally in respect of question 23. The reply from the bank states that compensation is set at the higher of 10% of the redress amount or €1,000. In cases where the home was not lost or where the customer was not subject to legal proceedings by Permanent TSB, the cap was 10%. Is that the case?

Mr. Ger Mitchell: No, the minimum payment was 10%.

Deputy Michael McGrath: The document I have before me states that compensation is set at the higher of 10% of the redress amount or €1,000. In most cases, presumably, the calculation of 10% of the redress is going to be higher than €1,000. It is 10%. I do not see the word "minimum".

Mr. Ger Mitchell: There is a minimum payment of €1,000. A group of 1,979 customers were impacted. For approximately 300 customers the level of detriment was substantially below €1,000.

Deputy Michael McGrath: They got €1,000.

Mr. Ger Mitchell: They got a minimum payment of €1,000 plus €400 for advice fees.

Deputy Michael McGrath: What of those who were significantly impacted to the tune of

tens of thousands of euro? In those cases, the compensation was a flat 10%.

Mr. Ger Mitchell: The compensation was 10% of the total redress. That is right.

Deputy Michael McGrath: Did the appeals panel change that in individual cases? That was a blunt approach to take in that it did not recognise individual circumstances. How did it end up when it worked its way through the customer appeals panel? What was the highest percentage that the appeals panel approved?

Mr. Ger Mitchell: Again, the bank would not be fully *au fait* with the entire circumstances of each customer. We would not have current accounts for probably over half of our mortgage base and, therefore, we would not be familiar with exactly where they were. Hence, we set up the customer appeals panel. As I mentioned, some 278 appeals were lodged. The customer appeals panel found in favour of 34 cases. The average redress for what has gone through is 26%. That is the amount of redress paid out in compensation overall.

Deputy Michael McGrath: Is that across both panels?

Mr. Ger Mitchell: It is across both panels. The average is 26%. The basic was 10%. For customers who appealed and were successful, that average has increased to 26%

Deputy Michael McGrath: Does Mr. Mitchell have the corresponding figure for the customer appeals panel only?

Mr. Ger Mitchell: I do not have-----

Deputy Michael McGrath: I imagine the independent one where people lost their homes would have brought that figure up significantly.

Mr. Ger Mitchell: I will get it for the Deputy, but I do not have it broken down discretely panel by panel.

Deputy Michael McGrath: It would be helpful to get that. The point I am making is that customers who did not lose their homes and were not in legal proceedings were offered 10% with the option of appealing that.

Mr. Ger Mitchell: Yes.

Deputy Michael McGrath: What was the percentage of compensation approved by the appeals panel?

Mr. Ger Mitchell: At a high level, the amount of money paid out through the customer appeals panel was approximately 1.5 times that which they originally received and for the independent review panel it was 2.5 times approximately. However, I can get the Deputy the discrete detail on that.

Deputy Michael McGrath: Is the total amount paid out to date €57 million?

Mr. Ger Mitchell: The total amount paid out to date is €57 million, approximately €45 to €46 million in redress and compensation of €12 million.

Deputy Michael McGrath: How many of the 1,979 customer accounts have been paid out?

Mr. Ger Mitchell: A total of 1,698 customers have been paid out, which is 85% of the 1,979 total. Approximately 1,350 of those customers were paid out during 2015 and 2016.

Deputy Michael McGrath: Do the balance of them remain under appeal?

Mr. Ger Mitchell: The balance of the offer letters for redress and compensation were issued through the month of December, so customers have their letters and they are in the process of filling them out and returning them. We are awaiting the return of approximately 281. They have been in possession of those offers since December.

Deputy Michael McGrath: In how many cases did the bank settle with the customer outside the normal redress programme and outside the appeals panel?

Mr. Ger Mitchell: I am sorry, I do not have that detail with me.

Deputy Michael McGrath: I certainly remember one case covered in the media recently where the solicitor for the plaintiff said that the client in that case got significantly more than the bank was offering.

Mr. Ger Mitchell: Again I cannot discuss an individual customer's case in this regard. I am familiar with the case the Deputy mentions. When the offers were made in 2015 - this is a 2015 case - customers had a choice to accept that, which they lost nothing by doing, taking it to the appeals panel, taking it to the Financial Services Ombudsman, FSO, or in some cases going to the court. The customer in this instance declined the offer, declined to go to the appeals panel and went directly to court. The multiples that were mentioned are on the lower end, for the record.

Mr. Jeremy Masding: There is an important point of principle to build on what Mr. Mitchell said. We have been concerned to hear some solicitors argue that impacted account holders of any bank should not take any redress and compensation offers and instead should wait to make a court challenge. On the basis, as Mr. Mitchell said, that there is a logical loop between the offer, the appeals panels, the FSO and into the courts, I am afraid that is nonsense advice and does no service to their clients.

Deputy Michael McGrath: How many court challenges have been taken against the bank? In respect of how many cases has it been served with papers?

Mr. Jeremy Masding: It is quite a low number. I do not have it with me. The point of principle I am making is that we have been going at this since 2015. We have a process and I would encourage the customers to work with us and in particular to take their redress and compensation payments. There is no downside to doing that for them.

Deputy Michael McGrath: Mr. Masding spoke about the prevailing rate in his opening statement. Has the Central Bank signed off on Permanent TSB's approach to the prevailing rate issue, both in regard to the margin and the rate itself in cases where the prevailing rate and-or the margin were not specified in the original mortgage documentation?

Mr. Jeremy Masding: We provided information to the Central Bank. We have made our position clear in the same way as I have done to the committee this afternoon. I have had no affirmative feedback in that regard. We are obviously still in enforcement, but I have no reason to believe that the position the bank gave was not one which has credibility. Does Mr. Groarke have anything to add?

Mr. Stephen Groarke: I think this was in the Central Bank's testimony to the committee. Its position is that it is for the bank to decide. It is not for the Central Bank to approve or sign off on any particular treatment. However, if it believes it is appropriate, it might object. At this point we have provided it with all the information and we have had no feedback to the contrary.

Deputy Michael McGrath: How did Permanent TSB calculate the prevailing rate?

Mr. Stephen Groarke: It is different in different banks. I am sure the Deputy is aware of another bank with a similar situation. In PTSB the rate was calculated across a number of years in 2007, 2008 and 2009. It moved in conjunction with the increase in the cost of funds over that period. It was based on the cost of funds available to PTSB over that time, but it changed from year to year.

Deputy Pearse Doherty: I was just reading texts from Permanent TSB customers who are absolutely livid at some of the comments made before the committee. I acknowledge that Mr. Masding apologised earlier. Is it still the contention of Permanent TSB that this was a systems error?

Mr. Jeremy Masding: Yes.

Deputy Pearse Doherty: When a woman contacted the bank in 2015 or 2014 and identified the error, is it still the contention that it was a systems error when the bank did not rectify it? When the bank got the original contact from a customer to tell it they were entitled to a tracker rate mortgage and it said they were wrong, does the bank still contend that was a systems error?

Mr. Jeremy Masding: The underlying issue here is a systems error. Yes.

Deputy Pearse Doherty: When the same customer phoned Permanent TSB in tears after receiving a letter from the bank saying that they should voluntarily surrender their home to the bank, does Mr. Masding still believe it was a systems error?

Mr. Jeremy Masding: I believed there was a systems error based on the information I have seen. Yes.

Deputy Pearse Doherty: When the Financial Services Ombudsman ruled against Permanent TSB, does Mr. Masding still believe it was a systems error?

Mr. Jeremy Masding: At that time, yes.

Deputy Pearse Doherty: When the High Court adjudicated against the bank, was it still a systems error?

Mr. Jeremy Masding: At that time, yes.

Deputy Pearse Doherty: Mr. Masding is telling us it is still a systems error. Is it now or was it at that time? Which one is it?

Mr. Jeremy Masding: It is a systems error. The Deputy and I have discussed this issue on a number of occasions at the committee. Obviously, the Deputy has made his position clear. I make the following points to him. First, the lodging of a Supreme Court appeal did not delay or change the resolution of these issues for the 1,979 impacted customers. The majority of these customers received redress in 2015 under the mortgage redress programme, as I have outlined.

Deputy Pearse Doherty: Not only did it impact the number of customers Mr. Masding is

talking about, but up to 30,000 customers were also impacted because of the Permanent TSB's selfish decision to appeal this to the Supreme Court because the Central Bank did not take action. Representatives of the Central Bank have told the committee it could not take action because of a Supreme Court challenge. Friends of mine and family members of mine, who were screwed over by banks and who were lodging appeals to the Financial Services Ombudsman, received the response that there was a case before the courts and they had to wait for that case to be dealt with. That was Permanent TSB's case. Not only did the bank's action impact on thousands of customers, it impacted on the lives of tens of thousands of customers who could not get redress at that point because Permanent TSB decided in its interest to appeal this to the Supreme Court. Is that not the case? Does Mr. Masding dispute what the representatives of the Central Bank said, that it could not initiate a wide-scale tracker rate mortgage examination because of the legal challenge by Permanent TSB?

Mr. Jeremy Masding: The Central Bank investigation into the Permanent TSB began in June 2014 while the Supreme Court appeal was pending. The appeal involved four customers, as the Deputy will know. We withdrew the appeal in February 2015 and within six months we had redressed 1,372 customers.

The appeal to the Supreme Court, as we have discussed before, was taken in response to a concern that a consequence of the High Court's decision involving those four customers would be fundamentally to change the level of advice that retail banks were required to provide when acting on customer requests. After the Central Bank commenced its enforcement investigation, and following the Permanent TSB's detailed analysis, it became clear that we were dealing not with four customers, as the Deputy has said, but with a broad customer welfare issue. That is why we withdrew our appeal and that is why, within six months, we had redressed 1,372 customers.

Deputy Pearse Doherty: There was more than four customers before the Financial Services Ombudsman at the time the bank lodged an appeal. Does Mr. Masding accept that? He will know that because in order for the customers to go to the Financial Services Ombudsman, they had to go through the bank's independent appeals process. I have heard from those customers. I have sat in their kitchens and listened to them. The bank has recorded their telephone calls so it will know that the customers broke down. The bank tried to take their homes from them at the same time as it was robbing them.

Mr. Jeremy Masding: I have heard the Deputy's views on this matter over the past two years. In his position, therefore, I absolutely respect the depth of his feelings. However, as he has made the point very particularly about me, I would like to stand over the manner in which I have conducted myself throughout this exercise. I was not working in Ireland when this problem was sown in Permanent TSB. The Deputy has focused on one particular issue but I want to reference the following: the steps I took to end the appeal to the Supreme Court, once new information was given to me; ensuring the resources and supports necessary to have a successful and speedy conclusion in 2015 of the mortgage redress programme, which established the blueprint for how the industry has responded to the issue up to date; sponsoring the establishment of the product review group to rule out legacy issues; putting in place a pause on all legal actions being taken by the bank in respect of mortgage arrears, and in response the Deputy's point about the loss of ownership, we are the only bank that I am aware of that has done this; and ensuring the timely conclusion of the industry-wide tracker examination, as detailed this afternoon. I am happy that my conduct is that becoming of a Permanent TSB CEO.

Deputy Pearse Doherty: I wish to make it clear that when I talk about Mr. Masding, I am

talking about the bank that he represents. I have nothing personal to say against him. I passionately believe that until bankers are held individually to account for the actions that they have taken individually and collectively, this type of scandal will continue to present itself time and again.

I wish to ask about the so-called systems error. When an individual came off his or her fixed rate contract and when his or her contract stated very clearly in special condition No. 6 that he or she would roll back on to the tracker mortgage rate, where was the systems error? The contract clearly states in black and white at special condition No. 6 that the customer will go back on to a tracker mortgage but that was denied by the bank. Please explain where the systems error occurred.

Mr. Jeremy Masding: In the case of the mortgage redress programme, MRP, I have used the word “system” differently from the Deputy. It is absolutely clear that a bank has an obligation to explain to its customers the consequence of breaking early. We did not pass that test and, hence, the reason the MRP was set up.

Deputy Pearse Doherty: Did the bank explain the matter to its customers or was it not explained clearly enough?

Mr. Jeremy Masding: I was not here at the time. I do not know about-----

Deputy Pearse Doherty: I know Mr. Masding was not here at the time but it has been a major issue for the past three years. I am sure he has an idea of how the bank had to give its customers back €50 million of their money which rested in the bank for the past couple of years.

Mr. Jeremy Masding: I would assert that there was no information given, on average.

Mr. Stephen Groarke: I want to be specific about that particular issue. The contract at the time, to use the exact language, talked about the customer going back to the tracker rate at the expiry of the fixed rate period. For customers who did not reach the expiry of the fixed rate period, the system defaulted them back to the variable rate rather than the tracker rate. For a large proportion of this time the variable rate was a cheaper rate because the ECB rate was higher at that time.

In terms of customer service over the desk, it was not identified to people that that was a disadvantageous position. The systems error was that we did not put in place warnings, which we should have done under the consumer protection code, that the position might reverse and the tracker rate could be a more favourable rate in future years.

Deputy Pearse Doherty: I understand that systems errors can happen. As Mr. Groarke has outlined, customers were automatically put on the standard variable rate. If a bank’s customers repeatedly inform it about something, then the error should be corrected. We would believe there was a systems error if the bank had corrected the error, but it did not do so. Please explain why the matter was not corrected if the bank believed there was a systems error. At some level in the bank, perhaps at board level, officials made the decision to do this.

Mr. Stephen Groarke: No. This was not a deliberate decision but the absence of a control. The control that we should have had in the bank was to warn customers of the potential. There was no deliberate decision that we have been able to identify.

Deputy Pearse Doherty: Numerous verbal and written complaints were lodged with the

bank. Are the officials saying that it was the individual on the other end of the telephone call or the person who read the email who made the decision there and then? Did the bank staff refer to some type of operations manual or bank policy on this issue? I believe the bank made a deliberate decision to put customers who said they were caught in the so-called systems error automatically on the standard variable rate. If so, then the bank is wrong and does not have a leg to stand on.

Mr. Stephen Groarke: The belief in the bank at the time, which was wrong in the absence of providing the right warnings to the customer, was that we had to fulfil the contract. Due to the fact that the customer had not reached the expiry of a fixed rate period, he or she was not entitled to a tracker because he or she had broken early. That was the nature of the appeal to the Financial Services Ombudsman and the High Court until the appeal was withdrawn by more recent management. The systems error was the absence of having the right controls in place to warn customers initially of the potential for the tracker rate to become more attractive than the variable rate and not to recheck the view of the contract right up to the point where it was being appealed in the courts.

Deputy Pearse Doherty: Does the bank now acknowledge that the customers had a legal right to a tracker mortgage?

Mr. Stephen Groarke: The customers had a regulatory right to a tracker mortgage because the very literal reading of the legal contract, in those cases, would be that they did not reach the expiry of their fixed rate. That is superseded by a regulatory obligation under the consumer protection code to give them the right warnings. In this case the regulatory obligation, under the consumer protection code, supersedes anything that is in the contract.

Deputy Pearse Doherty: Did the bank have a policy document stating that anybody who breaks his or her fixed term contract would go back on to an automatic standard variable rate, SVR? Has the bank made that up after the fact? Where is the documentation to say that was the case?

Mr. Stephen Groarke: It is not a specific policy that we have been able to identify. We can see that there were processes within the bank that brought people back to a variable rate rather than a tracker rate. I certainly have not seen a policy document which was approved at any level, particularly at a senior level, within the bank looking at this in that way.

Deputy Pearse Doherty: My next question is one that I have asked other banks. Does Permanent TSB believe that it broke the law in the way it treated its customers and took their money from them?

Mr. Stephen Groarke: In terms of the types of errors that we have seen, which is most of the cases that I have described, this is the first one that is a regulatory error as opposed to a legal error. The remainder of the 1,979 cases appear to be operational errors where we made a mistake in how we ran the account. We do not believe it is a legal error, but we have certainly not fulfilled our obligations to our customers and, under the regulations, not applied the due care and diligence we should have.

Deputy Pearse Doherty: Permanent TSB has not broken the law. The High Court found against the bank which settled out of court with other customers, but it did nothing unlawful. Is that a fair summary from the bank's perspective?

Mr. Stephen Groarke: We look at it slightly differently. As a bank, we absolutely have

to comply not only with the law but also the regulations. We have not fulfilled our obligations under the regulations, which is a serious matter for a bank because regulations have the same standing as the law.

Deputy Pearse Doherty: Deputy Michael McGrath spoke about the number of appeals. A total of 74 appeals have been upheld, while 40 have gone through the independent review process. Is that correct?

Mr. Ger Mitchell: Yes.

Deputy Pearse Doherty: How many individuals lost their homes, both buy-to-let properties and family homes?

Mr. Ger Mitchell: The figure is 31.

Deputy Pearse Doherty: Did all 31 go through the independent review process?

Mr. Ger Mitchell: I do not believe all customers have gone through the independent review process. Approximately 50% have applied to go through the process, but not everybody has applied to go through it.

Deputy Pearse Doherty: That is different from what Mr. Mitchell told Deputy Michael McGrath. He can correct me if I am wrong, but the matter was teased out at length. There were offers of €50,000 and €25,000 for buy-to-let properties, but the expectation was that every one of them would go through the independent review process. I have been led to believe it was not really an appeals process but merely the next stage.

Mr. Ger Mitchell: I beg the Deputy's pardon; I am sorry for any confusion caused. My understanding was that the 40 customers who had gone through the independent appeals panel had had their appeals upheld. They included customers who had lost their homes and customers who were at an advanced stage in the legal process. All 40 appeals were upheld. Not all of the 31 customers, in respect of whom there were 12 family homes and 19 buy-to-let properties, have lodged an appeal with the appeals panel. We have contacted them-----

Deputy Pearse Doherty: That is not what Mr. Mitchell said.

Mr. Ger Mitchell: I beg the Deputy's pardon. I am sorry for-----

Deputy Michael McGrath: There was a clear impression given that all of those who had lost their homes had gone through the independent review panel. It was just the next step.

Mr. Ger Mitchell: I beg the Deputy's pardon and apologise if I have given the wrong information. I was answering the question about the 40 cases that had gone through the independent appeals panel. All 40 appeals have been upheld. The independent review panel was available to all customers, not all of whom chose to avail of the appeals process.

Deputy Pearse Doherty: Therefore, the independent review panel process was available to those who had lost their homes or were at an advanced stage in legal proceedings but not to all customers?

Mr. Ger Mitchell: Not to all customers.

Deputy Pearse Doherty: Mr. Mitchell referred to all customers.

Mr. Jeremy Masding: The boundary for the independent review panel was those customers who had either lost their home or who were in the extended stages of the legal process. That was the outer boundary.

Deputy Pearse Doherty: We know that 31 customers lost their homes and that only 40 are going through this process. How many were in the advanced stages of the legal process who would have been entitled to lodge an appeal to the independent review panel?

Mr. Ger Mitchell: I do not have that information to hand, but I will get it for the committee.

Deputy Pearse Doherty: Can Mr. Mitchell give us any indication? Is it 100 or in excess of that number?

Mr. Jeremy Masding: I suggest we move on a question or two. I will work with my colleagues to see if we have that information with us? If not, I will try to get it.

Deputy Pearse Doherty: That is appreciated. I will stick in this area, if that is okay.

Mr. Jeremy Masding: I beg the Deputy's pardon

Deputy Pearse Doherty: I am saying we will remain in this area but try to get the figures. When was the independent review panel process established and when were customers who had lost their homes informed that they could appeal through the independent review panel?

Mr. Jeremy Masding: The appeals panel process was part of the original mortgage redress programme. We designed it in April or May 2015 and launched it in July that year.

Deputy Pearse Doherty: Therefore, the bank would have written in July to the customers who had lost their homes?

Mr. Jeremy Masding: We started the work-----

Deputy Pearse Doherty: Around that period.

Mr. Jeremy Masding: Yes.

Deputy Pearse Doherty: Customers have one year in which to appeal.

Mr. Ger Mitchell: Yes. Under the framework, the period is 12 months.

Deputy Pearse Doherty: With regard to those who had lost their homes, the bank gave an indication that its opening figure was €50,000 and expected all customers to appeal. They have at most about six months to appeal or they will be locked out of the process.

Mr. Ger Mitchell: The Deputy is technically right that there was a 12-month initial period, but the process is open to any customer who has come to us outside the 12-month period. We received appeals long after the 12-month period had closed.

Deputy Pearse Doherty: If the appeals process was only established in July, how could the 12-month period already be at an end?

Mr. Stephen Groarke: July 2015.

Mr. Ger Mitchell: The original mortgage redress programme identified 1,372 cases. It was announced and launched in July 2015.

Deputy Pearse Doherty: Therefore, the customers affected are technically, on paper, no longer entitled to appeal but the bank will allow appeals to be made. Is that what the delegates are saying?

Mr. Ger Mitchell: Absolutely. We have allowed appeals all the way through the process.

Mr. Jeremy Masding: In simple terms, we are saying that the period from July 2015 to July 2016 is the boundary, but after July 2016 we-----

Deputy Pearse Doherty: Do we know how many of the 31 who lost their homes have appealed?

Mr. Ger Mitchell: The number who lost their homes and who have appealed is seven.

Deputy Pearse Doherty: Of the 31.

Mr. Ger Mitchell: Seven of the 31 customers who lost their homes have appealed to the independent review panel.

Deputy Pearse Doherty: How many of the seven had private dwelling homes and lost the family home?

Mr. Ger Mitchell: I am sorry, but I do not have that detail.

Deputy Pearse Doherty: I put it to the delegates that they have an onus to go through the process again. This is scandalous. There is a problem with how they designed the process. Outside the fact that many of their customers believe the other process is rigged and that they have not got a fair hearing, with regard to those who lost their homes, the delegates contend that the figure was €50,000. They were supposed to go through the independent appeals process but have not done so. On the adjudications made by the independent appeals panel, the individuals concerned have walked away, on average, with 285% of the compensation figure. Individuals who endured huge torture as a result of the activities of the bank have not appealed because the bank has put the onus on the victim to appeal. It is supposed to do what is right. What has it been doing in the past two years or so to make sure people get what they deserve?

Mr. Ger Mitchell: We have engaged in an intensive follow-up and tracing process for all customers who have lost ownership and not accepted the offer of redress and compensation. Multiple attempts are made every quarter to try to trace and contact customers. Some customers have emigrated, while others have returned to other countries. We have been unsuccessful in getting them to come to the review panel, but every effort has been made in that regard.

Deputy Pearse Doherty: Therefore, some of them have not even received the €50,000 cheque?

Mr. Ger Mitchell: They have all been offered the sum of €50,000, but I do not know how many have drawn it down.

Deputy Pearse Doherty: Mr. Mitchell says some of them may have emigrated; therefore, he is not even sure if they are receiving the letter of offer. Is that the point?

Mr. Ger Mitchell: We are trying to contact customers. We do not know why they have not lodged an appeal with the review panel, but we are trying to trace every customer who has been affected.

Deputy Pearse Doherty: With how many of the 31 customers who lost their homes is the bank sure it has made contact in the past two years? It appears that the bank is not even sure if it has made contact with certain customers who lost their homes as a result of its actions. With how many of the 31 customers can the delegates categorically tell the committee that the bank has been in contact? This is not rocket science. If the bank was looking for a payment, someone would be knocking on the bloody door or waiting on the other side of the hedge. I have received letters from people who have been harassed on the telephone by Permanent TSB staff while watching their grandchildren play football because they are in arrears as a result of the bank's actions on tracker mortgages. How many of the 31 customers definitely received letters and definitely know that there is an offer of €25,000 or €50,000, depending on the type of mortgage involved, and that they have the right to appeal and are being encouraged to do so?

Mr. Ger Mitchell: All 31 customers have received letters; 29 have accepted the offer made and two have not cashed the cheques for the payments made.

Deputy Pearse Doherty: Has the bank made contact with those two customers?

Mr. Ger Mitchell: Yes.

Deputy Pearse Doherty: Have they received letters?

Mr. Ger Mitchell: Yes, absolutely.

Deputy Pearse Doherty: Where does the issue of emigration and trying to locate people come into it?

Mr. Ger Mitchell: In trying to contact customers about their entitlement to lodge an appeal with the independent review panel. For those who have not done so, we have gone to great lengths to try to remind them of their entitlement to lodge an appeal.

Mr. Jeremy Masding: At this point we are trying to separate two things. In respect of the original redress and compensation scheme, there was a communication process that led to 29 of the 31 customers cashing the cheques for the moneys associated with the scheme. Additionally, we have a follow-up cycle to remind customers of their right to appeal.

Deputy Pearse Doherty: Does the bank have any intention to be proactive and offer compensation to the other 24 individuals who have not received any? Has it looked at the circumstances of customers and decided to make another offer to them or will it continue with a process that does not seem to be working? Is it trying to encourage people to avail of the appeals process, whereby, based on existing evidence, they will receive more money? The evidence is that, on average, they will receive up to 285% of the compensation figure. Do the delegates have figures for the numbers of individuals who were entitled to avail of the appeals process?

Mr. Jeremy Masding: I would like to reflect on that challenge and come back to the Deputy.

Chairman: I call Senator Kieran O'Donnell.

Mr. Jeremy Masding: Would the Chairman mind if I took a break for a few minutes?

Chairman: We will suspend the sitting momentarily.

Sitting suspended at 5.23 p.m. and resumed at 5.26 p.m.

Senator Kieran O'Donnell: I have two quick questions for Mr. Masding. I wish to follow

the line of questioning by my colleagues, Deputies Michael McGrath and Pearse Doherty, on the independent review mechanism. A total of 31 people lost their homes. We now believe only seven of the figure of 40 involved repossessions. The question is how many of the 31 who lost their homes did not avail of the independent review mechanism?

Mr. Ger Mitchell: Seven customers-----

Mr. Jeremy Masding: I presume it was 24.

Senator Kieran O'Donnell: A total of 31 customers lost their homes.

Mr. Ger Mitchell: Correct.

Senator Kieran O'Donnell: How many of them went through the independent review process? Was it seven?

Mr. Ger Mitchell: Yes.

Senator Kieran O'Donnell: That leaves 24 customers. What happened to them?

Mr. Ger Mitchell: All of those customers would have received an offer of compensation and full redress, depending on whether it was a family home or a buy-to-let property. They would have received an upfront payment of €50,000 in the case of a family home and €25,000 in the case of a buy-to-let property.

Senator Kieran O'Donnell: Would they have been made aware that the independent review mechanism was available to them?

Mr. Ger Mitchell: Yes.

Senator Kieran O'Donnell: Did they specifically say they did not wish to avail of that mechanism?

Mr. Ger Mitchell: In some cases, they did. I received clarification from my colleagues during the suspension. All customers have been engaged with and contacted about the offer.

Senator Kieran O'Donnell: Let us keep it simple. A total of 40 customers availed of the independent review mechanism, of whom seven had lost their homes. That meant that 33 did not lose their homes. Of the 31 customers who had lost their homes, seven availed of the independent review mechanism. That left a balance of 24 victims. Have settlements specifically been made with them? Have they received redress and compensation?

Mr. Ger Mitchell: Yes, all bar two. Offers have been made to every one of the 24. A total of 22 of the 24 to whom the Senator referred have a cheque for either €25,000 or €50,000, but they have not cashed it.

Senator Kieran O'Donnell: For how long have they had it?

Mr. Ger Mitchell: Since the summer of 2015. It was issued in August 2015.

Senator Kieran O'Donnell: Does Mr. Mitchell find it peculiar that 22 of 24 customers have cheques that they have not cashed since the summer of 2015?

Mr. Ger Mitchell: So 29 of the 31 customers have cashed their cheque. Seven have chosen to appeal and two customers-----

Senator Kieran O'Donnell: Of the 31 customers, 29-----

Mr. Ger Mitchell: Of those, 29 have cashed the cheques we sent to them. These were the initial payments, along with the appeal form to go through the independent review panel.

Senator Kieran O'Donnell: Of those 29 customers, seven have chosen to go to the independent review.

Mr. Ger Mitchell: Yes.

Senator Kieran O'Donnell: What about the other 22?

Mr. Ger Mitchell: There were 31 customers who lost their property and of those, 29 cashed their cheques and two did not.

Senator Kieran O'Donnell: Fine.

Mr. Ger Mitchell: Seven of the 31 lodged an appeal to the-----

Senator Kieran O'Donnell: Are those seven from the 29 customers or is that from the 31 customers, including the two which have not cashed the cheque?

Mr. Ger Mitchell: Forgive me but I do not know if they are part of the 29 customers or 31 customers. Seven customers of the total of 31 have lodged an appeal.

Senator Kieran O'Donnell: Right.

Mr. Ger Mitchell: Along with that are 33 other customers who are in the legal process at an advanced stage with us who have also lodged an appeal.

Senator Kieran O'Donnell: Of those 33 customers, have any lost their homes?

Mr. Ger Mitchell: No.

Senator Kieran O'Donnell: Could any of them potentially lose their homes?

Mr. Ger Mitchell: Is that in future?

Senator Kieran O'Donnell: No, I mean are there legal proceedings against them relating to repossession of their homes.

Mr. Ger Mitchell: Not that I am aware of.

Senator Kieran O'Donnell: Of the 31 customers previously mentioned, only seven have gone down the appeal route. Did the others specifically say to the bank they were not availing of the appeal route?

Mr. Ger Mitchell: My colleague tells me that in some cases they have said they have seen redress, been compensated and decided not to pursue the matter. We are continuing to engage with others. The chairman of the independent review panel has the discretion to extend the 12-month period, which we have done for every customer that has decided to come in outside that.

Senator Kieran O'Donnell: With regard to the 22 people with redress and compensation, if they do not appeal to the independent review group, is that the full and final settlement as far

as the bank is concerned?

Mr. Ger Mitchell: It is more than that. Where a property has been sold and there is a residual balance, the residual balance is written off.

Senator Kieran O'Donnell: Okay. If the 22 customers wish to go to the independent review group, would that facility be forthcoming?

Mr. Jeremy Masding: It is open.

Senator Kieran O'Donnell: What is the story with the two remaining customers who did not avail of the appeal?

Mr. Ger Mitchell: They are two very sensitive cases and I am told we are continuing to work through with those people.

Senator Kieran O'Donnell: Define "sensitive". We are looking at people who have had cheques for nearly three years but they have not cashed them. What is going on?

Mr. Jeremy Masding: I was very clear with my team that I wanted us to be extremely careful with vulnerable customers. If the committee does not mind, I will leave it by saying those two customers fit my test of "vulnerable". I feel there was-----

Senator Kieran O'Donnell: Is the bank engaging with the customers?

Mr. Jeremy Masding: Yes we are.

Senator Kieran O'Donnell: Are there legal proceedings against those customers?

Mr. Jeremy Masding: Not to my knowledge.

Senator Kieran O'Donnell: Mr. Masding has indicated he was not at the bank when the trackers came in and he joined the bank, if I am correct, in January 2012.

Mr. Jeremy Masding: It was February 2012.

Senator Kieran O'Donnell: There was a High Court case. We had a group of people in here with Mr. Padraic Kissane late last year and two of them were customers of Permanent TSB. They are Mr. Thomas Ryan and Ms Hazel Melbourn. They presented very well and their presentation shook the foundations on this matter. It brought utter clarity for me. With Thomas and Claire Ryan, the High Court in September 2011 upheld a decision of the Financial Services Ombudsman. Mr. Masding came in as chief executive officer of the bank a short time afterwards. Why did he make the decision to appeal that humane decision on the part of the High Court to the Supreme Court?

Mr. Jeremy Masding: I feel I have already answered that question in response to Deputy Doherty. I am happy to repeat my answer.

Senator Kieran O'Donnell: The witness mentioned systems.

Mr. Jeremy Masding: Deputy Doherty asked a question around the Supreme Court appeal. I think I said the appeal to the Supreme Court was taken in response to a concern that was given to me that the High Court decision would change fundamentally the level of advice that retail banks were required to provide when acting on customer requests. That was the dominant-----

Senator Kieran O'Donnell: Why was it subsequently decided to withdraw the Supreme Court case?

Mr. Jeremy Masding: Once the Central Bank investigation had momentum and we understood the scale of the customer welfare issue, I did not want the bank's reputation to be associated with appealing something and I felt it was right to withdraw that appeal so we could focus on the main issue that had been brought to my attention, customer welfare.

Senator Kieran O'Donnell: Mr. Masding is talking about customer welfare. The bottom line is he stood over a Supreme Court appeal for three years before withdrawing it in February 2015. We only represent the public. A lady rang me before Christmas after an agent of Permanent TSB called with a legal letter to her home. She was petrified. It was around 6 p.m. All I could do was take her call and put her in contact with somebody I knew as an adviser dealing with Permanent TSB. She is a woman with a young family and her marriage had broken down. Mr. Masding speaks about the welfare of the customer. Does Mr. Masding believe the level of trackers it took on its balance sheet over the years was responsible?

Mr. Jeremy Masding: There are a couple of answers I can give to that. I stand over my original response to Deputy Doherty about the Supreme Court judgment and, more important, in terms of my own offices and the actions I have taken as chief executive officer since then, which I believe are evidence of an approach that has the customer at heart and tries to do the right thing as quickly as we can. The management team inherited the balance sheet. I cannot comment on the decisions made by my predecessors but all of us would avoid, if we could, having too many of our eggs in one basket.

Senator Kieran O'Donnell: The peak was 58% of the loan book being trackers.

Mr. Stephen Groarke: In our analysis it was just under two thirds or approximately 69,000 customers. That is half our customers.

Senator Kieran O'Donnell: What did it peak at?

Mr. Stephen Groarke: It peaked at two thirds.

Senator Kieran O'Donnell: Of the entire loan book.

Mr. Jeremy Masding: Yes.

Senator Kieran O'Donnell: Is that in value terms?

Mr. Stephen Groarke: Yes.

Senator Kieran O'Donnell: That is astounding.

Mr. Jeremy Masding: The Senator might recall that in my previous appearances before the committee I have done my best in trying to explain the fact----

Senator Kieran O'Donnell: Customers feel they are being victimised by the decisions that were made by the then management to push the tracker mortgage as the product route to take. Suddenly the bank finds that nearly two thirds of its loan book is tied to tracker mortgages, which is pulling the bank into quicksand. Has this the effect of pulling ordinary customers with tracker mortgages down?

My colleagues, Deputies Michael McGrath and Pearse Doherty made significant efforts and

were able to drag the figures out. Of the 31 customers who lost their homes, only seven, which is less than 25%, went to the independent review. Were these 31 customers fully aware that they could put their case to an independent review?

Mr. Jeremy Masding: Senator O'Donnell, I can only repeat what I have said to members at previous committee appearances. I stand by the approach of this management team to lead and complete a very intensive and complex tracker mortgage review, as soon as we understood the nature of the customer issue. We might disagree on that. I had 200 staff working on the tracker review for a period of more than two years, that is roughly 8% to 10% of the headcount. We reviewed every mortgage account that we had. I can stand over the governance of that programme. It was "a separate line of business". While we all will have views on who, what, why and where, as the Senator might expect, I will stick up for Permanent TSB's approach to redressing this.

Senator Kieran O'Donnell: The bank took a test case and spent five years from 2010 to 2015 fighting four people on two mortgages. Mr. Masding is explaining what happened but the question is whether he can stand over the approach when effectively the bank was forced to withdraw a Supreme Court challenge as a result of the work done by the Central Bank of Ireland?

Mr. Jeremy Masding: I think it would be inappropriate for me to say anything else. I have made my position clear.

Senator Kieran O'Donnell: Chairman, may I make a final point? Ms Marian Kenny, 2 Gosworth Park, Castle Park Road, Dalkey, a customer of Permanent TSB has written to the committee, allowing us to use her details. Mr. Padraic Kissane would have written to Mr. Masding on 31 October 2017. Mr. John Mason would have replied to Mr. Kissane on 8 November 2017. Ms Kenny had an interest only mortgage of €550,000, and it was a tracker mortgage if she wished, which was for the lifetime of the mortgage. There was a top-up in 2006 of €80,000, bringing the total mortgage of €630,000. The terms of the original mortgage of €550,000 were completely rewritten.

Chairman: I remind the Senator of his time allocation.

Senator Kieran O'Donnell: I thank the Chairman. Will Mr Masding explain how a person with an income of €80,000 was able to get a mortgage of €630,000? How were the terms of the original mortgage for €550,000 rewritten when the top-up was granted?

Mr. Jeremy Masding: As the members would expect me to say, I would not want to discuss a customer's individual circumstances. As we have always done, I will take the correspondence from Senator O'Donnell and will reply in a timely manner. I give him my commitment that I will do that.

Senator Kieran O'Donnell: Mr. Masding will appreciate that when the customers come to us they are experiencing extreme frustration. We are only a conduit.

Mr. Jeremy Masding: I understand that.

Senator Kieran O'Donnell: I thank the Chairman.

Chairman: I call Senator Conway-Walsh.

Mr. Jeremy Masding: Would Senator O'Donnell like me to take that correspondence?

Senator Kieran O'Donnell: I would say that Mr. Masding has it already, but I will give it to him.

Senator Rose Conway-Walsh: I thank Mr. Masding for his opening statement. Mr. Masding states that he stands over the governance of the way all of these accounts have been reviewed. Why are we now getting correspondence from customers who in fact have had to contact the bank in recent months stating that they were not contacted by the bank and invited to put their case to the review process, when their case should be within the permutations of the review? Mr. Masding has stated the cases were not within the terms of the review. How do we know that all affected customers have been contacted and included in the review?

Mr. Jeremy Masding: Let us go through how the work was delivered. We had our own internal processes, and we had our own independent oversight, if that makes sense.

Senator Rose Conway-Walsh: Who performs the independent oversight? At one point Mr. Masding said there was external oversight.

Mr. Jeremy Masding: In our case, it is KPMG. The Central Bank of Ireland is also conducting its own independent oversight at this time. Obviously, like all the banks, we have to be a little circumspect about what we say this afternoon because the Central Bank of Ireland still has not-----

Senator Rose Conway-Walsh: I understand that.

Mr. Jeremy Masding: -----independent oversight. My point is that in two and a half years we looked at more than 300,000 mortgages.

Mr. Ger Mitchell: Let me assure Senator Conway-Walsh that we invested very heavily to conduct a systematic and very rigorous review in this area. We looked at 342,000 accounts over a 12-year period, from 2004 to 2015. We identified approximately 110,000 customers, who may be in the outer boundary of that.

Senator Rose Conway-Walsh: I have that information from your written submissions.

Mr. Ger Mitchell: Just to be clear, some 76,500 of those customers never switched away from the product on which they originated their loan and they continued all the way through and are still on that today. The focus was on the balance of 33,500 customers who may have switched at some stage during their mortgage or there may have been a margin deviation at some stage during their mortgage.

Senator Rose Conway-Walsh: I really understand that. My time is very limited. I wish to seek assurances for people who have had Permanent TSB mortgages that they have been included in the review or do they need to get out their contracts and do a review themselves? Is there a responsibility on them to get out their contracts and do a review or is it the responsibility of the bank to do it?

Mr. Ger Mitchell: I wish to build up the reassurance for the Senator. We have conducted that review for 31,500 customers of the 33,500 and everything followed exactly as it should have. Effectively in the review we conducted, there was a core team, an independent decision forum team, an independent steering group and all of that was overseen by KPMG. All submissions were made through the Central Bank of Ireland and the board right the way through the process.

Senator Rose Conway-Walsh: Obviously, even given all of that, there are customers who still have slipped through the net.

Mr. Ger Mitchell: No customers have slipped through the net in that regard. Some 1,979 customers have been identified as impacted across all of the three programmes of work over a 12 year period.

Senator Rose Conway-Walsh: So the customers who have contacted or are contacting members of the committee to say that they have had to contact the bank to ask to be included are in the first instance told they are not included. They then go back again. What does Mr. Mitchell say to them?

Mr. Ger Mitchell: The reality is that of all the impacted customers, numbering 1,979, have been written to. We have not written to the balance, which is approximately 108 customers to say to them formally that they are not in the review. We have written to the customers who were impacted.

Senator Rose Conway-Walsh: Is Mr. Mitchell absolutely certain that, within that 108,000, there are no people who should be within the scope of the review?

Mr. Ger Mitchell: Yes.

Senator Rose Conway-Walsh: It is quite puzzling for us to be receiving letters in recent months from people about this. One woman contacted the bank in October asking about the tracker review and eventually the bank acknowledged that she fell within its scope. Had she not contacted it, however, her case would never have been examined. Given that some people were only included because they went to the bank, how can Mr. Mitchell be sure that the bank has completed the process? I want an answer for that woman.

Mr. Ger Mitchell: That is correct. When one thinks about it, the last time we were with the committee we identified that there was a balance of customers to whom we would be writing between that date and the end of the year. Those customers were written to throughout the month of December.

Senator Rose Conway-Walsh: We are, therefore, not going to get any more letters such as this one. I have several letters like it where people have been refused that I could read out. However, I do not want to use up my time on it. This woman says, however, that she identified herself to the bank but that Permanent TSB was never in touch with her and that she is really concerned about it as it is likely there are other people who are not identified. That really concerns me. It is as if the bank is presenting a picture of “nothing to see here, the shop is closed” and that is it.

Mr. Jeremy Masding: We are trying to give the committee assurance on how we built it from the bottom up, with independent oversight from KPMG. We are now subject to independent oversight from the Central Bank. I can only give the committee the assurance, as I have tried to do, that we did the work in a systematic way, starting with 300,000 or so and working our way down.

Senator Rose Conway-Walsh: In the context of people having gone through all of those channels and not been contacted, as happened this woman, could there be another systematic failure or error?

Mr. Jeremy Masding: To the best of our knowledge, no.

Senator Rose Conway-Walsh: I need to move on. Why are there two appeals panels? That puzzles me. There is the independent review panel and the customer appeals panel. I do not need an explanation as to what they are, because I know that from the written submissions. However, why are two panels required?

Mr. Jeremy Masding: In 2015, we felt that the complexity and the time required for loss of ownership and legal cases was such that we would ring-fence those for an independent panel. It is always a value judgment but we felt that we had a very high bar to meet in terms of our duty of care to those who had lost their homes and who were in “late legal” and that is why we did it.

Senator Rose Conway-Walsh: In the written submissions it is not “late legal” but legal proceedings at any legal stage. I take that from the first letters, so there is a bit of a contradiction there. I still do not understand the rationale for it. The other thing I do not understand relates to the customer appeals panel. The bank has a Permanent TSB representative on the panel. There are three members on it. Why is a Permanent TSB representative on it? Why, as with other banks, is it not completely independent?

Mr. Jeremy Masding: I have already answered that question and will stick to my original answer.

Senator Rose Conway-Walsh: What was your original answer?

Mr. Jeremy Masding: Given the complexity associated with the 300,000 different mortgage accounts, it was important to me that the committee would have someone who could translate the complexity. Equally, it was also important that the panel remained independent in so far as it is a majority voting-----

Senator Rose Conway-Walsh: Is it not important that the whole appeals procedure remains independent?

Mr. Jeremy Masding: I would make the case that it is independent. My colleague has just reminded me that this refers back to 2015 and I think it was a part of the Central Bank of Ireland, CBI, framework to have two panels. I think that is correct.

Senator Rose Conway-Walsh: I still cannot get to the bottom of why they are not independent and why a Permanent TSB representative is on the panel. Why does the bank feel it necessary to have a Permanent TSB representative on it? Can it be truly independent if one third of its make-up is representing the bank?

Mr. Jeremy Masding: It is a majority decision with the chairman having a casting vote and the chairman has made it very clear that having a Permanent TSB representative is helpful for the panel members in their unpicking of the complexities of individual cases. That is the position.

Senator Rose Conway-Walsh: I would not take that. I am looking at the resumés for the different representatives who have significant experience in the banking sector. I do not understand why Permanent TSB feels the need to have its representative there when other banks do not. To me, it is not truly independent.

Mr. Jeremy Masding: I have given the committee the answer to the question.

Senator Rose Conway-Walsh: For an independent appeals board, I consider it completely unsatisfactory and I do not think we have got to the bottom of it here today. Does Mr. Masding see why people may be reluctant to go to an appeals panel where one third of it is made up of a representative of the bank?

Mr. Stephen Groarke: If I could add two points, the first one would be that, by definition, that one person cannot dominate the decision making of the committee because he or she has only one vote of three. The second point is that a person still has the option of going to the Financial Services Ombudsman where he or she is not satisfied to go to the customer appeals panel or is dissatisfied with its decision-----

Senator Rose Conway-Walsh: I understand that.

Mr. Stephen Groarke: -----and mediation is available there. The customer appeals panel should not be seen as the end of the road but as a mechanism that we put in place.

Senator Rose Conway-Walsh: The bank should be providing an independent panel without people having to go to the ombudsman. I want to return to the 242 accounts identified in Springboard Mortgages, which was a subsidiary of the bank. The loan book was sold off to Mars Capital prior to the CBI examination. How were the entitlements and processes in respect of those 242 accounts affected?

Mr. Jeremy Masding: We have a very defined process for sold loans.

Mr. Stephen Groarke: The Central Bank has made it very clear that responsibility remains with the originator of the loans. Although we sold the Springboard company and the portfolio to Mars Capital, we retain that responsibility. Permanent TSB has redressed and compensated the customers who were identified as part of that previous review.

Senator Rose Conway-Walsh: They have therefore been treated in exactly the same way-----

Mr. Stephen Groarke: Correct.

Senator Rose Conway-Walsh: -----not that that fills me with confidence. I will go back to the original contractual documentation. In the written submissions it is stated that “the relevant documents set out a specific margin above the ECB rate”. Then there were other people whose rates were not specified. Were those being offered at the same time and in parallel to one other or were customers offered the specific margin up to a particular date and not offered thereafter?

Mr. Jeremy Masding: They were offered at different times.

Senator Rose Conway-Walsh: In what years was the specific margin offered? When did it change?

Mr. Stephen Groarke: We will come back to the committee with the specific dates. My understanding is that there was a variety of different contracts and there was not a hard cut-off between what we call the price promise and the appropriate rate. Even within those types of contract, there were variations. To my knowledge, there was no hard date before and after which we were offering different types of contracts. I suggest we might come back with that detail because it is a more complex matter than the question assumes.

Senator Rose Conway-Walsh: I am interested in the accountability. What analysis took

place at the time when the specific margin was finished? The decision making process may tell us something as to why this money continued to be taken from people or how people were not put back on the right rates etc.

Mr. Jeremy Masding: As I said in my opening remarks and has the Senator has mentioned, there were two contracts, namely, the specific margin and appropriate rate. Every customer who had a specific margin in his or her contract has been reverted to that margin. In terms of appropriate rate, through the exact datum we will get those through. The Senator will recall that the financial world was in turmoil and the cost of the bank's funding changed over those periods. Therefore, the margins changed.

Senator Rose Conway-Walsh: I am trying to decipher when the contracts were changed as well. Was there external oversight at that time when the bank looked at what the contracts meant? Was there legal advice?

Mr. Jeremy Masding: Was that way back then?

Senator Rose Conway-Walsh: It is when the bank examined customer contracts and decided what its obligations were to those customers.

Mr. Stephen Groarke: It goes to the earlier point about systems and controls. Mr. Masding and Mr. Mitchell have described a level of governance with respect to the tracker review over the past two years and that level of governance on controls and systems was not in place in the mid to late 2000s. That is part of the genesis of this matter.

Senator Rose Conway-Walsh: There it is, all in bank language.

Senator Paddy Burke: I welcome Mr. Masding and his staff. As the bank has sold off many mortgages, does everybody know whether his or her mortgage has been sold?

Mr. Jeremy Masding: At the time we transfer ownership to a different body, we advise the customer.

Mr. Stephen Groarke: We write to the customers in question to inform them of the change in ownership.

Senator Paddy Burke: The customers would know if the loan was still with Permanent TSB or a vulture fund.

Mr. Stephen Groarke: Correct. Typically, they are informed of the new arrangements with respect to the company that will service the mortgage on behalf of the new owner.

Senator Paddy Burke: In this case, all the impacted people have been written to by the bank.

Mr. Stephen Groarke: That is correct. In this review, there were 16 Permanent TSB customers that were part of portfolios that had been sold. They have been informed about it. As I mentioned to Senator Conway-Walsh, we are obliged to give them the same redress and compensation as Permanent TSB customers.

Senator Paddy Burke: How does it work? The bank has sold some houses.

Mr. Stephen Groarke: It has sold the mortgages.

Senator Paddy Burke: I presume the houses were sold as well. The property has been sold.

Mr. Stephen Groarke: In legal terms, the title is still in the customers' names.

Senator Paddy Burke: Some people have lost their homes. Their mortgage would have been sold to some vulture fund.

Mr. Jeremy Masding: The sales that Permanent TSB has made thus far were of non-core assets, as requested by the European Commission. There was no primary dwelling home within those packages as the main account.

Senator Paddy Burke: In cases where people lost their homes-----

Mr. Jeremy Masding: We have not sold any mortgage loans with primary dwelling homes as the main account yet.

Senator Paddy Burke: Okay.

Mr. Jeremy Masding: I have been here before and explained to the committee the journey of Permanent TSB. Members will recall that it took us a number of years to get a restructuring plan and one of the conditions of that was that we had to sell non-core assets. The assets we have sold are non-core.

Senator Paddy Burke: Okay. What about the people who lost their homes?

Mr. Stephen Groarke: We talked earlier-----

Mr. Jeremy Masding: Is it right to say that none of the 31 customers in question are in the sold loans category?

Mr. Stephen Groarke: Of the 31 we described earlier, none was in the sold portfolios. They are all still with Permanent TSB.

Senator Paddy Burke: The houses have been sold but the loans are still with Permanent TSB.

Mr. Jeremy Masding: With those 31 customers, none of the mortgages or associated securities - the houses - form part of a sold loan.

Senator Paddy Burke: The Commissioner appeared here last week. The compensation to be made to the customers may not pay the balance of the loans. They will still owe part of a loan.

Mr. Stephen Groarke: For the loss of ownership cases, part of the redress and compensation is that the residual balance of the mortgage is written off.

Senator Paddy Burke: There is a write-down.

Mr. Stephen Groarke: Yes, for those cases.

Senator Paddy Burke: I see. There are other cases where vulture funds have bought the loans. Is that right? People had other loans, got into difficulty and the bank would have sold the loans.

Mr. Stephen Groarke: There are two types of loans in the portfolios that Permanent TSB has sold. One is a portfolio of buy-to-let loans in the UK and not in the jurisdiction of Ireland. The second portfolio were commercial loans. As Mr. Masding indicated, we have not sold residential mortgage portfolios at this stage.

Senator Paddy Burke: The only cases where there are write-downs are residential mortgages.

Mr. Jeremy Masding: That is where there has been loss of ownership.

Senator Paddy Burke: Yes. That is the only case of write-down.

Mr. Jeremy Masding: The shortfall was written off. That is correct.

Senator Paddy Burke: Where redress has been made in other cases, the appropriate people have been notified. Has the bank notified the owners of the loans that redress is being made?

Mr. Jeremy Masding: Yes, we work with them. We have sold the loans so these people are their customers. We are obliged by the Central Bank-----

Senator Paddy Burke: In some of those cases, the parties to which the loans were sold are harassing people big time. Permanent TSB has told these parties that they are making redress and giving money to the customers. That would make it easier for the people who own the loans to get money from them as they know the money is coming. They will come down heavier on the clients in question, who are in difficulty already.

Mr. Stephen Groarke: No. Part of the framework that the Central Bank has put in place is called “stop the harm” and it applies to us requiring that anybody we sold loans to should not pursue any further legal action and that the loans would be corrected to the right rate, with redress and compensation provided by us.

Senator Paddy Burke: The people who own the loans cannot get any more than the arrangement they have entered into before this.

Mr. Stephen Groarke: That is correct.

Senator Paddy Burke: That has been put in place by the Central Bank, along with Permanent TSB and the new owners of the loans. Is that the case?

Mr. Stephen Groarke: The Central Bank places the onus on us to engage with the party that acquires the loans and we do that.

Mr. Jeremy Masding: We are talking about the redress and compensation of tracker-related issues. I would not want to comment on the collections procedures of those to whom we sold the loans. We have sold the loans. The point we make is there was a set of steps we are obliged to follow as agreed by the Central Bank for those loans that we have sold. I would not want to mix up those two issues.

Senator Paddy Burke: Okay.

Chairman: I want to clear up a matter with Mr. Masding. On 26 October, I was on “Morning Ireland” citing figures from the Minister’s press release of the day before. The bank’s hired hand called in to say that I was giving wrong information and asserted that the interviewer and I had made incorrect suggestions on this point in recent times. I do not mind having a direct

exchange with the bank here and I do not mind that exchange being robust, but I do take exception to a bank that is under this type of scrutiny sending out a sniper to take me out just because I was quoting the Minister's comments. The bank would be better off if it took the money that it pays these firms to keep an eye on matters and applied it to its staff. I did not like the attitude of the bank in that regard. I certainly did not like the attitude of the individual who contacted RTÉ and with whom I spoke later that morning. I do not mind us having exchanges here, but I take exception to people trying to muddy the waters when they are not prepared to go on the same radio show as me to discuss the matter or defend their numbers or position. It was a cowardly act.

I will turn to the matter of Permanent TSB's customers, who appeared before us. Since they outlined their position to us, nothing seems to have happened in their cases. The witnesses will not discuss individual cases, but these cases have been made public with the consent of the bank's customers. I will, therefore, do as Senator O'Donnell suggested and give the witnesses the opportunity to respond directly to us regarding the customers whom they have heard giving outlines of their circumstances to this committee. I will provide the information to the witnesses after the meeting to ensure that there are no crossed wires.

As Mr. Masding and Mr. Mitchell were speaking, the number of text messages that came through and their content told a story. The banks have a way of using words at this committee. They certainly have a way of painting a picture that gives the impression of everything being okay and they are on top of their game. I use my time on this committee to try to bring them back to their customers. What the witnesses said in their opening statement and in their answers to members' questions has caused outrage among many people. For example, one texter wrote about being livid listening to "this rubbish" and that resistance was the position of the bank. Something else that caused issue was Mr. Masding's standing by the approach of his team and how he stuck up for Permanent TSB. His bank's customers are writing to us asking us to stand up for them because they believe that they are not being listened to.

Mr. Mitchell outlined what happened at oral hearings and so on. Someone who attended an oral hearing today said that none of what he outlined was offered to him or her. That person simply wants him to know that that is the case. In a different situation involving a repossession, no money has been paid to the client. That information was received during the course of this meeting.

I will turn to some of the other customers who have written to us. I do not know how these loans were sanctioned. When a mortgage was sanctioned in 2004, would the bank have asked about or insisted on mortgage protection?

Mr. Ger Mitchell: Mortgage protection insurance was an option. I cannot remember the exact dates when it was an option, but it was an option for a number of years.

Chairman: It was only an option. Someone need not have taken it out. The bank did not insist on it.

Mr. Ger Mitchell: We did not insist on it.

Chairman: In spite of this lady's health and the fact that mortgage protection was refused, the bank still gave her a mortgage in 2004 knowing that her health was not what it could or should have been. The lady died in-----

Deputy Michael McGrath: To be fair and to give the witness a chance to respond, is it not the case that, to get a mortgage, one must have mortgage protection insurance or life cover up

to the value of the mortgage?

Mr. Ger Mitchell: It is the case for the family home, but it is not for buy-to-let properties and investment mortgages. There are two types of mortgage protection. One protects a customer's repayments and one protects the life. I am happy to take the details from the Chairman.

Chairman: Mr. Mitchell gave an answer to a question that a number of people who contacted us said was incorrect. He later changed some of that reply. When I asked him about the matter just now, he said, "No". His reply to Deputy Michael McGrath's intervention clearly confirms that it would have been needed.

Mr. Ger Mitchell: I want to be absolutely honest with the Chairman on this. The mortgage repayment protection is an option. Mortgage protection insurance, which is life cover on the property, is required for a family home but, for an investment property, it is not-----

Chairman: This is a family home.

Mr. Ger Mitchell: I am not familiar with the circumstances.

Chairman: Permanent TSB gave a mortgage to this person. She had been diagnosed with cancer in 1998. She died in 2015, and Permanent TSB continued to write to her husband in spite of the fact that he kept telling the bank that she had died.

Mr. Jeremy Masding: I-----

Chairman: I am sorry, Mr. Masding, let me finish. The reason I am making this point is because Permanent TSB has not dealt fully with this individual. That it would continue to write to his wife, who died three years earlier, shows that either Permanent TSB's records are not what they should be or it ignored the individual, who was suffering as a result of the loss of his wife, and pointed out when it did write that the lady who had died owed it €358. I find that outrageous, given what Permanent TSB is saying to others in this tracker debacle. Is there no humanity or compassion in the bank? What flexibility has it when dealing with tracker cases and others? What flexibility has Mr. Masding to intervene and bring about a reasonable solution for a family that is under pressure? What sort of oversight does he apply to such cases?

Mr. Jeremy Masding: I give my staff a series of mandates in terms of the decisions they can make. Therefore, they have their own decision-making rights. That is my job as the chief executive.

In terms of the bank's track record at this committee, I would like to think that, at the end of every meeting, we have talked to each member, taken the details of the cases raised, committed to revert and have always done that. If the Chairman would like to give me that case, again I give him a commitment that we will look at it. Should I assume the Chairman has finished asking questions?

Chairman: No, work away and please answer my questions.

Mr. Jeremy Masding: There are three things I want to say in answer to the Chairman's original set of comments, and I want to make sure that they are separated.

First, in the opening remarks, we were very clear that we made errors, there were failures in the bank and that we were very sorry. I have made that statement at every public event since 2015, including before going to the Minister, and I repeat that to the Chairman.

Second, on a separate point and I hope without causing confusion, since 2015 we have had 200 people out of a total staff population of just over 2,000 focusing on this work. We looked at every single mortgage contract over a two and half year period. Each of those customers and those contracts went through a set of gates to determine whether they were an impacted customer. In Permanent TSB, that programme was done in a systematic fashion.

Third, and a point I must reiterate, we do not make payments to customers until they give us permission to do so because we are not allowed to do so. We would encourage, as we do at all public events, anybody who has an offer to please send it back to us and we will make the payment. As Mr. Groarke has said, that does not disallow the customer from going through the process of appeal, which includes our own appeals process, the Financial Services Ombudsman, FSO, and the courts. Again, I commend to the committee members that if any of their constituents remain suspicious, as I am sure some of them will do, to please send the offer back. We will make the payments and it does not deny any customer their right to avail of the appeals process.

In summary, we did harm, we apologise, and we tried to do the programme to the standards set by the Central Bank. My comments about Permanent TSB were around the ways that we did the programme. In terms of offers, I encourage all customers please to send back the offer so that we can make the payments.

Chairman: I have asked Mr. Masding to ensure the bank considers the cases with compassion and I asked him what flexibility he has within the bank.

Mr. Jeremy Masding: I will give some examples of flexibility. We have been clear on the loss of ownership cases, for example, that we will write down any mortgage shortfall. As the Chairman will know, we recently had an assisted voluntary sale programme in our buy-to-let book. We received positive feedback from customers for giving them a way out, including writing off the shortfall. We have a track record, I think, of being innovative in trying to help customers with their situations. Again, I commend to the Chairman that the bank has the right mindset in terms of its customers.

Chairman: When the bank settles with a customer, in terms of a tracker mortgage, it pays compensation and redress. Does the bank ever withhold any of that money and perhaps set it off against part of a loan that is in arrears?

Mr. Jeremy Masding: I think we do.

Mr. Stephen Groarke: The way the process works is to bring the customer back into the position that they would have been-----

Mr. Jeremy Masding: Yes.

Mr. Stephen Groarke: -----had we not overcharged. If a customer is in a level of arrears, the correction is applied to reduce that level of arrears, and any surplus of the correction then becomes a payment to the customer.

Chairman: If a customer has been overcharged by €60,000, he or she receives 10% compensation and 10% of the overcharge amount is the deal. Is that correct?

Mr. Stephen Groarke: Yes.

Chairman: I would have imagined that this money should have gone directly to the cus-

tomers. In the case I mentioned, that did not happen. Part of the money was used to offset the part of the mortgage that was warehoused. Does the bank apply that policy across its accounts? Do the officials think that is fair?

Mr. Stephen Groarke: Typically, any case that has been part of an arrears process is more complex. I would not like to comment in detail unless we saw the specifics of the case.

Chairman: I am asking in general.

Mr. Stephen Groarke: Generally, had we not overcharged the customer, the level of the warehouse would likely have been smaller. If we have warehoused part of the mortgage, where we charge 0% and do not look for a repayment until maturity for that portion of the mortgage, to the extent that we have overcharged the customer, typically the warehoused portion would have been smaller than we made it and that is part of applying the correction that we have to make.

Chairman: Does the bank consult the customer about that?

Mr. Stephen Groarke: It depends on the specifics of the case. I would have to see the specifics before I comment.

Chairman: I would have thought, given all that the bank has done to families and individuals, that it would have at least paid them back directly or, in consultation with them, deal with the moneys that were due to them rather than take the decision within the bank to allocate, in this case, a certain amount against part of the mortgage that was warehoused.

Mr. Jeremy Masding: The decision I made was that the redress would go against the balance and the compensation would go straight to the customer. There are two payments.

Chairman: Does Mr. Masding think that is fair? Given all of the trauma, stress and everything else that the bank has heaped on these people, that is what he does with them without consultation.

Mr. Jeremy Masding: If the customer is in arrears, then we put him or her back to the position that he or she would have been in and, therefore, the redress must be applied against the total balance. The compensation goes directly to the customer.

Chairman: The customers may very well appeal the figures given by the bank. Should the bank not wait for the appeals process or the process entered into by the customer to finish before it takes money and puts it back into an account? The customers have been deprived of the appropriate rate and product, and their lives have been affected. Mr. Masding has decided for the bank to keep that money, or part of it, before the process has been completed. He has no difficulty cold-heartedly taking that money and putting it off another amount.

Mr. Jeremy Masding: I have made the bank's position clear.

Chairman: I know, Mr. Masding. That is the difficulty. He just keeps on throwing out the same mantra to question after question. I have asked him about humanity and compassion; I have asked him about everything. As he has said himself, he is "comfortable" with everything that he is doing. I must tell him that the bank's customers are uncomfortable with a lot of the stuff that he is doing. He seems to ignore that despite what he said in his opening statement. That is the point I am trying to make continuously in relation to the treatment of the bank's customers.

The customer I referred to said:

My personal view of this process is that it is just a joke and window dressing. We got the same standard response that the bank thinks the overpayment did not have an impact on us.

The sum of €60,000 represents their income for a year. I do not think that Mr. Masding understands some of the bank's customers. If it was not for this committee's hearings, he would never even listen to them at this depth.

Mr. Jeremy Masding: I remind the committee that the payments are only applied once the customer signs.

We distinguish very clearly between redress and compensation. At the point that redress has been made, compensation goes directly to the customer. That is what happens.

Chairman: This customer says that they are not happy with the way they have been treated. They want their overpayment refunded, and feel that 10% compensation is far short of the mark, considering the years of hell they have been through. Mr. Masding does not seem to get that. That is the difficulty that I see.

Mr. Jeremy Masding: In that particular case, I would say to the customer that we have an appeals process.

Chairman: The witnesses' organisation sends people into these processes. It is fine that the processes are there, but why does Permanent TSB not act in an upfront way with them? Why does it not try to remove the hardship they have experienced from their lives? Why does the bank not live up to the witnesses' words? There are very fine words in the opening statement. However, the bank's actions, according to what I read in correspondence from its customers, is quite different. Mr. Masding has to understand. The customer whose words I have just read was overcharged by €60,000. That is a huge amount of money for anyone trying to rear a family, keep things together and contend with the various costs of living. At the same time, they are being harassed by Mr. Masding's bank. I do not think he understands that at all.

I have another piece of correspondence from a man who is trying to get redress, having tried before and been refused by Permanent TSB. That is in spite of the letters he has received, which date back to 2006, stating that he could switch to a tracker or fixed rate mortgage at any time. That is what this letter says. It was still ruled that he had not been impacted.

There are other pieces of correspondence here from the same gentleman. It is the same story. How can the bank use words as clear as those in a letter in 2006, and then deny this man the right to be considered as an impacted customer? I just do not get it. Again, I will pass the details of that case to the witnesses after this hearing.

This is not confined to just one or two cases. These are only examples of correspondence. I have done this with every single bank that has come before the committee, and the witnesses are no different from the rest. Permanent TSB has robbed these customers, it has covered it up and it is attempting to do it again. I am not talking about Mr. Masding personally. However, the banking situation in this country, the attitude of the witnesses before this committee and what this process has highlighted leaves an awful lot to be desired.

I will return to the same point as before. It is not acceptable. If Mr. Masding does not understand the difficulties in people's lives, he should get somebody else to do so. Would he like to make any comment on any of that?

Mr. Jeremy Masding: I am trying to rebuild Permanent TSB. We absolutely understand the situation of the banking industry with regard to its reputation and trust in Ireland. As I said in my opening remarks, my team and I will do all we can to try to rebuild that reputation and trust on an ongoing basis.

Chairman: Mr. Masding baffles me. He cannot be without some sort of humanity and compassion. His every word, in the beginning of his statement and during the questioning, concerned rebuilding PTSB. Does he know what he should do? He should attempt to rebuild the lives that have been destroyed by PTSB. That in itself would rebuild PTSB. I do not see him doing that. The customers that have written to me and other members of the committee are telling the truth. They pour out their lives to us. I cannot believe that Mr. Padraic Kissane has written to us again today, telling us that the Permanent TSB customers that appeared before this committee have still not been looked after. They receive the standard reply saying that the rate they are on is the one to which they are contractually entitled. Does Mr. Masding stand over all of that?

Mr. Jeremy Masding: As outlined by my team, we have looked at each case and applied the criteria as given to us. I stand over, subject to the Central Bank's oversight, 1,979 impacted customers-----

Chairman: I am asking Mr. Masding what standard he has. What standard does his bank have? Let us forget the Central Bank and so on. This is about Mr. Masding and his customers. He must have a standard. His bank must have a standard. How would he apply that standard to these customers? Take what I have read out, and what Mr. Padraic Kissane has said, as being true. In view of that, does he think he is falling short of some standard that must exist in Permanent TSB?

Mr. Jeremy Masding: I will take the cases and I will look at them. My colleagues and I have the highest standards.

Chairman: Shocking. This bank has not changed one single bit. If it got the chance tomorrow it would do exactly the same thing. I do not believe for one minute that it was a systems failure. One bank's representatives came before the committee and told us that the tracker mortgages may have stopped because their bank was losing money on them. In answer to Deputy Doherty, Mr. Masding continued to say that it was a systems failure. He is the best company man that I have seen in here for a long time. However, he is certainly not a friend of his customers. I know I may be pushing the boat out here, but I am appealing to Mr. Masding and his colleagues to have some understanding of his customers and what they have gone through. I appeal to him to apply some flexibility, understanding and compassion to their cases. The witnesses' statement says it all, but the bank's actions are quite different. If Permanent TSB acted in accordance with the words that used in the statement, we would probably not get these text messages and emails.

Has Mr. Masding engaged with Padraic Kissane? I do not mean in his capacity as a representative of customers. Has Mr. Masding chatted with him about the overall issues around the tracker mortgages? Has Mr. Masding tried to learn anything from him, given that he is constantly named as the individual that knows most about these issues?

Mr. Jeremy Masding: I have met Mr. Kissane, yes.

Chairman: That is it? What did Mr. Masding think?

Mr. Jeremy Masding: Sorry, I-----

Chairman: What did Mr. Masding think of the knowledge Mr. Kissane has of the tracker issue?

Mr. Jeremy Masding: If that knowledge gives us a set of facts different from those we currently have, we then make different payments through the appeals process. To use the Chairman's words, we show understanding and compassion in light of a new set of facts.

Chairman: So did Mr. Kissane give Mr. Masding a different understanding?

Mr. Jeremy Masding: We were talking about the overall scheme and some individual customers, about whom I obviously cannot talk now. I do not want to break confidences. I have met him, in answer to the Chairman's question.

Chairman: The witnesses should be ashamed of themselves, given the manner in which they are conducting themselves now, and the way they conduct themselves with customers. If I was interviewing Mr. Masding for a bank licence, I certainly would not give it to him.

Deputy Pearse Doherty: Do we have the information I requested earlier on the number of individuals who were entitled to go to the independent review panel, those who were in an advanced legal process?

Mr. Jeremy Masding: I am advised it is 167 legal cases and 31 loss of ownership.

Deputy Pearse Doherty: That is 198 that were entitled and only 40 went.

Sticking to that point, representatives of the bank have been before the committee on a number of occasions. One of those was on 22 November 2016. I am trying to add it all up. When Mr. Mitchell was asked by Deputy Sherlock at the time about repossessions or the numbers who lost their homes he said:

The number who lost their homes was 58, 42 of whom were in Permanent TSB and 16 in Springboard. To date, 52 of the 58 customers have been fully redressed and compensated. We make every effort to help these people, in so far as financial means can help these customers rebuild their lives. We are in active engagement with-----

Mr. Mitchell was interrupted and when asked what that meant, he said: "What it means in real terms for home owners is that there is a €50,000 compensation payment immediately." Did 58 individuals get this compensation and Permanent TSB has now figured out that actually it was only 31? Where did the other 27 go?

Mr. Ger Mitchell: The detail I would have given at that stage affected all customers who no longer owned their property, but in 31 cases there was a causation analysis conducted and there was a causal link determined between the denial of the tracker rate and the customer losing their home.

Deputy Pearse Doherty: Is it not the case that only those with a causal link are compensated with the €50,000?

Mr. Ger Mitchell: Initially all customers - even where there was not a causal link - who were in that class of ownership initially, got the €50,000 and the €25,000.

Deputy Pearse Doherty: Therefore, any customer who lost their home, even if it was not

as a result of being denied a tracker- mortgage, got the €50,000. That was up to a certain point and then the bank changed that policy. Is that the case?

Mr. Ger Mitchell: I am not familiar with the policy change. All I know is that where the causation analysis determined-----

Deputy Pearse Doherty: If I am a customer of Permanent TSB who has been deemed impacted by the bank and I have lost my home but did not get €50,000, should I be writing to the bank now and asking for the €50,000 or did the bank review that policy at a point in time?

Mr. Ger Mitchell: I do not have the detail to properly answer the Deputy's question, but I will get it and furnish him with it.

Deputy Pearse Doherty: The other question I have relates to the cost to the bank. The amount of money it took wrongly - redress, the witnesses call it - was €45 million and the compensation is €12 million. That includes advice fees, which brings it up to €57 million. Is that correct?

Stephen Groarke: That is right.

Deputy Pearse Doherty: This would have been on the same date in 2016 when I questioned representatives of the bank on this I was told that to that date approximately €80 million had been paid out. When I asked what the expectation of payout was, Mr. Mitchell told the committee that the bank had provided for €145 million. By 22 November 2016 the bank had paid out €80 million. Today in 2018 it is only €57 million. Did the bank ask for money back or what happened?

Mr. Ger Mitchell: In answer to the question, the cost involved in running the programme was included in the €80 million. It was the overall payout the bank had completed at that point in time with regard to the provision and at that stage the number was €80 million.

Deputy Pearse Doherty: The figure Mr. Mitchell has given us today is €57 million and that includes advice fees. What other costs are involved?

Mr. Ger Mitchell: The other costs are the costs of running the programme, the cost of having 200 people work on the programme, the independent advice costs and independent oversight. The total programme costs since 2015 are coming in at €40 million.

Deputy Pearse Doherty: The bank has 200 staff working on it, but the other banks are not doing that. Is that correct? I think we asked the other banks. The other banks, when they are giving us the provisions and how much this is costing, are not including their staff costs as a part of that because those staff are already working within the bank. However, Permanent TSB is including the salaries of the 200.

Mr. Ger Mitchell: The number we have given in answer to the questionnaire is €57 million. Just to answer the Deputy's exact question on the €80 million that was mentioned previously, I am giving him the detail with regard to the costs that were incurred at that point in time and the costs that have been incurred to date.

Mr. Jeremy Masding: The Deputy will recall that at the time of the Deputy's original question to my knowledge we were in enforcement. We were the only bank running the programme. At the time when the question was asked, we assumed that meant the stopping of the harm, the redress, the compensation, any appeals fees plus the staff costs. That is what the €80 million

related to at the time. Since then it has become clear that other banks are breaking it out differently. In order to compare like with like, the €57 million is the redress and compensation payment.

Deputy Pearse Doherty: What provision has been made within the bank? I presume the bank may have updated the provision, which the witnesses cannot disclose at this point. Is that correct?

Mr. Jeremy Masding: Sorry, we are in a closed period at the moment.

Deputy Pearse Doherty: I appreciate that so I am not asking Mr. Masding if the bank has increased the provision in the 2017 accounts. However, what was the provision in the 2016 accounts?

Stephen Groarke: In total in the 2016 accounts, for all of the components we talked about, it was €145 million. That included not just the redress and compensation but also the technology costs of having to build systems to go back and interrogate the mortgages over time; the staff costs, including having to get extra staff in from outside the bank; independent oversight; and the cost of running the appeals panels process.

Deputy Pearse Doherty: It is €145 million altogether. Of that amount, €45 million is the customer's own money back and of the other €100 million it is costing the bank, €12 million is in compensation to the customer. Therefore €88 million is going to advisers, bankers and whatnot. Many people profited and unfortunately the customers got the raw deal here. The money was taken from these customers and €12 million goes to them in compensation while €88 million goes to bankers, advisers, legal firms and all the rest.

Stephen Groarke: Just to be clear, the €88 million is not in any way adding to the compensation of people who work within the bank. We are talking about either the normal salaries of people who have been seconded into the programme or people we have had to get in from outside the bank or people we have had to get in to build the technology to run the programme or indeed to run the appeals processes. We certainly would not like it to be held that in any way people have personally profited from this.

Deputy Pearse Doherty: I do not have an accountancy background. Why would the bank provision for existing staff costs? Did it increase its complement of staff by 200? I understand that it did not do so. If it did not increase the complement of staff by 200, why would it have to make a provision for staff?

Stephen Groarke: Typically that would be for staff we have got in from outside the bank and we are providing for them, their future costs, as part of the overall programme. In the accounting world we are obliged to provision for the future obligations where it relates to a programme like this.

Deputy Pearse Doherty: Does that mean these are additional staff?

Stephen Groarke: Yes.

Deputy Pearse Doherty: Therefore the bank took in 200 additional staff.

Stephen Groarke: The 200 we talk about is a combination of internally seconded people and external consultants.

Deputy Pearse Doherty: Okay. I will leave it at that.

Chairman: Are there any other questions?

Deputy Michael McGrath: I have one tracker one and one quick non-tracker one. On the trackers, of the 1,979 impacted customer accounts, how many relate to persons who are no longer customers of the bank?

Mr. Jeremy Masding: If Deputy McGrath asks me the non-tracker question, I will return to that one.

Deputy Michael McGrath: Sure. The non-tracker question is a related one because the issue is who ultimately is paying for all of this. I, therefore, want to raise the issue of mortgage pricing again with Mr. Masding. I have put it to him before that his bank's mortgage rates are very high. For a long time the bank was not offering a fixed-rate option to existing customers. He committed to the committee that the bank would introduce one and it did, but it is not the same as that available to new customers. For example, for an existing customer the two-year fixed rate is 4.2% while the two-year fixed rate for a new customer varies, depending on the loan-to-value ratio, from 3.2% to 3.6%. That is up to 1% less. No loan-to-value differentiation whatsoever is made for the existing customer on fixed rates. That is clear discrimination against existing customers. Similarly, as I understand it, Permanent TSB customers can revise their managed variable rate once and this can bring them to a rate of between 3.7% and 4.3%. Therefore, the lowest managed variable rate an existing customer with Permanent TSB who has a low loan-to-value ratio can get is 3.7%. The corresponding rate with AIB is 2.75%.

My point is that Permanent TSB's customers who are unable to switch, which could be for a whole host of reasons such as loss of employment, reduced income or change in family circumstances, are stuck. They are stuck with Permanent TSB and they are goosed. The bank is crucifying them with the interest rates it is charging. When I look at the bank's most recent financial results for the half year to June 2017, the bank's wholesale funding costs were 0.08%, which is eight basis points, and its customer deposit pricing was 0.17%, which is 17 basis points, yet the bank is still charging some customers a managed variable rate of up to 4.3% and fixed rates of 4.2%.

The only reason existing Permanent TSB customers would not now switch is that they are stuck, and anyone who could should. That is a pretty stark position for the bank to be in. As a bank, it is marginally profitable and Mr. Masding might argue that mortgage pricing is as good as it gets and that the bank cannot do any better. If that is the case, it raises more fundamental questions. It is not good enough, however. The bank continues to discriminate against its existing customers *vis-à-vis* its new customers and overall its rates are way out of line with its cost of funds. Its net interest margin has increased to 1.81%. We will wait for the full year results, which will be released shortly, to get more detail on that. It is a pretty grim picture for its mortgage customers, who are stuck with it, however.

Mr. Jeremy Masding: There are probably three elements to my answer. First, the bank has had a track record in recent years of, within the boundaries on it, delivering attractive pricing, including reductions in its standard variable rate, SVR, its tracker mover products, and the introduction of the managed variable rate suite. For that suite, there is a correlation between front book and back book pricing. We have a track record of listening to stakeholders, including the committee. The second thing I would say is that, within the constraints on me, I keep pricing under constant review. I hear the Deputy's points and we will continue to review our pricing.

That is a commitment from me to the Deputy. Third, as I have mentioned before, it is not just the cost of funds that goes into the pricing model. There is also a cost of operations which, in banking, has increased in recent years. This is due, in particular, to the fixed cost base. There is the cost of risk and we have to take into account the past in our future cost of risk. Further, the cost of capital is high in Ireland because of that past. I would not want to argue with the Deputy about the cost of funds but the pricing of our mortgage has more than one dimension. In summary, I hear what the Deputy is saying and, as always, respect his position. I keep pricing under constant review, and perhaps the Deputy will give me the opportunity to continue to iterate the pricing as the bank's situation changes.

In terms of Deputy McGrath's first question, I am advised that the number of non-customers is 329.

Deputy Michael McGrath: Okay.

Chairman: That concludes our meeting. I thank Mr. Masding and his colleagues for attending.

Sitting suspended at 6.55 p.m and resumed at 7.15 p.m.

Tracker Mortgages: KBC Bank

Chairman: I welcome Mr. Verbraeken and his colleagues to this meeting.

I wish to advise the witnesses that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to this committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to so do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the House or an official either by name or in such a way as to make him or her identifiable.

I invite Mr. Verbraeken to make his opening statement.

Mr. Wim Verbraeken: We thank the Chairman and the members of the committee for the invitation and opportunity to represent KBC Bank Ireland here today. I would like to introduce the delegation from the bank. I am accompanied by two senior members of the bank's management team, Ms Dara Deering, executive director retail banking, and Mr Barry D'Arcy, chief risk officer. The committee will have received our written responses to the questionnaire. With the agreement of the committee, I will proceed to read my opening statement, following which we will respond to any specific questions the committee would like to ask.

In our appearance before this committee on 28 September 2017, we were not in a position to provide the committee with the number of impacted mortgage accounts because we had not concluded our review and engagements with the Central Bank on a number of customer cohorts

that we were investigating. However, I told the committee then that I hoped and expected to be in a position to give it considerably more information when we met next. Such disclosure has now been included in our completed questionnaire.

Since that meeting we have engaged with the Central Bank to conclude the identification phase of this review and we have fully understood the need to progress at pace for our customers. We have endeavoured in all our assessments to understand the full customer journey, as conveyed by the facts and considerations of reasonable expectations, to determine if a customer or a group of customers should be or should have been on a tracker rate and, therefore, be considered as impacted and receive redress and compensation.

The committee will be aware that in late October following engagement with the Minister of Finance and the Central Bank, the bank identified as impacted 417 mortgage accounts that should have been on a tracker rate or were on the incorrect tracker margin. Redress and compensation payments to those customer accounts commenced in November 2017 and full payments have now been made to all those customers.

Following supervisory engagement and challenge from the Central Bank, the bank concluded its analysis on other customer cohorts in late December and confirmed in a public statement as of 20 December 2017 that a further group of approximately 2,557 mortgage accounts were identified as impacted for a variety of reasons. This number includes approximately 1,907 mortgage accounts that up to July 2008 converted from a tracker rate to a fixed rate product post-drawdown, and ultimately rolled off to a non-tracker rate product. The documentation and terminology was not clear for these customers. This number also includes *circa* 650 PDH mortgage accounts that were identified as impacted, as they related to new mortgage applicants in the period from November 2006 to February 2008 who had drawn down their mortgage on a fixed rate, with a roll-off to a standard variable rate. While they were never on a tracker mortgage rate and did not have a contractual right to such a rate, the bank has decided to offer these PDH customers a tracker mortgage rate product if the account is still open.

Overall, the bank has identified *circa* 2,974 mortgage accounts as impacted as part of the tracker mortgage examination. We have written to all of these customers to advise them that their individual mortgage account is being or will be reviewed, with a status update before the end of March, if the review is not completed. If they are going through a legal enforcement process, this is put on hold. If they are in the process of or considering selling or surrendering their property or applying for a form of debt resolution, we encourage them to discuss their options with their financial and-or legal advisers prior to committing.

I reiterate my apologies to all impacted customers for the harm and distress caused by the bank's error or failure. So far, it has made rate rectifications and redress and compensation payments to 501 customer accounts. Furthermore, the remaining mortgage accounts will be restored to the correct tracker mortgage rate by the end of February, if the account is still open, and receive redress and compensation payments as soon as possible but no later than the end of June. The bank has made a provision of €120,300,000 to account for redress and compensation payable to the impacted accounts since the start of the examination. In line with the tracker mortgage examination framework, it has established an independent appeals panel for customers who are not satisfied with the level of redress and compensation offered.

Regrettably, some customers have lost their homes or their investment properties as a result of not having been on a tracker mortgage rate. So far, we have concluded that six customers lost their homes as a result of not being on a tracker mortgage rate. We have also determined

that 27 customers lost their buy-to-let properties for the same reason. We expect this number to increase as the individual causation assessment and calculations are completed in the recently identified cases. In determining causation, by which we mean establishing the link between the loss of ownership and the bank's error or failure, we have formulated our decision model to be as customer focused as we can in assessing these cases. The question we have tried to answer is whether the customer could at the time under the most lenient restructuring arrangement available to them have managed to make his or her mortgage payments if he or she had been on a tracker mortgage rate. If the answer to that question is in the affirmative, we conclude that he or she lost his or her property because of the bank's error or failure.

We appreciate that the financial compensation offered cannot compensate for the emotional stress caused by the loss of a home. For this, I sincerely apologise once again. We cannot undo what happened in the past, but we can provide for remediation and learn from mistakes. The bank has conducted the review under the examination framework in the interests of achieving a fair outcome for customers, identifying circumstances where the interaction between the bank and customers has been seriously deficient or the handling of customer cases has not been of a standard required under the framework. While taking into account its legal and contractual commitments in making its determinations, the bank's approach has been to ensure the balance of consideration is in favour of the customer. As we restore impacted customers to the correct tracker mortgage rate, make redress and compensation payments, respond to customers' questions or requests and, ultimately, the facilitation of the independent appeals process, the bank shall maintain this approach.

As a sector, financial institutions need to take meaningful incredible actions to regain the trust of all customers. Since the events leading up to the review, the bank has strengthened processes and procedures that are supported by a strong and more robust regulatory environment. We will continue to work towards the conclusion of the examination in all its facets. The bank's parent, KBC Group, has also taken the review very seriously. We are very supportive of the establishment of a banking standards board and an agenda to bring about cultural change in banking.

Mr. Deering, Mr. D'Arcy and I will respond to questions. I thank members for their attention.

Deputy Pearse Doherty: Do the delegates believe there is a problem with the culture of KBC Bank?

Mr. Wim Verbraeken: I believe the circumstances that led to the examination have uncovered a number of practices that do not meet the standards to which we hold ourselves today.

Deputy Pearse Doherty: Does that apply to individuals or the systems in place in the bank?

Mr. Wim Verbraeken: I would not use the word "systems". As regards this phase of the examination, I can only speak for my institution. I have not seen evidence or indications that there was a deliberate effort made by individuals in the bank to deprive customers of a tracker mortgage rate. However, it is clear from the case reviews we have conducted that a number of circumstances and practices were deficient, as I indicated in my opening statement, either in the correspondence to customers or the documentation used or other influencing factors. That is next to a number of errors we have uncovered during our forensic review of cases.

Deputy Pearse Doherty: Is Mr. Verbraeken trying to tell the committee that it was due to

practices as opposed to culture?

Mr. Wim Verbraeken: In my mind, the culture is the result of the outcome of a number of practices. Let us say one can ultimately indirectly influence culture. I do not believe it is a matter of installing a number of specific practices that will directly influence the culture.

Deputy Pearse Doherty: Does Mr. Verbraeken believe the bank broke the law?

Mr. Wim Verbraeken: At this stage in the examination, I have seen no such evidence.

Deputy Pearse Doherty: Were there no legal contractual rights that the bank denied customers?

Mr. Wim Verbraeken: There are a number of cases in which, let us say, the customer was not on the rate that was included in his or her contract.

Deputy Pearse Doherty: Would it be a legal entitlement under their contract?

Mr. Wim Verbraeken: Yes; we see it as a contractual right.

Deputy Pearse Doherty: In not providing the rate, is it not the case that the bank has denied them their legal right, which is a breach of the law?

Mr. Wim Verbraeken: My understanding is we breached a number of clauses in codes and regulations, but today I am not in a position to confirm that we have breached the law.

Deputy Pearse Doherty: That speaks to the culture and the problem in the bank. Mr. Verbraeken has acknowledged that some customers were denied their legal contractual rights, but bankers are unwilling to say they broke the law. Is it not fair to say they broke it? Some customers had a legal contractual right to a tracker mortgage rate, but the bank did not provide it, for whatever reason, whether it was systems, information or any other excuse. There was a legal right to a tracker mortgage rate, but the bank denied it to some customers. Why is Mr. Verbraeken not comfortable in saying this? AIB stated it. It told us that there were cases in the bank in which it was very clear, written in black and white, customers had legal rights and that the bank had denied them these rights.

Mr. Wim Verbraeken: As I said, we have uncovered cases in which the contractual rights of customers had not been complied with. The close to 3,000 mortgage accounts we have identified as impacted constitute a minority, but obviously any case in that category is one too many. I agree with that.

Deputy Pearse Doherty: Did the holders of any of the 1,097 mortgage accounts that rolled on to a non-tracker rate mortgage raise an issue with the bank after July 2008? Did they say that it was their view that they had a contractual right to a tracker rate that they would like to assert?

Mr. Wim Verbraeken: Yes. More than 40 such cases were brought to the Financial Services Ombudsman, FSO. In all but two cases, the bank's position was upheld at the time by the ombudsman, who indicated that the documentation we used was clear and unambiguous, that the bank had not failed in its duty to bring key features to the attention of the customer, and that the bank did not disguise important information. That was found at the time. Today we have found differently and we now consider that cohort to have been impacted.

Deputy Pearse Doherty: Mr. Verbraeken agrees today that both his bank's own appeal

mechanism, which customers would have had to go through, and the Financial Services Ombudsman were wrong in their findings and that those individuals were indeed impacted.

Mr. Wim Verbraeken: As I said earlier, I believe there were a number of practices in a number of circumstances which we would hold to a different standard today.

Deputy Pearse Doherty: If 40 customers went to the FSO, how many actually made complaints to the bank or asserted their rights with it? If 40 went to the FSO and went through that process, we can expect that multiples of that figure raised concerns with the bank. That is what happens. Does Mr. Verbraeken know how many did that?

Mr. Wim Verbraeken: I do not have the exact number of cases but I do not believe that there were many cases that did not ultimately end up with the FSO.

Deputy Pearse Doherty: What years are we talking about?

Mr. Wim Verbraeken: I believe we are talking about the years 2010 and 2011.

Deputy Pearse Doherty: Given it is now 2018 and that KBC still has 2,000 customers who have not even been put back onto their proper tracker rates, what does Mr. Verbraeken have to say to those individuals who went to the bank to assert their legal right to their tracker rates and who were shot down by the bank and failed by the Financial Services Ombudsman? What does Mr. Verbraeken have to say to them in respect of these eight years? He speaks about practices and more information but these customers knew the bank was doing wrong; they brought the issue to its attention and the bank closed ranks.

Ms Dara Deering: I might come in on that matter if I may.

Deputy Pearse Doherty: I would like to hear from the chief executive officer, CEO, on this issue. I have no problem with Ms Deering coming in as well but I ask the CEO what he would say to those who asserted their rights and who were failed by the bank over an eight-year period.

Mr. Wim Verbraeken: We have issued our apology to our impacted customers. We wish we were not in the position in which we are today, which is that we have 3,000 cases of customers we consider to be impacted. I am in a position, however, to deal with and resolve the issue in front of me, which I have uncovered with my team as we have gone through the examination. We are trying to do the right thing for customers given the specific circumstances each has lived through over these years.

Deputy Pearse Doherty: Did the issue of the cases where appeals were lodged ever reach board level in the bank? Were decisions ever made in that regard? Was anybody at a senior level made aware that in more than 40 cases, people were asserting their rights to a tracker rate? Was such a person asked what should be done about it? Was that every discussed at a senior level?

Mr. Wim Verbraeken: I am not aware of any discussions on this matter at the senior level at that time. None of the directors of the bank who are on the executive committee were working at the bank at the time. Our focus to date has been on the impact at customer level and on the various patterns we have uncovered. A number of customers have gone through the same customer journey and we will be conducting a review of how these decisions came about.

Deputy Pearse Doherty: Why is it that only 501 accounts have been redressed and re-

turned to their tracker rates? Perhaps the more appropriate question is why, in February 2018, are nearly 2,500 accounts still on the wrong tracker rate?

Mr. Wim Verbraeken: They will be restored to the correct tracker rate in February.

Deputy Pearse Doherty: As of today, they are still on the wrong tracker rate, however.

Mr. Wim Verbraeken: Yes.

Deputy Pearse Doherty: Some 2,473 accounts.

Mr. Wim Verbraeken: That is correct.

Deputy Pearse Doherty: KBC was notified of this review at the same point as all the other banks. Is that not correct?

Mr. Wim Verbraeken: I believe that all of the banks received notification of the start of the examination at the same time, yes.

Deputy Pearse Doherty: Then why is KBC so far behind? Ulster Bank is one of the outliers, but KBC takes the main prize. It is the worst in terms of both redress and compensation and in putting customers back onto their tracker rates. We are talking about fine language but, as we speak, the bank is automatically deducting money it is not entitled to from its own customers' accounts every single month. There are still 2,500 customers on the wrong rate. I am a customer of KBC, my mortgage payment goes out at the start of the month. I am not an impacted customer, but if I was, on the first Monday of this month KBC would have stolen money from my account that it is legally not entitled to, despite the fact that it has known for quite some time that what it is doing to these 2,500 customers is wrong. How can Mr. Verbraeken justify that?

Mr. Wim Verbraeken: The nearly 2,500 customers we are talking about were determined as being impacted in December 2017, that is, less than two months ago. They will be restored to their correct rates by the end of this month. To clarify the rationale or reason 2,500 customers are still on the wrong rate, the process we went through with the Central Bank stretched all the way into December 2017 when we reached a final determination about all the customers and cohorts that were considered to be impacted. That is when we started the process of writing to all of these customers, which happened at the beginning of January 2018. They will be put on the right rate within two months and they will be redressed and compensated within six months.

Deputy Pearse Doherty: KBC submitted its phase 2 report to the Central Bank on time, did it not?

Mr. Wim Verbraeken: We submitted a phase 2 report in September 2016, yes.

Deputy Pearse Doherty: And when was the final phase 2 report submitted?

Mr. Wim Verbraeken: In December 2017.

Deputy Pearse Doherty: The bank had to have its final phase 2 report in by the end of March 2017. Did it meet that target?

Mr. Wim Verbraeken: As I explained when I was before the committee in September, the level of engagement with the Central Bank on that report between submitting it in September 2016 and the end of May 2017 was at a very low level. It increased very substantially at the end of May, throughout the summer and all the way to December.

Deputy Pearse Doherty: How many impacted customers were identified in the bank's phase 2 report in 2016?

Mr. Wim Verbraeken: Fewer than 100 cases.

Deputy Pearse Doherty: Fewer than 100?

Mr. Wim Verbraeken: That is correct.

Deputy Pearse Doherty: And that figure went up to 2,974?

Mr. Wim Verbraeken: That is correct.

Deputy Pearse Doherty: Did the Central Bank have to come in and twist the banks arms on a number of these cases or how did-----

Mr. Wim Verbraeken: As we said in our opening statement, we were challenged on our perspective on the examination by the Central Bank. This process continued through the second half of 2017 and we concluded it in December 2017, having reached a position in which there was no further dispute between the bank and the Central Bank on any cohorts.

Deputy Pearse Doherty: Is it not the case that the reason the bank is screwing over 2,500 of its own customers, even at this point in February 2018, is because Mr. Verbraeken, as CEO, and his bank have been fighting the Central Bank for the past year and a half trying to make sure it does not give its customers back the money it wrongly took from them? Is that the reason, in reality, if we cut out the rest of it, the bank is so far behind the rest of them?

Mr. Wim Verbraeken: No, I disagree with that description in the sense that the team that was working on the tracker examination consistently engaged constructively with the Central Bank. We had a different perspective on certain customer journeys. I clarified, for instance, with regard to the customer journey the Deputy referred to, that we had on file findings by the FSO in the bank's favour which would have strengthened that position.

Deputy Pearse Doherty: Other people will come in on this and the public will make up its own mind. How did the bank compensate individuals where there was a loss of the home with regard to the six family homes and 27 buy-to-lets? What is the compensation process for them?

Mr. Wim Verbraeken: There is a compensation proposal which is standard for all customers where we have determined that the loss of ownership was caused by the bank's error and failure, as I indicated. For an owner-occupied property, the offer to the customer would be a €50,000 lump sum payment. There would be compensation for the uplift in value of the property between the time of repossession or sale of the property and the time of compensation. There would be a write-off of all residual mortgage balances. There would be a compensation for the future value of a tracker unless that same customer took up our offer of a new mortgage loan on a tracker rate. We would also offer them legal fees to the extent of €2,000 or other reasonable vouched fees that they spent.

Deputy Pearse Doherty: How does the bank gauge the impact that losing one's home has on an individual? Has the bank thought about it? Has it thought about the impact of having to tell one's children the bank is taking one's home and of packing up the toys and moving to a different area? Many people feel shame as a result of that. Irish people are very proud. How does the bank gauge all of that and put a value on it?

Mr. Wim Verbraeken: As I said in my statement, financial compensation does not compensate for the distress caused by the bank's error and failure. We appreciate and acknowledge that but we have to address, with the means we have today, the situation these customers are in and offer them compensation. Of the six owner-occupied properties that were lost as a result of the bank's error and failure, we still have five in our possession. As part of the redress and compensation engagement we have with these customers, whom we have contacted specifically and personally, we will offer them their homes back.

Deputy Pearse Doherty: Will that be for free or will the bank sell them back their homes?

Mr. Wim Verbraeken: No. The home would be restored in a condition in which it can be lived in by the customer. The home would be offered back with the reduced mortgage loan on a tracker so they would be in a similar position as customers who lost their property outright. There is an equivalence of value that we offer to a customer where we still possess the property.

Deputy Pearse Doherty: Basically, the bank is selling them back their homes. They will take out a mortgage with KBC to get their home back. It did not answer the question. Perhaps it did answer the question because the bank is looking at it very much in financial terms and considering the uplift and so on. All of that has to be done. In the scenario I put to Mr. Verbraeken, what price does he put on having to go in and tell the children they are leaving the house and packing up and maybe having to go into rental accommodation? Some value has to be put on it. There is no way that any type of money can undo the harm the bank has caused those people. The bank has obviously made some calculation somewhere so what is it? Has the bank actually engaged with the six customers to find out the impact? Has the bank asked them to submit a victim impact statement? I asked the banks to do this a year ago. If we were in court, that is what would happen. It would show how it impacted on the customer. Has the bank looked at that?

Mr. Wim Verbraeken: We have reached out to each of these customers individually and we will continue to engage with these customers specifically in the context of offering their properties back. I fully agree with the Deputy that any financial compensation or value offered would not compensate for the harm done. We would prefer not to be in a position of having any cases where a loss of property has occurred. We believe the process we are going through with these customers is to some extent showing we are trying to do the right thing by them given where we are today and the findings we have come to in recent months.

Deputy Pearse Doherty: Can every customer who is given an offer of redress and compensation cash the cheque and then appeal the case?

Mr. Wim Verbraeken: Yes, absolutely.

Deputy Pearse Doherty: I have one final question on the 650 private dwelling homes that were deemed impacted. They are individuals who took out mortgages in the period of November 2006 to February 2008. Can Mr. Verbraeken explain to the committee why the bank has chosen those dates? I raised this over a year and a half ago with the bank. I presume it is to do with the advertisement and the leaflet that was being bandied about by all the brokers which said that customers would roll on to a tracker rate at the end of the fixed-rate period. I have numerous letters from customers of the bank who were given the same type of commitment and were aware of the flyer but who were not deemed impacted. I will give Mr. Verbraeken an example of a person who applied for the mortgage in August 2006. In January 2007, the person finalised and decided to fix the rate but were deemed by the bank not to have been impacted. It

is the same commitment. I presume that is the reason the 650 homes were deemed impacted. Can Mr. Verbraeken elaborate on that?

Mr. Wim Verbraeken: I would welcome getting the details of that specific case to make sure the decision we communicated - I presume it is based on a recent decision - and the termination were correct. We welcome all customers who believe they have evidence that we did not consider to come forward. I welcome the same in this case. The 650 customers relate to new owner-occupied, PDH, customers who applied for their mortgages between November 2006 and February 2008. That coincides with a period when the bank had issued a communication to its intermediaries, the brokers, which are governed by their own specific regulatory context, for a product that was specific to new owner-occupied, PDH, customers which meant they started on a fixed rate and rolled off to a tracker. We have decided, based on the review we conducted on the period right up to December 2017, that the 650 customers who signed loan agreements to start on a fixed rate and roll off to a standard variable rate should have had the customer journey of a fixed rate rolling off to a tracker, as did 90% of all new PDH applicants who applied in the window of time in question. More than 6,000 cases originated through the broker network in the window during which the broker communication was valid rolled, as intended by the bank, from a fixed rate to a tracker. The 650 cases signed a loan agreement based on moving from a fixed rate to a standard variable rate. We have decided, as a matter of policy, to offer these customers a tracker rate and to offer redress and compensation.

Deputy Pearse Doherty: The leaflet came out in November 2006. Why is the date in February 2008 listed?

Mr. Wim Verbraeken: At that stage, the broker communication was no longer applicable. That was also communicated to the brokers.

Deputy Pearse Doherty: Was that even if someone had applied on the basis of that information but did not draw down until a later point?

Mr. Wim Verbraeken: We allow for the normal terms of the delay between a draw-down date and the application date. That is why we take into account the application date rather than the draw-down date. We believe that was the influencing factor. That was the moment that customers would have made their choice and would have been led by the information in the leaflet.

Deputy Pearse Doherty: What about those who applied before November 2006? If I apply for a mortgage now, I might apply to ABC Bank and Bank of Ireland and ultimately decide on one. What about somebody who applied before November 2006 and who got the communication before deciding to sign the final offer, which was after November 2006? Would such people not be deemed affected?

Mr. Wim Verbraeken: We would have considered that they were not influenced by the broker communication. That is our position.

Deputy Pearse Doherty: Surely their final decision would be influenced. They do not make a final decision until they make a final decision. Therefore, an inducement whereby one may move to a tracker rate at the end of the two-year fixed term has an influence. If I received a letter of offer from KBC Bank but had not decided on that bank and my broker advised me I would roll on to a tracker mortgage, I would sign even though my application preceded the advice. Surely to God it would be deemed an influencing factor.

Mr. Wim Verbraeken: We have made a policy decision based on the date of application.

As I said at the start of my answer on this specific topic, we welcome the coming forward of any customer who feels he should be considered as impacted upon based on evidence he has specific to his own journey. We will obviously consider that.

Deputy Pearse Doherty: They have come forward, however. Mr. Verbraeken is saying the policy is that someone who was told by his broker that he would roll on to a tracker after taking out a mortgage with KBC Bank, which would involve a final letter, should not be deemed impacted. Surely to God it had an influence. The bank needs to revisit this policy. It will force victims to go to the bank, through the internal appeals process and to the FSPO. This is an obvious matter. If before signing up with the bank one's broker is saying one will roll on to a tracker, it is obviously an influencing factor. How could it not be?

Mr. Wim Verbraeken: We have given this matter careful consideration. It has also been part of our discussion with the Central Bank of Ireland on determining the specific cohort impacted upon. Considering this on the basis of the date of application is ultimately considered to be the fair approach.

Deputy Michael McGrath: I welcome Mr. Verbraeken and his colleagues. I will continue with Deputy Pearse Doherty's line of questioning. I am conscious that people who are directly affected are watching. Members will have received correspondence in this regard.

Let me tease out the issue a little further. The 650 PDH mortgage accounts that Mr. Verbraeken identified as being affected relate to new applications. He deemed the application date to be the cut-off point. The period in question is from November 2006 to November 2008. The customers started out on a fixed rate, with a roll-off to a standard variable rate. They were never on a tracker rate. Is it correct that the relevance of the dates is based on the existence of a flyer that the brokers were using to market and promote the product?

Mr. Wim Verbraeken: That is correct.

Deputy Michael McGrath: That is the relevance of those dates. When was the flyer circulated to the brokers?

Mr. Wim Verbraeken: It was circulated at the beginning of November 2006 and it was revoked in February 2008.

Deputy Michael McGrath: Therefore, it was issued to the broker network at the beginning of November 2006 and then revoked through communication with the brokers.

Ms Dara Deering: On 11 February 2008. The specific date of issuance was 7 November 2006.

Deputy Michael McGrath: Would the mortgage documentation of the customers, as in the mortgage contract, not have made reference to any entitlement to be put on a tracker?

Ms Dara Deering: It never referred to a tracker. Exactly.

Deputy Michael McGrath: The brochure had been circulated, however, and clearly influenced the decision of many customers to go with KBC Bank and to opt for the product in question. The flyer was issued on 7 November 2006 and revoked on 11 February 2008. Of course, the bank did not have control over the communication that existed between the brokers and those individuals who were to become the bank's customers.

Mr. Wim Verbraeken: We made it very clear to our brokers that, as of a certain date, 11 February, the offer would no longer stand. I believe we could reasonably have expected that brokers would comply with that and inform their customers correctly.

Deputy Michael McGrath: Let me give a flavour of the types of issues that arise. Obviously, these relate to the cut-off date or dates either side of that. One customer said they met their broker in February 2008 to discuss the options and the broker produced the KBC Bank flyer, making it clear that the customer could roll on to a tracker on expiry. The customer placed a lot of emphasis on that advice. My correspondence does not state when the customer applied for a mortgage but they signed off on it in early May 2008 and drew the first payment down in early June 2008. They say the flyer with the tracker option was pivotal in the making of their decision. Clearly, it was not communicated to them between February and May that the flyer had been revoked. Is it true that KBC Bank was offering a tracker mortgage up to 4 July 2008?

Ms Dara Deering: For existing customers. For new customers-----

Mr. Barry D'Arcy: April 2008 for new customers.

Deputy Michael McGrath: April for new customers.

Ms Dara Deering: April for new customers and July for existing customers. If the customer in question applied after April 2008, the bank would not have had any tracker product, never mind a fixed tracker product, for example. As Mr. Verbraeken said, we tried to take a policy decision considering where we believe the flyer might have been used in conversations. Obviously, we cannot rule out where it was or was not used. We believe, however, that it is most appropriate and reasonable to expect that it may have been used as part of the sales process and that is why we have taken an application date. There may be some cases around the edges, and clearly we will look at them on an individual basis, but the policy is to apply it where we believe it is most reasonable and consistent from a consumer perspective. As with the other 90% of customers who went from a fixed rate to a tracker, we have applied the same criteria to these customers who went from a fixed rate to a standard variable rate.

Deputy Michael McGrath: Another customer has said they drew down their mortgage in February 2008, so presumably if they had relied on the flyer they should have been deemed to have been impacted, all other things being equal. That is one case that KBC might need to look at.

Ms Dara Deering: Sure. Of course.

Deputy Michael McGrath: At the other end of the cut-off there are customers who made the application in September 2006 so it was before the existence of this flyer. They challenge that KBC has used the application as the cut off. They make the legitimate point that it is not complete until fully signed and reviewed by all parties, legal advice is sought and when the mortgage is executed. If it was within the window during which this flyer was in circulation, then I believe they have a very arguable case that they should be included. The bank, however, has taken a different view.

Ms Dara Deering: We have taken the view on the basis that the broker flyer may or may not have played a role in the sales conversation. As has already been outlined, we are minded that these customers would have received a loan offer letter that clearly stated they were fixed, standard variable. That would have issued to their brokers before they signed and issued to their solicitor. That is part of that concluding process the Deputy speaks about. We will look at

any individual cases where customers may feel it is in-----

Deputy Michael McGrath: How much of the business at that time would have come through the broker network?

Ms Dara Deering: The vast majority, more than 90%.

Deputy Michael McGrath: More than 90%, close to all of it really, came through the broker network. This flyer was circulating during that period. I can see why the bank has drawn the line it has but it is very unfair on some of those who are directly affected. There are people who relied on the flyer but who may not have fallen within the cut-off dates that KBC has set, especially those who may have applied post-February 2008 and who relied on that flyer leaflet. KBC says it was revoked but cannot be sure that this was communicated to those customers.

Mr. Wim Verbraeken: I believe that we were very clear in our communication to the broker network on 11 February 2008 that the product was no longer on offer. I believe it was reasonable for us to expect brokers, who are professionals and who are regulated, to adhere to it.

Deputy Michael McGrath: Can customers who are deemed to be not impacted go to the KBC appeals panel?

Ms Dara Deering: They can come to the bank individually first if they want to do that and we will have a look at any individual circumstances they want to share with us. We will discuss that on an individual basis with them of course.

Deputy Michael McGrath: Okay. If the committee members get the full details of cases can we pass them on?

Ms Dara Deering: Please do.

Deputy Michael McGrath: We will take an interest in them.

I will turn to the other cohort. In October, KBC revised down the 490 customers to the 417 mortgage accounts. This was the very first group that had been identified as not rolling on to a tracker rate after a fixed rate period or were moved off their tracker rate following a change to the terms of their loan or were on the incorrect tracker margin. Were those cases clear cut? They had a contractual entitlement to a tracker rate at a particular margin, or at least an entitlement to be offered such a tracker.

Mr. Wim Verbraeken: Within the cohort of 417 cases that were announced in the October public statement, there were certain cases where, through our forensic review of cases, we had identified that they were not on the rate as per their contract. The large majority, 358 cases, were cases that had been on a tracker rate and then had an agreed change to their mortgage contract in the sense they went on to an interest-only period, and ultimately they rolled off to a variable rate. In October, we determined that the terminology used in the instruction letter for the interest-only period could have been confusing as to its intent and that the customer may have reasonably expected to return to a tracker rate. Although the correspondence stated, in most cases, that the customer would move to a variable rate, we determined that it was not clear to the customer-----

Deputy Michael McGrath: Okay, but whatever about the correspondence issued, was their contract clear?

Mr. Wim Verbraeken: I am talking about the instruction letter that is part of the contract.

Deputy Michael McGrath: Okay.

Ms Dara Deering: Their initial contract was clear and then something changed thereafter. The documentation may not have been as clear as it could have been.

Deputy Michael McGrath: Turning to the additional 2,557 cases, within that figure we have already discussed the 650. The balance of 1,907 mortgages were accounts that were converted from a tracker rate to another rate product post drawdown, up to July 2008. These have now been identified as impacted cases. This was a big change. Will the witnesses explain those mortgage accounts to me?

Mr. Wim Verbraeken: These customers' mortgages originated on a tracker rate or on a fixed rate that subsequently changed to a tracker rate. All of them at some stage moved to a fixed rate and rolled off onto a standard variable rate. We came to a definition and to the policy decision that the journey was potentially confusing and that customers were not fully made aware that they were giving up their tracker by moving to a fixed rate. These customers had originated on a tracker rate or before moving to the fixed rate they were on a tracker rate. They rolled off to a standard variable rate but after a review, we ultimately took the decision that they had potentially not fully aware they were giving up their tracker rate by entering the fixed rate.

Deputy Michael McGrath: Was communication with them not clear or did their contract entitle them to a tracker through the duration of their mortgage even if they had a few journeys within that period?

Mr. Wim Verbraeken: They signed a fixed rate instruction form, which is part of their contract and which would modify their contract. It was the combination of that form, the language used in that form and the surrounding documentation, for example, the handbook, that would have given rise to the confusion.

Deputy Michael McGrath: KBC, however, clearly resisted the inclusion of these customers. This was two years into the tracker investigation.

Mr. Wim Verbraeken: Yes. As I explained to Deputy Doherty earlier, these are the cases where we had a number of complaints early on many years ago - more than 40 went to the Financial Services Ombudsman - and all of the decisions of the ombudsman at the time found in favour of the bank, as I have already outlined.

Deputy Michael McGrath: If we consider that group of customers, it is possible that some of them have been on the wrong rate for a decade. Most of them, presumably, were on-----

Mr. Wim Verbraeken: They would have gone on to a fixed rate first for one year, and maybe two years subsequently. The period they would have been on a standard variable rate is, potentially, eight years.

Deputy Michael McGrath: When was the earliest that the mortgages in this group of 1,907 mortgages were taken out?

Mr. Wim Verbraeken: It is the date they moved to a fixed rate, which was up to the middle of 2008, which was the start of their fixed-rate periods.

Deputy Michael McGrath: Was that a fixed rate for one or two years?

Mr. Wim Verbraeken: Typically one year.

Deputy Michael McGrath: Maybe, therefore, these customers have been on the wrong rate for nine years as opposed to ten years. Are those customers, generally, on variable rates now?

Mr. Wim Verbraeken: They are on the standard variable rate, yes.

Deputy Michael McGrath: Would that be 3.5% or 4%?

Mr. Wim Verbraeken: It is 4.25%, or 4.05% if they have an account.

Deputy Michael McGrath: That is 4.25%, or 4.05% if they have a current account with KBC.

Mr. Wim Verbraeken: That is correct.

Deputy Michael McGrath: What is the tracker margin they are entitled to?

Mr. Wim Verbraeken: We had a range of tracker margins depending on the period in which the mortgages would have originated. The typical tracker margin would be 1.25% over the ECB rate. All of the impacted customers, regardless of the cohort of which they are part, are being restored to the original tracker rate. We do not have a concept of prevailing tracker rate. They will all go back to the tracker rate that was part of their contract at the time that they had a tracker rate.

Ms Dara Deering: Whatever they were on prior to fixing they will go back to.

Deputy Michael McGrath: Typically, Mr. Verbraeken is saying 1.25% above the ECB rate. Some of them today are paying 4.25%, a difference of 3% on their mortgage, nine years later. If they have a mortgage of €200,000 in simple interest terms, not annuity but simple interest, that is €6,000 a year of a difference in the interest. The impact of that over a period of up to nine years on those people is savage.

Mr. Wim Verbraeken: The differential between the standard variable rate they are on today and the tracker rate, which is today approximately 3%, I would agree with that, has not always historically been the case.

Deputy Michael McGrath: I appreciate that.

Mr. Wim Verbraeken: It is indeed today approximately 3%. That is correct.

Deputy Michael McGrath: Today, if a person has a mortgage of €200,000, that is €6,000 a year.

Mr. Wim Verbraeken: Correct. That is true.

Deputy Michael McGrath: That is €500 a month extra which is still being taken. By when has KBC committed that they will all be on the correct rate?

Mr. Wim Verbraeken: By the end of the month.

Ms Dara Deering: The end of February.

Deputy Michael McGrath: By the end of February, that is the commitment. There is a lot

of work to do in February if it is going to make that deadline.

Mr. Wim Verbraeken: Yes.

Deputy Michael McGrath: Does the €120 million cost include the cost of the 100 staff?

Ms Dara Deering: No.

Mr. Wim Verbraeken: The €120 million we have provided for is going entirely to the impacted customers and does not account for any expenses we will incur in the process.

Deputy Michael McGrath: What is the administrative cost to KBC of staff time and resources?

Mr. Wim Verbraeken: Existing staff of the bank are already part of the contingent working for the bank and we do not specifically account for staff that have been seconded into this programme. We have approximately 100 professionals engaged on this process. We have brought in additional external resources to supplement our own staff. We accrue for these costs as we move through the programme. That is what I am in a position to say about that.

Deputy Michael McGrath: Already 33 homes have been lost and Mr. Verbraeken says he expects that number to increase.

Mr. Wim Verbraeken: Yes.

Deputy Michael McGrath: On what is he basing that expectation?

Mr. Wim Verbraeken: We have not considered all of the cases. We had paid and rectified 501 mortgage accounts by the end of January. We still have to review a good number of cases in the coming weeks and months and we will do that as fast as possible but we will apply the same principles of causation as for the cases we have already treated.

Deputy Michael McGrath: How many of the total number of accounts relate to people who no longer are customers of KBC?

Mr. Wim Verbraeken: I would like to bring it to loan agreements and most of the communication we have done around the programme is about mortgage accounts. In the setting of KBC, a loan agreement can have multiple accounts. We are talking about a total of 2,600 loan agreements related to approximately 2,500 customers. Approximately 615 of these loan agreements are no longer open.

Deputy Michael McGrath: Approximately 615 of the 2,974 are extinguished.

Mr. Wim Verbraeken: Correct.

Deputy Michael McGrath: In response to the question about the number of files for affected customers which are incomplete or missing, Mr. Verbraeken states there are approximately 14 for which the bank is missing documentation and where the mortgage account was deemed impacted as a result. Is it because the documentation is missing that the bank is assuming they have been impacted?

Mr. Wim Verbraeken: Absolutely. I want to clarify that it is not the case that the documentation is missing but a specific relevant piece of information is missing from the file and therefore, we have taken the decision to consider the customer as impacted.

Deputy Michael McGrath: Thank you.

Senator Kieran O'Donnell: Ulster Bank, which is in the same position as KBC in delaying dealing with redress and compensation, put most of its customers back on the correct tracker rate in 2014, if my memory is correct. Why did KBC not do likewise? Why did it not do this much earlier? What was the earliest point at which the 3,000 customers were identified? Was it the end of December?

Mr. Wim Verbraeken: As we said in our public statement in October, we identified 417 mortgage accounts at that stage. With the agreement of the Central Bank we commenced redress and compensation in November. All of these customers were put on the right rate and given full redress and compensation by the end of January. All the remaining 2,500 cases were identified as impacted in December 2017.

Senator Kieran O'Donnell: How difficult is the physical process of putting people back on the correct tracker rate? Can the bank just say what the rate was and update them automatically using its software? I am referring to the rate, not redress or compensation.

Ms Dara Deering: First, we need to determine that rate and make sure they go back to that rate as it was articulated originally. We are not doing average or prevailing rates. Second, we have to set the loan back up as a tracker, because it now tracks ECB. That process is to make sure the calculation is correct on a go-forward basis. That is the basis on which we then calculate redress. There are two stages in a process involving someone who makes and someone who validates the change.

Senator Kieran O'Donnell: That does not really answer my question. Why, at the end of December, could the bank not have put a time period aside early in the new year to put everyone back on the correct tracker rate?

Ms Dara Deering: That is what I was trying to explain. There are several steps in the process. One is to go through all the original contracts to make sure the customer gets the original rate and then, second, to do the calculations. I assure the Deputy if we could have done it in early January it would be done by now. We are doing it as fast as is practicable, while also ensuring that we meet our customer obligations in terms of getting payments out to customers who also have been impacted by this.

Senator Kieran O'Donnell: Does Mr. Verbraeken believe this is the final number for KBC? Have there been further discussions with the Central Bank on the full cohort?

Mr. Wim Verbraeken: As I indicated earlier the processing in December with the Central Bank concluded on cohorts, that is, larger groups of customers that were part of the same customer journey. We have concluded that phase of the review with the Central Bank in the sense that there is an agreement with the Central Bank on those cohorts but we continue to perform quality control and quality assurance and we are still going through various cases. As we indicated earlier, we invited certain customers to submit to us the relevant information or evidence to verify whether their case would be impacted. We are not closing the identification phase of the examination. This is ongoing. We are trying to redress and compensate all customers we have identified. We are not finished. We expect that the additional cases will be individual cases with circumstances that were not captured by some other cause.

Senator Kieran O'Donnell: How large does Mr. Verbraeken think those extra cases are?

Mr. Wim Verbraeken: I am unable to put a number on it. It will be what it is because we apply very stringent, detailed principles to the review because we want to be fair to all customers who are potentially impacted.

Senator Kieran O'Donnell: I have been informed by a constituent, a customer of KBC Bank, that when he took out his mortgage, he was given the option of having a fixed rate and then reverting to the prevailing variable rate and that he is currently unable to get a response from the bank on whether the prevailing variable rate at the time was a tracker mortgage or a standard variable rate.

Mr. Wim Verbraeken: I cannot comment on a specific case. I am not familiar with the circumstances of the case described by the Senator, but if he provides me with the details, I will look into it.

Senator Kieran O'Donnell: Am I correct that at the time when tracker mortgage rates were available, KBC Bank operated a fixed rate, a tracker mortgage rate and a variable standard rate?

Mr. Wim Verbraeken: Correct. Without looking at the specifics of the case, I conclude that the prevailing variable rate was the standard variable rate because otherwise the contract would have specifically mentioned the tracker mortgage rate.

Senator Kieran O'Donnell: I will revert to the individual concerned on whether he would like me to pursue the matter through the committee. I will also pass on the correspondence to Mr. Verbraeken.

Mr. Wim Verbraeken: Absolutely.

Chairman: On the flyer-leaflet distributed, am I correct in saying that if there are cases in which there are issues to do with the margins, KBC Bank will look at them?

Mr. Wim Verbraeken: Yes.

Ms Dara Deering: Correct.

Mr. Wim Verbraeken: For this customer or other customer journeys.

Chairman: In the light of the emails we receive, I want to be absolutely clear on the response. Mr. Verbraeken is saying any customer who believes there is an issue specific to his or her case that changes the view of the dates can bring forward that information and that it will be considered by the bank.

Mr. Wim Verbraeken: Yes.

Chairman: On buy-to-let properties, in cases in which properties were placed in the hands of a rent receiver, not sold for one reason or another and fell into disrepair, is the history of the customer's journey taken into account? In other words, does the bank consider all aspects of his or her journey, including his or her experience with the bank and what happened to him or her, and then determine if compensation in respect of any specific part of that journey requires to be paid? Is that correct, in general terms?

Mr. Wim Verbraeken: In general terms, absolutely, but a distinction is made between buy-to-let and owner occupied properties. We have put in place a specific scheme in that regard. We also make a distinction with customers who did not lose their properties.

Chairman: If such customers come forward, are they assigned a particular individual in the bank with whom they can engage?

Mr. Wim Verbraeken: Yes. We have a team that has specific information on the case or can retrieve it. It has been briefed on all of the specifics of how to engage with these customers. If they ask for a meeting, we try to accommodate them as soon as is practicable.

Chairman: On the timelines mentioned in the opening statement, I agree with members that the process is extremely slow and frustrating for customers. How confident is Mr. Verbraeken that the bank will meet each of the timelines set down?

Mr. Wim Verbraeken: We appreciate that it has taken the bank longer than other lenders in the market to come to final determinations. For KBC Bank it was December 2017. We would not have given the commitment we have made publicly and also to each customer in restoring him or her to the correct rate and paying the redress and compensation due by the timelines indicated, if we did not believe we could deliver on it. We hope the timeline of June will compare favourably to the journey other lenders may have potentially travelled between the conclusion of the identification of customers as impacted and the making of final payments.

Chairman: Deputy Michael McGrath gave an example of how a customer might be impacted on. I have received an email from a customer who was impacted on to the tune of €500 per month in the nine-year timeframe, which means that he was overcharged by a considerable amount. This customer has still not resolved the issues involved with the bank. He has been trying desperately to have the matter sorted because it is having an ongoing impact on him. For someone like him, the timelines appear to be too far down the line. It is important that cases such as this be concluded early. The individual in question has been in contact with the bank dating back to the beginning of the discovery of the error. It is not a source of great comfort for this customer that the issue is being dragged out and remains unresolved. The last letter he received on 5 January was the standard one. He is seeking the support of the committee to bring his case to an early conclusion and highlight his poor customer experience with the bank. I am informing Mr. Verbraeken of the content of the email.

Mr. Wim Verbraeken: I accept that and hope the customer received a letter soon after the one to which the Chairman referred indicating that he had been impacted on. If that is the case, the subsequent engagement with the team working on these cases will I hope demonstrate that we want to do the right thing and do it as soon as possible.

Chairman: Is the rate to which they are being returned the original rate?

Mr. Wim Verbraeken: Yes.

Ms Dara Deering: Correct.

Chairman: What lessons has the bank learned?

Mr. Wim Verbraeken: I have been with the bank for only a few years and I am also new to the Irish market. I draw lessons at a macro and a micro level. At the micro level within the bank, 90% correct is not good enough. Very often we have failed to be precise in our communication and correspondence on the clarification we have provided for customers and need to bring it up to a higher standard. I believe the processes we have put in place to date in the bank will help us to achieve that standard. At a macro level, I understand there was a lot of competition in the years leading up to the financial crisis and this event. I believe lenders did

not consider the potential long-term impact of new products such as tracker mortgage rates on their customers. They should learn the lessons of designing and managing products which have the potential to have a very negative impact on customers in the long run.

Chairman: In his opening statement and responses to questions from members Mr. Verbraeken stressed the importance of the customer, the customer journey and experience and how important it was to recognise the rights of the customer. I ask the bank to apply that line of thought to the customers who were affected by the issue relating to IIB Homeloans. There is a need to exercise some flexibility and the bank should look at how many individual cases are involved. It is important to do so before there is another row about the matter. In line with the opening statement we have heard, the bank should give some relief to these people. It is clear from some of the letters I have received that they took legal advice but it took time to sign contracts. None of us can calculate the impact the November 2006 flyer had when it came into play. We do not know how it would have affected their view of things going forward into the future. The bank needs to be flexible in its approach to this issue.

Deputy Pearse Doherty: How many requests has the bank received from customers looking for reviews of decisions as to whether they are in scope? How many of those has the bank denied?

Ms Dara Deering: We have 56 cases in which customers believe they should be in scope for the examination but in respect of which we have determined they are not in scope. Some originated prior to last year. Where we deem they are not in scope and, therefore, not impacted upon by the examination, we will give them a final letter and tell them that the mechanism applying to them thereafter will be the Financial Services Ombudsman. We did not deem them in scope or impacted by the examination.

Other customers have kept in touch with us throughout this process. Some may have been in scope because the in-scope population was a lot larger. We will write to them to advise them that, despite the fact they were in scope, they are not impacted. We will advise them of the process through which they can go to provide information to us, or to advise them of their rights under the independent process of the Financial Services and Pensions Ombudsman.

Deputy Pearse Doherty: There are individuals who have been communicating with members of this committee and who have told us that their final entry into a legal agreement with the bank was after the date of the flyer. Ms Deering said she wanted to hear their cases. Should we send the details to Ms Deering?

Ms Dara Deering: The committee may send them to me and we will have a look at them. We would do so in any case.

Deputy Pearse Doherty: There are 27 buy-to-lets which have been deemed impacted upon whereby the owners lost ownership of their properties. If an individual were to have taken out a mortgage with KBC for their own home and, as a result of the tracker scandal and not being able to keep up with payments once they were overcharged by the bank, or for other reasons such as having to leave the country for Perth, Canada or other places, they then let their house, does it change from a PDH to a buy-to-let?

Ms Dara Deering: For the purposes of the calculation of redress and compensation, if it was the only property they owned in this country and they had to leave, they will be treated as a PDH customer.

Deputy Pearse Doherty: If a couple had two separate properties and they decide to let one, would that house be deemed a buy-to-let? If they had known a tracker rate applied to one of the houses, they would probably have moved into that one.

Ms Dara Deering: Is the Deputy asking about a case where one property was with us and the other with another institution?

Deputy Pearse Doherty: They could both be with KBC.

Ms Dara Deering: I would have to look at any specific instances of that. The question on people leaving is easier because our framework regards it as their PDH but I would have to look at the case where a couple was involved. I will do that and get back to the Deputy.

Deputy Pearse Doherty: What criteria does the bank use to determine if somebody is deemed to have lost ownership of his or her home as a result of the tracker mortgage issue?

Mr. Wim Verbraeken: As I said in my opening statement, we consider the most lenient restructuring option available at the time for that customer, whether he or she was an owner-occupier or a buy-to-let customer. We verify whether the customer would have been able to meet the payments if he or she had been on a tracker. Maybe we can take the Deputy through a specific example.

Deputy Pearse Doherty: Please do.

Ms Dara Deering: A chart I have made available to the committee shows a real home loan customer and the rate they were on, which was our standard variable rate of 4.25%. The repayments the bank was seeking were just under €1,500 per month. The correct tracker rate was 1% so the repayment the bank should have sought was €970. Based on our affordability assessment of this customer, who was in financial distress, they could afford to pay just under €490. We then look at what was the lowest restructuring or resolution option which we could have offered to a distressed customer at that time. We do not look at what their tracker mortgage should have been but we assess what we would have offered to this distressed customer, which was a 50-50 split mortgage, meaning their repayment would have been €368. In this case, the customer's affordability was greater than the lowest restructure option we had and we deem that they could have afforded that. Causation for loss of ownership in this case was, therefore, that of the bank.

Deputy Pearse Doherty: The bank looks at what is the best case for the customer at a point in time.

Ms Dara Deering: Yes. We determine the point at which we would have made a decision on the outcome of the case, in this case March 2014. We would have had all the information at that time and we consider whether, had the customer been on a tracker at the right rate, and bearing in mind the lowest restructure rate and the lowest repayment, they would have had the affordability to meet that payment. We should have offered the customer that lowest repayment option so the decision to determine the mortgage as unsustainable was incorrect on the part of the bank. We believe in this case that we caused the loss of ownership.

Deputy Pearse Doherty: There are a lot of grey areas and the bank is winding back the clock to some extent. Somebody may be marginally over the threshold and may have had to borrow from family members, etc. I assume there will be a lot of appeals.

Ms Dara Deering: When a bank makes a decision as to whether a mortgage is sustainable,

it takes everything into consideration. We ask what we would have done at a specific point in time, had the customer been on the correct rate. It is a real example. Had their tracker mortgage payment been correct, it would have been just under €1,000. While they could not afford that, we would have offered them a lower repayment option. If they can afford to meet that, we deem we have caused the loss of ownership.

Deputy Pearse Doherty: Has the bank committed to the committee that all the 2,500 customers who are currently on the wrong tracker rate will be restored to the correct tracker rate by the end of this month?

Ms Dara Deering: That is correct.

Deputy Pearse Doherty: Why has KBC not made the same commitment to its own customers?

Ms Dara Deering: We have confirmed this in any of our communications. For example, the 501 to which Mr. Wim Verbraeken referred are already back on the rate. In any of the conversations we are having with customers, our commitment has been to bring them back on the rate for the end of February.

Deputy Pearse Doherty: Is it correct that KBC sent out letters on 5 January?

Ms Dara Deering: We did. We sent out the letters to let people know that they were now deemed to be impacted. That is the letter to which the Chairman also referred. We informed them payments would be made by no later than the end of June. If they had not heard from us before the end of March, we would write to them again. That was the letter to say the customer was impacted.

Deputy Pearse Doherty: Has KBC written to them since stating they will be restored to the correct tracker rate?

Ms Dara Deering: No, because we are writing to customers on an ongoing basis as we restore their rate and do the redress and compensation.

Deputy Pearse Doherty: That brings me back to my original question. KBC has made the commitment to the committee. I appreciate that but it is an absolute disgrace that KBC has so many customers not on the right tracker rate. While it has made a commitment to this committee, it has not done so to the 2,500 impacted customers. It wrote to them on 5 January stating clearly that if the bank had not concluded a review of the customer's mortgage account before the end of March 2018, it would provide them with a further status update at that stage. Why did KBC not tell them they would put them back on the proper rate at the end of month?

Ms Dara Deering: To be fair there have been many challenges around customers and customer expectations. As soon as we concluded the review, which we did on 20 December, and we made a statement about impacted customers, our first priority was to make sure those customers knew they were impacted. Our second priority is around getting the payments out for the customers who had been identified back in October. That has been done. The third priority was to move towards how quickly we could get these accounts back on a rate. The quickest we can get them is by the end of February at the latest. Clearly, customers are talking to us every day. That is part of the ongoing engagement.

Deputy Pearse Doherty: The letter stated if the customer had any queries on this to contact

the bank's dedicated team at a dedicated number between 9 a.m. and 5 p.m.

KBC has told this committee and the public that it will restore its customers by the end of February. However, it does not have the decency to tell its customers. There are no ifs or buts about it. That is completely and utterly wrong. We are trying to hold the banks accountable for Irish citizens. We are trying to force the banks to change their culture and give people back their money. As much as giving them back their money, the banks should also give them respect. It is nothing personal but it is Ms Deering's name on the letters.

Ms Dara Deering: I know.

Deputy Pearse Doherty: Why not have the decency to tell them the bank will put them back on the proper rate at this time?

Ms Dara Deering: I understand the Deputy's point. However, we are trying to manage customer expectations. Customers are massively frustrated by the length of time this is taking. I am not trying to exacerbate this problem. On 5 January, when we issued those letters, we were not in a position to make a categorical confirmation to customers that they would be back on the correct rate by the end of February. I did not want, therefore, to exacerbate the already high levels of frustration for customers because, naturally, for many of those customers, we had only deemed them to have been impacted in December. We thought the best next step for those customers would be to say they are impacted. As their rates are rectified, they get communications from the bank. We understand the frustration. That is why we said initially that we would try to have communication by the end of March, which is in the letter to which the Deputy is referring. Since then, we have put all efforts into getting those customers back on their rate for the end of February. At least, their repayments are lower going forward, recognising the payment of redress and compensation will continue to the end of June.

Deputy Pearse Doherty: Will some of the 2,500 customers who are still not on the proper rate be getting letters this week?

Ms Dara Deering: Every customer who is still on the incorrect rate will be on the correct rate by the end of February.

Deputy Pearse Doherty: I understand that. That was not my question. Will some of those 2,500 customers be getting letters this week telling them that they are back on the proper tracker rate? Will some of them be getting letters the following week or is the plan that there will be a big mail drop at the end of February?

Ms Dara Deering: The way our systems work, they will go towards the end of February, confirming their rate and repayment, as would be the normal case when we change accounts.

Deputy Pearse Doherty: Will KBC put them all back on the rates in one go?

Ms Dara Deering: In and around a certain period as to how their mortgage is calculated. Without going into too much detail, towards the end of February, they will get a letter confirming they are on the correct rate.

Deputy Pearse Doherty: They will get the letter at the end of February. Will anybody be put on the correct rate next week or the week after?

Ms Dara Deering: Our mortgages are calculated once a month. From a customer perspective, the most important thing is that they are on the correct rate before the end of February.

Mr. Barry D’Arcy: We have a window of time to actually put this in place between 1 February and 20 February. In that timeframe, we are trying to get the operational process in place so they can be put back on the right rate. As mentioned earlier, we are trying to identify what is the actual rate they should be moved to. We are in the process of finalising that, transferring it to our operations teams to ensure they can move into a space where they can make a change and the customer restored to the appropriate rate. That will happen in the month of February.

Deputy Pearse Doherty: When the customer gets a letter saying they are back on the correct rate, will there be a redress and compensation element, as in the bank telling them how much it will be offering them in redress and compensation, or will it be in a subsequent letter? If it is a subsequent letter, will they go out in a batch in June? Can KBC give the committee any targets as to what it is planning to hit in March, April, May and June?

Mr. Wim Verbraeken: The redress and compensation component will be implemented in batches between February and ultimately June, if necessary. To give an example, we are planning to redress 350 customer accounts in the month of February. This number will increase in March and April. This is not a matter of postponing everything until June for the accounts which are still open. As we mentioned earlier about 600 are no longer open, meaning they would not be part of the rate rectification process but part of the redress and compensation scheme.

Chairman: I thank the witnesses for attending.

The joint committee adjourned at 8.50 p.m. until 10 a.m. on Thursday, 8 February 2018.