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Banks seek loopholes to escape tracker mortgages

18 April 2010 By Kathleen Barrington

Banks are examining the fine print of their tracker mortgages to see if there are any circumstances in which they can wriggle out of the promise to track the European Central Bank rate of interest.

A source close to one of the banks said it was looking at provisions in mortgage contracts that could get the banks off the hook in some cases. Some tracker mortgages sold to buy-to-let investors included a provision which entitled the bank to review its arrangements with the borrowers after five years, he said.

It might also be possible for the bank to revoke the promise to track the ECB rate if the borrower had breached the terms of the contract, for example if the borrower had missed repayments, the source said.

His bank was not the only one looking at ways of reducing the number tracker mortgages.

“They are all at it,” he said, speaking on condition that his bank not be named. The issue of banks trying to wriggle out of the promise to track the ECB rate was raised by Peter Oakes of Compliance Ireland on RTE’s Morning Ireland last week, but several lenders denied contemplating any such move.

A spokeswoman for the Financial Regulator said it “would appear to be a matter of contract between the provider and the consumer, and customers should carefully examine their terms and conditions to see what is permitted under their contract”.

She said the Consumer Protection Code states that “a regulated entity must ensure that all information it provides to a consumer is clear and comprehensible, and that key items are brought to the attention of the consumer. The method of presentation must not disguise, diminish or obscure important information.”

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