



Mortgage Credit Directive

Public Consultation

Your Partner For What's Next



Background

Directive 2014/17/EU (the Mortgage Credit Directive or the “MCD”) was transposed into Irish Law in 2016 by means of the European Union (“EU”) Consumer Mortgage Credit Agreements Regulations 2016. The aim of the MCD is to create and sustain an EU-wide credit market with a high level of consumer protection.

MCD – Focus of the public consultation survey

On 22 November 2021, the European Commission (“EC”) commenced a public consultation with the aim of assessing whether the MCD is adapting to new challenges, including:

1. Digitalisation;
2. Sustainability;
3. COVID-19; and
4. The proposed revision of the Consumer Credit Directive (“CCD”).

The public consultation focusses on whether the MCD is achieving its purpose to provide consumer protection across the mortgage market, to provide a competitive internal mortgage market and contribute to financial stability.

The public consultation will close on 28 February 2022. The EC is seeking feedback from various stakeholders including public authorities, consumers, industry associations and mortgage providers.

The following is a high-level summary of the areas the EC is seeking feedback on:

- The **effectiveness and simplification** of certain aspects of the MCD;
- **Discrimination** against consumers;
- **Selling practices** which exploit consumer behaviour (for example, pre-ticked boxes and cross-selling);
- Barriers to **cross-border mortgages**;
- The impact of **crowdfunding and peer-to-peer lending**;
- Increasing the **scope** of the MCD, for example, to include equity release mortgages;
- How effective the current provisions on **pre-contractual information** are, as well as the introduction of additional requirements including:
 - A simplified summary sheet of the key product features;
 - An adaption of or increase to the minimum reflection / withdrawal period; and
 - The adaption of advertising requirements to the medium.

- Increased focus on **digitalisation**, including:
 - The use of automated chats giving basic information to consumers; and
 - The conclusion of mortgages digitally.
- **Tying and bundling** practices;
- Safeguards in the **credit worthiness assessment** process, including:
 - Where the automated processing of personal data occurs;
 - Where limited financial information for the customer is available; and
 - Access to credit registers.
- Further facilitation of **early repayment** of mortgages;
- How customers can be encouraged to **switch** mortgage providers;
- Barriers created to the offer of **foreign currency mortgages** by the current requirements;
- The establishment of **passports** for non-credit institutions;
- The creation of provisions to protect consumers falling in **arrears**;
- Specific rules for **exceptional situations** such as the COVID-19 pandemic; and
- An **increase** in scope to include:
 - A common **EU-wide green mortgage** definition;
 - Actions to encourage uptake of green mortgages; and
 - Competence requirements for staff to include green mortgages.

Next Steps

The public consultation survey will close on 28 February 2022. The results will inform an evaluation of the MCD and an impact assessment of any proposed changes.

How can KPMG help?

KPMG provide risk and regulatory advice, proposition / product design and programme support services across the financial services sector. We specialise in translating regulatory requirements / change into practical, operational and compliant processes and controls to protect our clients and their customers. Therefore, if changes to the MCD are introduced, we can help ensure that you have the appropriate processes, systems and training in place to meet your regulatory obligations.

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