



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Tracker Mortgage Examination Progress Report – April 2018

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1. Executive Summary

The purpose of this report is to provide an update on progress made by lenders in meeting their commitments to pay redress and compensation for their unacceptable failings on tracker mortgage-related issues¹.

The Central Bank is pursuing lenders on these issues through the Tracker Mortgage Examination, the largest, most complex and significant consumer protection review we have undertaken to date, probing all lenders who ever offered tracker products in Ireland. We launched the Examination because, after pursuing tracker mortgage-related issues with a number of individual lenders, it became clear through extensive supervisory and enforcement work that similar issues existed across the industry.

In the previous progress report to the Minister for Finance, in December 2017 (the 'December report'), the Central Bank stated that while the vast majority of customers had been identified by lenders, we would continue to review and challenge the work undertaken by the lenders and complete an intrusive on-site inspection programme. This work has been critically important in ensuring that lenders identify any remaining cases and accept cases for redress and compensation whom they had previously excluded.

Overview

Accordingly, as of end-March 2018, c.37,100 customers have been accepted by lenders as affected by tracker mortgage-related failings, an increase of 3,400 since the December report. This is an aggregate figure including c.30,000 affected customer accounts accepted by lenders to date as part of the Examination as well as c.7,100 tracker mortgage cases remediated following Central Bank intervention outside of the Examination.

Total redress and compensation of €459 million has been paid to end-March, an increase of €162 million since the December report. The €459 million figure comprises €412 million paid to end-March through the Examination and €47 million paid outside of the Examination.

Review and supervisory challenge work, which is extensive and complex, is ongoing. While this work is well advanced, it will remain ongoing for a further period until the Central Bank is satisfied that all affected customers have been identified and included for redress and compensation. Therefore, while our view remains that the majority of affected customers have been identified, we expect that there will be some further increase in the number of affected customers before the Examination is concluded.

Redress and Compensation

The redress and compensation phases of the Examination are now significantly advanced - 88% of affected customer accounts already identified and verified have now received offers of redress and compensation. Offers of redress and

¹ Unusually for a live supervisory examination, the Central Bank has published regular updates on the Examination since its commencement in 2015 in order to provide affected customers with information. This report is the second of two dedicated progress reports requested by the Minister for Finance & Public Expenditure and Reform, following public statements made by the main lenders on 25 October 2017. All Examination updates and reports are available at www.centralbank.ie/consumer-hub/tracker-mortgage-examination.

compensation are expected to be made in respect of the remaining 12% of identified and verified customer accounts by end-June 2018. Payments may extend beyond that date for any newly identified and verified customers from the time of this report. However, as redress and compensation schemes are underway across all lenders, the Central Bank expects that any such additional accounts will be swiftly remediated.

Amounts of redress and compensation vary depending on a number of factors, including the level of detriment suffered. Section 5.4 of this report provides a breakdown of the range of redress and compensation payments to date (the breakdown is expected to change upon completion of lenders' schemes). To illustrate the range in value of payments made to date, while c.63% of redress and compensation payments to end-March were up to the value of €10,000, c.2% of affected customers received payments in excess of €100,000. Of this latter category, 11 customer accounts received redress and compensation in excess of €500,000. It should be noted that only a small proportion of loss of ownership cases are in this category.

As previously stated, it is important to note that customers can accept the redress and compensation offered and still make an appeal – they can “cash the cheque” safe in the knowledge that what they have, they hold. Redress and compensation offers cannot be reduced in the event of a customer making an appeal. These and details of further options available to affected customers are detailed in the body of this report.

In parallel with the aforementioned supervisory work, enforcement proceedings have commenced against six lenders: permanent tsb plc; Ulster Bank Ireland DAC; Bank of Ireland Group (The Governor and Company of Bank of Ireland and the Bank of Ireland Mortgage Bank trading as Bank of Ireland Mortgages); KBC Bank Ireland plc; Allied Irish Banks, plc; and EBS DAC. In these investigations, the Central Bank will consider all possible angles, including potential individual culpability.

Culture within lenders

In some respects, the outcome of the Examination will be measured in numbers – detailing, for example, the number of people affected, the amount of redress and compensation paid, and the number of enforcement cases taken. But it is critical to stress that numbers alone cannot give the full picture of the detrimental, and in some cases, devastating impact that lenders' failures have had on tracker mortgage customers, up to and including the loss of homes and properties.

In that regard, the Examination has exposed a clear lack of a consumer-centred culture in lenders. Culture is set from the top down. It is a matter for boards and senior management, in the first instance, to set a culture within a financial services firm that places the best interests of consumers first. While many lenders publicly state that they do put customers first, the evidence from the Examination suggests otherwise. Therefore, the Central Bank is conducting a separate assessment of the current behaviour and culture within lenders, which will be completed later this year and provided to the Minister. The findings from those assessments will further inform our ongoing supervisory work aimed at ensuring that, at a systemic level, consumers are treated fairly in their dealings with financial services firms and that their best interests are protected.

Lenders should therefore not assume that when the Examination concludes, the pressure on them will lift. In line with the Central Bank's consumer protection mandate, ensuring that the best interests of consumers are protected will continue to be a priority; culture and consumer outcomes will remain a supervisory focus of the Central Bank long after the conclusion of the Examination.

A final report on the Tracker Mortgage Examination will be published upon completion of the Examination.

2. Introduction

The Central Bank of Ireland (the 'Central Bank') has published regular updates on the progress of the Tracker Mortgage Examination (the 'Examination') since its commencement. Following public statements made by the main lenders on 25 October 2017, the Minister for Finance & Public Expenditure and Reform (the 'Minister') requested two specific progress reports from the Central Bank. The first report, published on 20 December 2017 (the 'December report'), provided an update as to whether the main lenders had made acceptable progress in line with their October statements^{2,3}. As the progress being made at the date of the December report was in line with lenders' commitments, the main purpose of this report (the 'April report') is to provide:

- a further update to the Minister on progress made by each of the five main lenders on the payment of redress and compensation to customers between mid-December 2017 and end-March 2018⁴; and
- an overview of progress made during that same period by the remaining six lenders^{5,6}.

This report also provides an overview of the ongoing challenge and extensive supervisory and enforcement work aimed at ensuring all affected customers receive appropriate redress and compensation and lenders are held to account.

3. Background – Scope of the Examination

Since 2010, the Central Bank has identified and pursued tracker mortgage-related issues with lenders. Approximately 7,100 affected accounts were remediated outside of the Examination and redress and compensation of €47 million was provided by permanent tsb plc and Springboard Mortgages Limited. As new issues continued to emerge, the Central Bank decided in 2015 that an industry-wide Examination was necessary, to determine whether all lenders were acting in their customers' best interests.

² It is recommended that this report be read in conjunction with the Central Bank's December 2017 update and previous updates, available at www.centralbank.ie/consumer-hub/tracker-mortgage-examination. The Principles for Redress and the Examination Framework can also be found at this link.

³ The December progress report was based on data reported to the Central Bank by lenders up to mid-December 2017.

⁴ The 5 main lenders are:

- AIB Group (Allied Irish Banks, plc, AIB Mortgage Bank, EBS Limited, EBS Mortgage Bank and Haven Mortgages Limited)
- Bank of Ireland Group (The Governor and Company of the Bank of Ireland and Bank of Ireland Mortgage Bank)
- permanent tsb plc
- Ulster Bank Ireland DAC
- KBC Bank Ireland plc

⁵ The remaining six lenders are:

- ACC Loan Management Limited
- Bank of Scotland plc
- Danske Bank
- IBRC
- Springboard Mortgages Limited
- Stepstone Mortgage Funding Limited

⁶ 15 lending institutions were initially contacted as part of the Examination. Dilosk Limited, Leeds Building Society, Pepper Finance Corporation (Ireland) DAC and Start Mortgages Limited DAC are not covered in this report as they do not have affected customers and as a result redress and compensation schemes are not being implemented.

The Examination Framework (the 'Framework') requires lenders to conduct their Examinations in four phases:

- Phase 1: Development and Submission of Detailed Plan;
- Phase 2: Information Gathering/Review/Report Submission;
- Phase 3: Calculation of Redress and Compensation (where relevant); and
- Phase 4: Implementation of Redress Programme (where relevant).

The Examination is the largest, most complex and significant supervisory review that the Central Bank has undertaken to date in respect of its consumer protection mandate. The Examination involved an initial review of more than two million mortgage accounts by lenders to identify the number of in-scope accounts. Accounts in scope include all mortgage accounts from the date the lender commenced offering tracker interest rate mortgages until 31 December 2015, in respect of both Private Dwelling Houses ('PDH') and Buy-to-Let ('BTL') properties:

- (i) that originated on tracker interest rates;
- (ii) that had tracker interest rates applied at any stage during the term of the underlying mortgage agreements; and/or
- (iii) where the underlying mortgage agreements provided for contractual rights to or options for tracker interest rates at any stage during the term of the agreements.

The Framework has been designed to enable the various phases of the Examination to run concurrently within lenders and at different times across lenders.

4. Update on Progress Made by Lenders Regarding Identification of Affected Customers

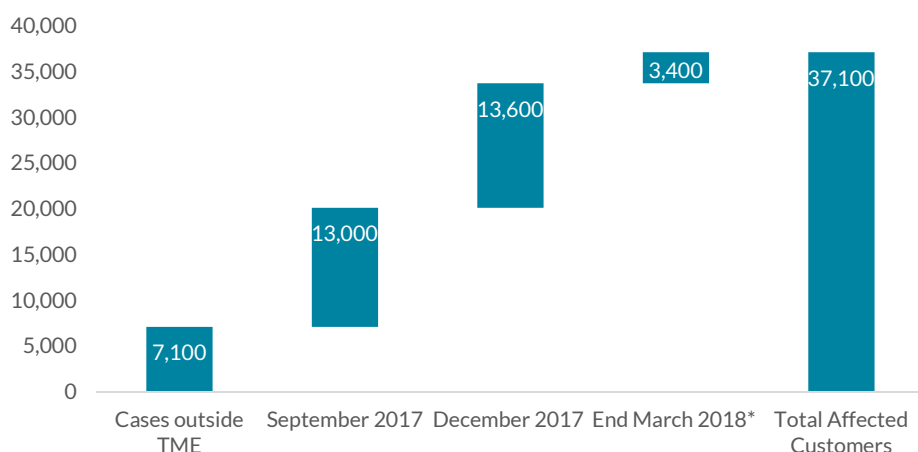
The December report provided an update on numbers of customer accounts identified as affected and redress and compensation paid to mid-December 2017. The April report updates on the period from mid-December 2017 to end-March 2018.

4.1 Customers included by lenders for redress and compensation from mid-December 2017 to end-March 2018

The total number of customers identified through the Examination to end-March 2018 is c.30,000 (of which 1,500 remain to be verified by lenders). This represents an increase of 3,400 identified customer accounts since the December report. This increase is principally the result of verification of total numbers reported by lenders previously (as unverified estimates), as well as a small number of customer accounts newly identified by lenders.

When added to the c.7,100 cases resolved outside of the Examination, this brings the total number of customer accounts affected by tracker mortgage-related issues across all 11 lenders at end-March 2018 to 37,100.

Chart 4.1: Customers identified as affected by tracker mortgage-relating failings



*of which 1,500 are pending verification⁷

Intensive review and challenge by the Central Bank has continued since the December report, and remains ongoing. It should be noted that verification work by lenders, and review and challenge by the Central Bank, may lead to some further increase in the number of affected customers before conclusion of the Examination.

The majority of affected customer accounts are across the five main lenders; c.400 customer accounts were identified by the six smaller lenders.

⁷ Verification by lenders involves additional quality assurance work on the part of the lenders and their independent overseers to verify the final number of customer accounts within a particular affected group.

5. Redress and Compensation

At every step of the Examination, the Central Bank has been conscious of the hurt and damage the failings of lenders have caused to many customers, and the essential need for those customers to receive fair and prompt redress and compensation. Phase 3 of the Framework requires lenders to identify all affected customers and to address customer detriment in line with the Central Bank's Principles for Redress, and related guidance. Key elements of the Central Bank's expectations in respect of redress and compensation for affected customers include:

- (i) stopping further detriment to potentially affected customers;
- (ii) redress to return customers to the position they would have been in but for the lenders' failures;
- (iii) compensation to reflect the detriment suffered;
- (iv) the establishment of an independent appeals process for affected customers;
- (v) the provision of an independent advice payment for affected customers; and
- (vi) guidance in respect of the manner in which lenders must communicate with affected customers.

As previously stated, lenders' initial redress and compensation proposals fell short of the Central Bank's expectations. The material deficiencies in their proposals necessitated the Central Bank to challenge them repeatedly. The Central Bank held more than 200 engagements with lenders and challenged them to improve their proposals resulting in significant improvements to both their redress and compensation schemes and the independent appeals processes, to the benefit of affected customers.

Redress is being paid by lenders in respect of all affected customer accounts, with the majority also receiving compensation⁸.

5.1 Progress of Redress and Compensation Payments to Affected Customers

In line with the Principles for Redress, lenders are required to return customers to the correct interest rates (rate rectification) in order to stop the immediate harm caused to them and provide redress and compensation.

Rate rectification has now been completed in 98% of accounts requiring it.

Since the conclusion of the Central Bank's challenge of lenders' initial redress and compensation proposals, and the subsequent implementation of the improved schemes, payment of redress and compensation to affected customers has significantly advanced. At end-September 2017, €167 million had been paid in redress and compensation, including €47 million paid outside of the Examination. As of end-March 2018, total redress and compensation paid has increased to €459 million.

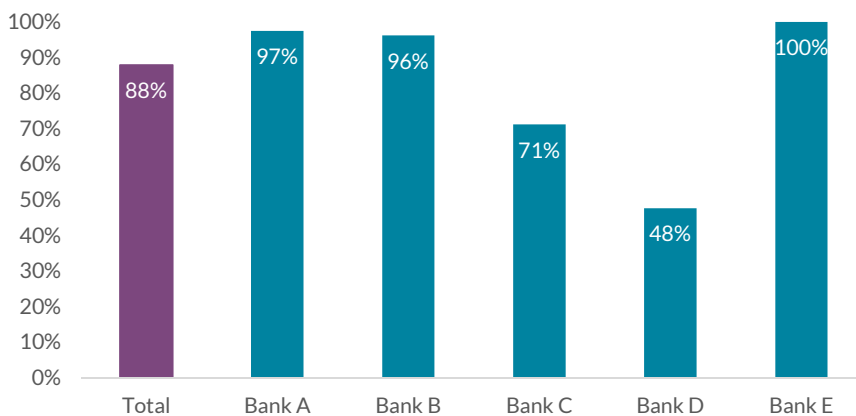
⁸ IBRC is not paying compensation to affected customers. Refer to section 5.2.2 for details.

Chart 5.1: Value of Redress and Compensation Payments

Overall, to date 88% of verified customer accounts due redress and compensation across all lenders have received their offers. The Central Bank expects that lenders will have made offers of redress and compensation to the remaining 12% of verified customer accounts by end-June 2018.

5.1.1 Update on Progress by the Five Main Lenders

It remains the case that some lenders are making payments to affected customers more swiftly than others. As illustrated in Chart 5.2 below, payment of redress and compensation by the five main lenders ranges from 48% to 100% completed.

Chart 5.2: Progress Made by Lenders in relation to Redress and Compensation Payments

Each of these lenders has a timeline in place for the payment of the remaining verified affected customers. The timing of receipt of redress and compensation is dependent on when the accounts were verified by lenders as being affected.

It should be noted that any customer accounts which have not been verified, or additional accounts which may yet be included, will have timelines agreed between the Central Bank and the lender once the accounts are verified. However, as redress and compensation schemes are underway across all lenders, the Central Bank expects that any such additional accounts will be swiftly remediated.

5.1.2 Update on Progress by the Six Smaller Lenders

Of the six smaller lenders, five were required to implement redress and compensation schemes. As of this report, the five lenders have made offers of redress and compensation in respect of the vast majority of affected customer accounts identified to date. As is the case with the larger lenders, the Central Bank continues to engage with these lenders to ensure that groups of customers are included for redress and compensation as appropriate.

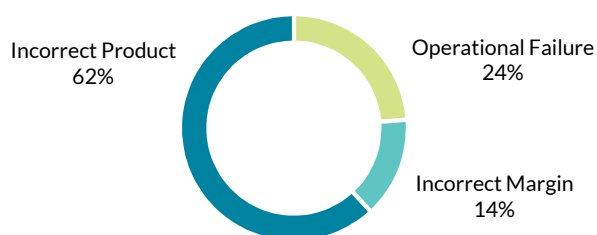
As outlined in the December report, as a result of its special liquidation status, the sixth lender, IBRC will not be fully implementing a redress and compensation scheme in line with the Central Bank's Principles for Redress. The liquidator of IBRC automatically admitted affected customers as unsecured creditors and has now written to all affected customers to notify them of the overcharging of interest to their loan accounts and to advise them of their options as creditors of IBRC.

5.3 Breakdown of Affected Customers

While the range, complexity and variance of cases within the Examination is significant, for illustrative purposes, it is possible to break down the circumstances of the affected customers of the five main lenders into three main categories:

- (i) affected customers who have lost a contractual right to or were not afforded an option of a tracker interest rate at any stage during the term of their agreements ('incorrect product');
- (ii) affected customers who were on an incorrect tracker margin rate of interest ('incorrect margin')⁹; and
- (iii) affected customers impacted by operational type failures and affected customers who are receiving a flat payment due to failure to offer a rate in accordance with the account terms and conditions ('operational failure').

Chart 5.3: Breakdown of affected customers



Customers who were on an incorrect product will, in most cases, receive more in redress and compensation than those on an incorrect margin because the rate differential is more significant.

As previously mentioned, rate rectification has now been completed in 98% of relevant accounts and this will, in many cases, result in a significant reduction in

⁹ Incorrect tracker margin rates have been identified as part of the Examination. Some customers were charged a higher tracker margin rate by their lender and are included in the lenders' redress and compensation schemes. Others were charged a lower tracker margin rate by their lender. In these latter instances, lenders are not adjusting the individual's rate of interest, as it would negatively affect the customer.

interest paid over the term of the mortgage (as a result of reduced monthly payments), in addition to any redress and compensation received.

5.4 Range of Payments Made to Affected Customers to Date

Payments made to affected customers vary significantly in value, as expected, based on factors such as the amount borrowed, the length of time the customer was overcharged, the margin by which the customer was overcharged and the level of detriment suffered (including whether the customer suffered loss of ownership directly attributable to lenders' failings).

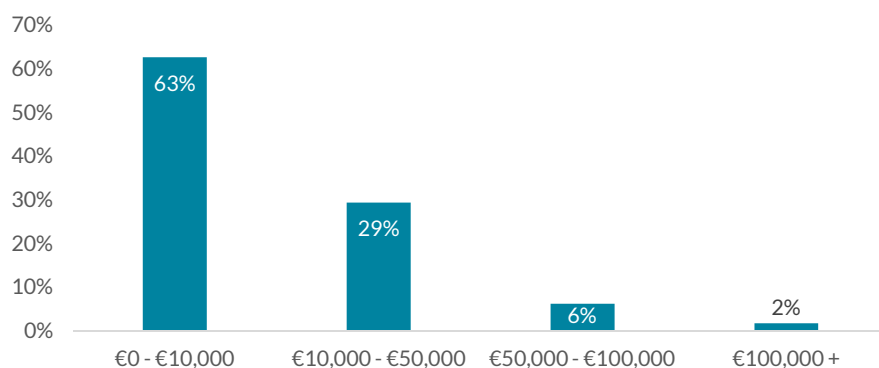
It is important to emphasise that the following information is at a point in time only, as of end-March 2018. The distribution of redress and compensation payments is expected to change as the remaining identified customers are paid, any additional customers are included, and some of the more complex cases are finalised.

In percentage terms, offers of redress and compensation to date can be broken down as follows:

- c.63% of redress and compensation payments were up to the value of €10,000;
- c.29% received amounts in the €10,000 to €50,000 range;
- c.6% of offers were between €50,000 and €100,000; and
- c.2% of affected customers received in excess of €100,000.

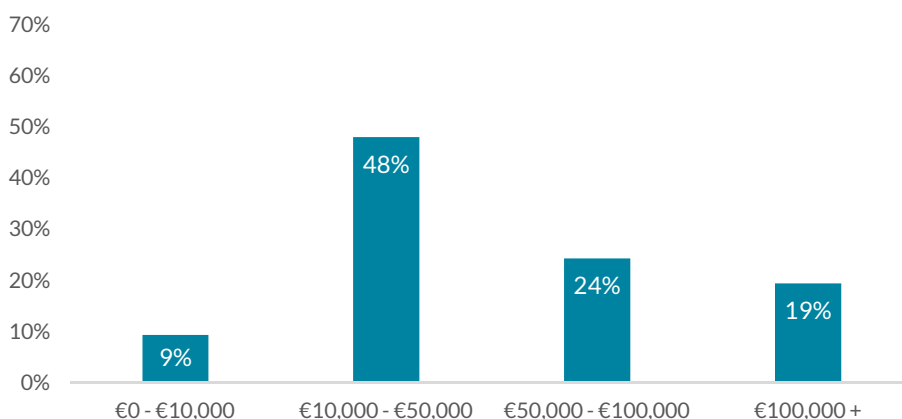
The following chart details the percentage of affected customers in each of the categories outlined above.

Chart 5.4: Percentage of Affected Customers in Each Payment Category



The following chart details the percentage of the total amount of redress and compensation paid in each category.

Chart 5.5: Percentage of Total Redress and Compensation Paid in Each Category



Detriment has ranged up to and including loss of ownership of mortgaged properties. To end-March 2018, lenders have reported that as a result of tracker mortgage failings, loss of ownership has occurred in respect of 71 PDH and 142 BTL properties. These figures may increase before conclusion of the Examination as lenders continue their analysis which is subject to review and challenge by the Central Bank. While nothing can adequately compensate a person or family who lost their home, lenders are required under the Framework to ensure that people in these situations are restored to the position they would have been in had the detriment not occurred and are appropriately compensated for the detriment suffered.

Where loss of ownership has occurred as a result of tracker failings, lenders have included within the terms of their schemes minimum payments to customers who lost properties of €25,000 for BTL properties and €50,000 for PDHs. In addition, dependent on the circumstances of each individual case, further amounts may be paid to reflect additional detriment, including, for example, additional payments to reflect increases in property value, or the write-off of residual debt.

The average redress and compensation paid to date in respect of loss of ownership of PDHs is c.€133,000 and the average for BTLs c.€148,000. The average amount paid in relation to BTL cases is typically higher because of the greater amounts borrowed.

To further illustrate the range of payments, the final category of charts 5.4 and 5.5 includes c.450 people who received more than €100,000, with an average payment of c.€176,000. This includes 11 customer accounts which received redress and compensation in excess of €500,000. Each of these 11 accounts (9 BTL and 2 PDH) involved loss of ownership of property.

While the range of individual circumstances, level of detriment and extent of lender failure means that not every loss of ownership case will receive redress and compensation to this level, these figures illustrate the upper range of redress and compensation paid to date.

6. Next Steps

6.1 Supervisory Engagement

As part of its ongoing supervisory engagement with lenders, the Central Bank continues to review and challenge the work undertaken by lenders in relation to the Examination. The multidisciplinary approach to supervisory engagement uses various tools including desk-based and on-site work, which is informed by supervisory practice, the quality of the lenders' work and areas where risks are identified. The Central Bank has, and will continue to challenge lenders in relation to the various strands of the Examination until it is satisfied that all affected customers are identified and lenders have carried out the Examination in accordance with the Framework set down by the Central Bank. This is taking some time but is necessary to ensure the right outcome for affected customers. As such, additional affected customers may be identified arising out of this challenge and engagement.

In line with the phased structure of the Examination, the Central Bank is currently conducting on-site work in lenders to ensure they are calculating and implementing redress and compensation in accordance with the Framework (including the Principles for Redress) and that they have complied with the 'Stop the Harm' principles as set out therein. The Stop the Harm principles required lenders to have controls and measures in place to ensure that potentially affected customers did not lose possession of their properties as lenders were carrying out the Examination.

This on-site work is being carried out in conjunction with a panel of experts appointed as Central Bank authorised officers. The Central Bank is engaging with and challenging the lenders as necessary.

6.2 Statutory Reporting Obligations

In January 2018, in the context of the Examination, the Central Bank wrote to the CEOs and/or Chairpersons of relevant lenders. The Central Bank also wrote separately to all persons exercising pre-approval controlled functions ('PCF') in those same institutions¹⁰.

The letters reiterated the statutory reporting obligations to both the Central Bank and An Garda Síochána, which apply to both individuals and the institutions themselves, and the consequences for failing to abide by those reporting obligations.

Early notification by lenders and/or individuals working in those lenders can facilitate prompter remediation and lessen the detriment suffered by customers as a result of any regulatory breaches or criminal behaviour. The letters are a reminder to the lenders and individuals in those lenders of their obligations in this regard.

The Central Bank will consider the use of all available powers, up to and including the use of our enforcement powers, where appropriate, if it is determined that lenders or individuals have not complied with their statutory reporting obligations.

¹⁰ The Fitness and Probity Regime applies to persons in senior positions within regulated financial services providers, (referred to in the legislation as Controlled Functions ("CFs") and Pre-Approval Controlled Functions ("PCFs")). The core function of the Fitness and Probity Regime is to ensure that persons in senior positions are competent and capable, honest, ethical and of integrity and financially sound. All proposed appointments to PCF roles on or after 1 December 2011 require the prior written approval of the Central Bank.

6.3 Independent Advice and Appeals Process

With many redress and compensation schemes nearing completion, the independent advice and appeals framework provided for under the Examination will become increasingly relevant for affected customers, as they consider the offers made to them.

The Framework was structured by the Central Bank in such a way as to ensure that affected customers have further recourse options, ranging from the independent appeals process to the Financial Services and Pensions Ombudsman ('FSPO') and the courts, if they are dissatisfied with any aspect of the redress and compensation offers made by their lender. In this way, customers know that they can utilise in full the State's consumer protection framework.

Refer to Appendix 1 for details.

6.4 Enforcement

Enforcement investigations are currently underway at six lenders: permanent tsb plc; Ulster Bank Ireland DAC, Bank of Ireland Group (The Governor and Company of Bank of Ireland and Bank of Ireland Mortgage Bank trading as Bank of Ireland Mortgages); KBC Bank Ireland plc; Allied Irish Banks, plc; and EBS DAC.

In the enforcement investigations, the Central Bank is investigating all possible angles, including potential individual culpability for alleged wrongdoings.

Enforcement investigations are detailed and forensic, and routinely involve the scrutiny of thousands of documents and the conduct of interviews as part of the investigative process, to establish the exact circumstances of matters under investigation, including the culpability of regulated entities and individuals.

7. Lender Behaviour and Culture

The Central Bank's statutory Consumer Protection Code requires that lenders act in the best interests of their customers. While many lenders publicly state that they put customers first, the evidence from the Examination suggests otherwise.

Organisational culture is an area which is under ever-increasing scrutiny by regulators globally, both from a prudential regulation and financial conduct perspective. Prudential regulation is about ensuring financial services firms are financially sound, have sustainable business models and have effective risk management and controls in place. Financial conduct is about consumers being treated fairly in their dealings with financial services firms and that their best interests are protected. Culture cuts across both areas, and the Central Bank has been to the forefront of developments in this space, introducing, for example, a framework for the assessment of how consumer protection risk is identified and managed in firms, including the risk that a firm's culture does not support the protection of consumers. The Central Bank continues to work with other international supervisory bodies to influence and shape regulatory developments in this area at European and global level.

In light of the findings of the Examination to date, and in line with the Minister's request, the Central Bank is now undertaking a review of current behaviour and culture at each of the five main lenders.

The primary objective of these reviews is to identify behavioural and structural patterns within lenders that affect the way consumer needs and interests are considered and protected. Specifically, the Central Bank is seeking to:

1. identify potential risks related to the behaviour and culture of management boards that might impact the stability of the lenders and in particular, cause detriment to consumers;
2. understand how lenders account for customer interests when making strategic decisions; and
3. identify behavioural patterns that may jeopardise balanced decision-making in which customer interests are adequately identified, as well as the cultural and structural factors that drive such behaviours.

Given the important role of management boards in driving effective cultures, the assessment will focus primarily on the leadership behaviour at senior executive level and their strategic decision-making.

Methodology

The Central Bank is supported by De Nederlandsche Bank (DNB) in the planning and execution of this work¹¹. DNB is a European leader in the supervision of behaviour and culture within financial institutions.

A hybrid inspection framework has been developed, which comprises both on-site and off-site assessments and utilises elements of both DNB Behaviour and Culture Framework (root cause analysis, board effectiveness and ethical culture) and selected elements from the Central Bank's Consumer Protection Risk Assessment

¹¹ De Nederlandsche Bank is the Dutch Central Bank.

Framework (tone from the top; incentivisation; and speak up, challenge and escalation).

Output

The Minister has mandated the Central Bank under section 6A of the Central Bank Act 1942 to report on the:

- current cultures and behaviours in the retail banks today;
- risks associated with these cultures and behaviours; and
- actions that may be taken to ensure that lenders prioritise customer interests in the future.

The Central Bank will report on each of these items in a dedicated report later this year, underpinned by the observations from the behaviour and culture reviews.

Appendix 1 – Independent Advice and Appeals Process

The Framework was structured by the Central Bank in such a way as to ensure that affected customers have further recourse options if they are dissatisfied with any aspect of the redress and compensation offers made by their lender.

Under the Framework, affected customers receive an additional payment at the point of offer of redress and compensation from the lender, which allows them to take independent legal or other professional advice regarding the redress and compensation offers made to them.

Secondly, an independent appeals process must be established by lenders to deal with customers who are dissatisfied with any aspect of the redress and compensation offer they receive from lenders. Importantly, customers can accept their offer for redress and compensation while still making an appeal. This ensures that a customer's need to receive payment upfront is not a determining factor in deciding whether to appeal an offer.

Appeals panels cannot make a less favourable finding than any offer made to affected customers pursuant to the lenders' redress and compensation schemes. Further, lenders are to reimburse affected customers for their reasonable costs incurred in bringing appeals, in the event that they are successful in part or in whole of their appeals.

Appeals form an important part of the overall Examination process as they ensure an independent and transparent consideration of complaints from customers about any aspect of the redress and compensation they have been offered. In particular, customers who have suffered severe detriment, such as home loss, and feel that their personal circumstances have not been sufficiently taken into account, may wish to bring that information forward for consideration by the appeals panel. Panels must include appropriately qualified professionals and are required to at least be comprised of an independent majority (including an independent chairperson). In respect of appeals from customers who have been impacted in a more serious manner, panels are required to be wholly independent of the lender. All panels must include a consumer voice representative.

Where a customer appeals, remains dissatisfied with the outcome of the appeal and does not accept the findings of the Appeals Panel, they also retain the option to bring a complaint to the FSPO and/or to initiate court proceedings within a specified period of time.



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