

Thursday 15 October 2009

Open letter to legislators on urgent need to protect mortgage holders in arrears

Dear Senator/Deputy,

FLAC runs a telephone information and referral line which has been getting steadily busier as the recession has deepened. This week, FLAC has commented in the media upon general proposals in the new revised programme for government to reform the law around debt enforcement.

Following that coverage, we have had a deluge of calls to FLAC's information line, particularly from people in arrears with their mortgages and desperate for help. Many of these callers, having heard something relevant to their situation, begged for information on anything which will allow them to try to pay their debts within their straitened circumstances. This is on top of a quadrupling of calls on debt this year to FLAC generally.

Last week, the Economic and Social Research Institute estimated that the number of mortgage holders in negative equity (where the amount of the mortgage owed is greater than the value of the secured property) could rise to 350,000 by the end of 2010, if house prices fell by 50%. The number of people in mortgage arrears and the number of applications for repossession of family homes both continue to rise.

The Government's standard response is to point to the Irish Banking Federation/Money Advice and Budgeting Service (MABS) Protocol on consumer debt and the Financial Regulator's Code of Conduct on Mortgage Arrears as sole avenues of assistance. However, closer examination of these documents confirms that neither provides a full solution. MABS itself is oversubscribed and underfunded.

It is likely that a predicted rise in European Central Bank interest rates will result in a further increase in mortgage arrears in Ireland. It would also seem that forthcoming NAMA legislation and depressed house prices have provisionally discouraged some mortgage lenders from taking repossession action, but there is no guarantee that this will last. Thus the situation for people already at the end of their tether about their mounting debt will worsen, rather than improve. New mechanisms to protect Irish families at risk of losing their homes are needed urgently.

On behalf of those who are calling our information line, FLAC is therefore pleading with you, the legislators of this country, to take IMMEDIATE action to protect victims of the economic recession from eviction. People need you to act now, before things get even worse for the thousands who literally do not know what to do next.

The range of options needs to include money and legal advice, capacity to remodel and revise existing loans to take account of changed circumstances and reckless lending, moratoriums where appropriate. All of these changes need to be properly regulated, and the courts must be able to impose terms if parties can't agree. When the negotiations with the banks cease at the end of the NAMA legislation, the chance to develop these remedies may be entirely lost.

We would also urge you to study closely the Consultation Paper on personal debt management and debt enforcement published recently by the Law Reform Commission and to respond to its provisional recommendations for reform by the end of this year, when concrete proposals for new legislation on debt enforcement will follow.

Yours sincerely

Noeline Blackwell, Director General, FLAC