



Pearse Doherty T.D.

Central Bank of Ireland
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Dublin 1

Dear Governor,

I am contacting you regarding issues raised by the Deputy Governor of the Central Bank, Ed Sibley, at a recent Banking and Payments Federation conference.

In his comments, the Deputy Governor acknowledged that Irish banks are determining that it is profitable to charge new customers mortgage interest rates of between 2.25 and 3 per cent but persist in charging existing customers in the region of 4.5 per cent.

The Deputy Governor was correct to state the operating costs for the banks fails to explain why existing customers are being charged mortgage interest rates that are much higher than those needed to maintain profitability.

While I welcome the fact the Deputy Governor and Central Bank are raising the right questions, I am writing to ask what the Central Bank will do to ensure fair outcomes for existing mortgage holders.

I recently wrote to you regarding the practice of dual pricing by the insurance industry. As you know, this is the practice of targeting existing and vulnerable consumers who are identified as being less price-sensitive and charging them with artificially high prices. I welcome the decision of the Central Bank to undertake a formal investigation to assess the impact on consumers of this practice, and to draw up recommendations to end any unfair outcomes that result from it.

However, it should be noted that differential pricing of mortgage interest rates is simply another manifestation of this practice. A pricing strategy that is known to harm existing customers and vulnerable groups. This practice is unacceptable in any market, including the mortgage market.

It should be noted that mortgage interest rates in the Irish market are twice the average level in the Eurozone, with the result that existing mortgage holders are paying significantly higher interest over the lifetime of their mortgage than the EU average.



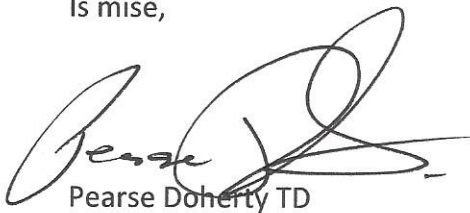
This discriminatory pricing is unacceptable in any market and is having a real and detrimental impact on mortgage-holders. As you know, recent data published by the Central Bank shows that over 21,000 mortgage-holders aged 60 or above still owe more than €150,000 in mortgage debt. Additionally, the data showed that as much as 15,000 aged 50 and over are currently on interest-only mortgages.

What is clear is that the current debt levels, especially for those entering retirement, are unsustainable.

It is imperative that pricing practices in the mortgage market do not discriminate against existing customers. In fact, such practices are in my view in clear violation of the Consumer Protection Code.

I am therefore writing to request what remedial action the Central Bank will take to address this practice of differential pricing within the mortgage market, and if you will undertake work to clarify the extent of this practice, its impact on mortgage-holders, and its compatibility with the Consumer Protection Code.

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Pearse Doherty TD