

The Irish Property Council Limited

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OUR REF. PW/FH
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DATE: 15th June 2010

**Re: The Irish Property Council Limited
Financial Institutions
Property Loans
Consumers to include Homeowners, Investors, Builders and Developers
Code of Conduct
Bankruptcy, Insolvency Law, Debt Collection
Protection of the Family Home
Stamp Duty proposed Amendments.**

Dear

I am writing to you at the request of the Directors of the Irish Property Council Limited which is a company limited by guarantee and is a non profit organisation, (I.P.C.)

The I.P.C represents consumers in the property business in Ireland to include homeowners, investors, builders and developers.

Code of Conduct

The I.P.C proposes that a Code of Conduct be introduced in relation to dealings between financial institutions and people in the property business.

Of particular concern is the behaviour and conduct of certain financial institutions and especially with reference to the renegotiation of, or the extension of, existing loans.

The following are matters of immediate concern to the IPC namely:

1. That adequate notice of a proposed meeting be provided by the lending institution to the borrower setting out the agenda of the meeting, and giving a minimum of ten working days for the borrower to prepare for the meeting.
2. That the names of the parties who will attend the meeting on behalf of the lending institution be notified to the borrower at the time of the notice.
3. That the borrower be notified by the lending institution that it is advisable that the borrower attend at the meeting with an independent advisor / consultant, so as to protect the borrower's interests and to provide advice to the borrower if so required during the meeting, and especially prior to any commitment or agreement being entered into.
4. The particulars of all security held by, and being relied upon by, the lending institution, with reference to the loan offer and acceptance by the borrower, be referred to and included in the notice, where same are to be the subject of the meeting and to be referred to as security or collateral security or a guarantee or whatever.

5. That a copy of any personal guarantee by the borrower, or any third party, being relied upon by the lending institution, be provided to the borrower with the notice.
6. That a note or memorandum of the meeting be prepared by the lending institution and provided to the borrower after the meeting together with particulars of any terms and conditions agreed upon, as a record in written form for future reference.
7. That reasonable grounds be provided for any amendment of any existing loan facility, or the extension or renewal of an expired loan facility, or the status of such loan, and the security provided, to include a change in the euribor rate or an increase in the bank margin rate, or the imposition of penalty interest or charges, or the addition of a new arrangement fee, or the introduction a provision for repayment of capital and interest, when the original loan was an interest only loan, or a request for additional security or the provision of a personal guarantee by the borrower or a third party, taking into consideration the means of the borrower and the viability of the borrowers business in the present economic climate with the overriding principle to preserve and protect the borrowers business and employment, if reasonably possible.
8. In the event of refusal by a lending institution to extend or renew an existing or an expired loan facility on reasonable terms or the refusal of a new loan to replace an existing loan, that satisfactory grounds be provided to the borrower by the lending institution in the event that the resulting situation involves the loss of the borrowers business and the employment of staff and/or the appointment of an Examiner, Receiver or Liquidator of the borrowers business or whatever.

The IPC are calling on all financial institutions, the Central Bank, the Financial Regulator, the Government and all agencies and interested parties to recognize that until there is a true and reasonable approach to addressing the renegotiation of debt, there can be no stabilization of property values, and this will undermine home values for **everybody**.

The IPC is strongly of the opinion that unless a realistic and co-operative approach to debt renegotiation takes place, to include for example **debt writedown/reduction, freezing of interest accumulation/capitalization of interest, the reduction in the rate of interest charged, the reduction of the rate of interest/penalties charged, the non imposition of arrangement fees, the extension of loan periods and/or the warehousing of loans**, until there is a market recovery, there can be **no stabilization of property values and in turn no sustainable property sector** for the foreseeable future.

Bankruptcy Law

It is submitted that the present bankruptcy law, whereby a person becomes bankrupt for twelve years, is wholly excessive, unreasonable and inhibits enterprise, trade and business and that same should be amended whereby the period of bankruptcy is reduced to one year. In turn this amended bankruptcy period of one year should furthermore be subject to review after the event of one bankruptcy, to a longer period of five years in the event of a second bankruptcy, so as to inhibit further bankruptcies occurring by the same individual in the future.

Insolvency Law

It is also submitted that the insolvency laws should be amended whereby a person is entitled to enter into a voluntary arrangement with creditors which can be binding on all parties and enforced by the court and which is in the best interest of enterprise trade and business.

Debt Collection

It is the belief of the IPC that debt collection should be regulated and that a licence be issued through the District Court to a debt collector or debt collection agency an annual basis, with a right of objection by an aggrieved member of the public if so required on reasonable grounds so as to protect members of the public from undue or unreasonable behaviour and pressure being exercised by independent collectors and which at present is contrary to public interest and reasonable conduct and behaviour.

Family Home

It is furthermore submitted that the family home is not sufficiently protected under the terms and provisions of the Family Home Protection Act 1976, and as amended, and in particular where a personal guarantee has been provided by one spouse only or where a personal liability arises in respect of either spouse, resulting in a judgment being registered as a mortgage against the family home by a third party to include a lending institution. There is particular concern that where, in the event that possession is not obtained and the property sold, pursuant to the registration of the judgement mortgage,

that in fact a capital sum together with increasing interest charges, together with capitalised interest, and in particular penalty interest, and other charges can be accumulating over a number of years and then claimed at a later stage, in the event of a sale or other mortgage, whether or not same is deferred for a period of years or not, and especially where there are young children or other unfortunate circumstances arising.

The IPC believe that a reasonable family home, of size and value, should be fully protected against any third party claim to include a Lending Institution as referred to above, in respect of a business loan or whatever, other than the original family home purchase mortgage loan amount or a home improvement mortgage loan amount, so as to protect and cherish the family, the parents and in particular their children and especially where there are young children under the age of eighteen living in the family home.

Stamp Duty

It is the opinion of the I.P.C. that the present rates of stamp duty are punitive as a transaction tax and inhibit business and deter people from investing in the property business in Ireland.

It is suggested that the present stamp duty rate, in respect of commercial property, which is generally at 6%, is excessive and should be reduced substantially if not suspended for a term of three year.

It is furthermore suggested that the stamp duty rates in respect of residential property, which is at 7% from €125,000 to €1,000,000, and at 9% thereafter, are wholly excessive and unreasonable. These penal rates inhibit people from purchasing a residential property and prevent movement and transactions in the property market. It is submitted that same should be substantially reduced if not abolished, or at least suspended, for a period of three years.

It is the belief of the IPC that in the event that the Government addresses the above stamp duty issues that same will introduce confidence into the property market which is at present lacking and may help to stabilise property values and the property business, which has suffered an enormous reduction in activity and a considerable loss of employment, to include loss of businesses and livelihoods.

Meeting

The IPC would be pleased and available to meet you at any time suitable to discuss and elaborate on the above matters and to explain same in more detail and express the views and opinions of the IPC and its members.

Website

We refer you to the IPC Website, which provides further particulars and the IPC Mission Statement and the recent press release:

www.irishpropertycouncil.com

To address the above issues, the IPC will be holding a meeting to provide a plan of action on the 26th June at the City West Hotel, Naas Road, County Dublin from 10am to 2 pm and to which meeting all persons involved in the Irish Property business are welcome to attend. Please inform us if a representative of the bank will attend and if so we shall make the appropriate arrangements.

Yours sincerely,

Patrick White
Secretary
The Irish Property Council