



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Claudia BUCH

Chair of the Supervisory Board

Mr Luke Ming Flanagan
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 13 May 2024

Re: Your letter (QZ-003)

Honourable Member of the European Parliament, dear Mr Flanagan,

Thank you for your letter about mortgages on homes with defective blocks, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 9 April 2024.

Your questions relate to the mortgages of Irish households on houses with defective blocks. More specifically, you asked the following: what action ECB Banking Supervision can take regarding those mortgages and their terms and conditions, whether an investigation will be opened into Irish banks' provisions, and whether the Irish central bank has notified the ECB of any consumer protection measures.

I do agree that it is important to protect homeowners who may be in default on their mortgages because of defective blocks in Ireland. However these consumer protection aspects do not fall within the scope of the supervisory tasks conferred on the ECB. The SSM Regulation¹ confers specific tasks on the ECB relating to the prudential supervision of credit institutions. Other supervisory tasks, including consumer protection², remain the responsibility of the national competent authorities and consumer protection authorities.

The ECB's responsibility for prudential supervision includes regulations which banks must follow to ensure that any signs of potential financial distress are addressed proactively. Specifically, the forbearance regulation is aimed at preventing performing loans from reaching non-performing status, and the practical application of this

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, (OJ L 287, 29.10.2013, p. 63).

² See recital 28 of the SSM Regulation.

regulation is set out in more detail in the ECB's Guidance on non-performing loans (NPLs)³. Ultimately, whenever a borrower indicates to a bank that they may face difficulties repaying their loan, the bank has a responsibility to engage with them proactively. The aim should always be to provide a sustainable repayment solution and return the loan's status to performing. As part of this process, banks should have a range of solutions which take account of the borrower's unique circumstances.

Turning to your second question, let me assure you that the ECB considers all aspects when assessing the overall adequacy of provisions to cover banks' current and future risks. The prudential implications of the provisions made by Irish banks with regard to these mortgages are of key importance and are being assessed as part of ongoing supervision. Additionally, the ECB periodically carries out on-site inspections and credit file reviews of Irish banks' mortgage portfolios. In the course of such inspections, the provisions allocated to mortgages are assessed and adjustments are required where shortfalls are identified.

In response to your third question, the ECB regularly engages with all national competent authorities (NCAs) in the Single Supervisory Mechanism (SSM), including the Central Bank of Ireland, on issues which pertain to its mandate. The defective block issue in Ireland is no exception. We have been informed by the Central Bank of Ireland that the administration of the Government's Enhanced Grant Scheme (the Scheme)⁴, and related operational issues, are matters for the Department of Housing, Local Government and Heritage. The Central Bank of Ireland does not have a direct role in the operation of the Scheme, but continues to engage with all relevant stakeholders to ensure the financial services sector meets regulatory requirements and supervisory expectations.

Yours sincerely,

[signed]

Claudia Buch

³ See "[Guidance to banks on non-performing loans](#)", ECB, March 2017.

⁴ The Enhanced Grant Scheme provides assistance to homeowners in Clare, Donegal, Limerick, and Mayo whose dwellings have been damaged by the presence of defective concrete blocks containing excessive amounts of mica, pyrite, or other prescribed deleterious materials.