

23 February 2023

## Pepper will be increasing variable mortgage rates by 1% for majority of customers following recent ECB rate increases

- Increase reflects two consecutive increases in the ECB rate in December 2022 and February 2023
- Average rate of 5.2% on Variable Rate mortgages and 3.1% on Split Mortgages (average across customers' Main balances and Split balances at 0%) as at 31<sup>st</sup> January 2023
- New Helpline takes over 5,000 interest rate query calls so far in 2023 as Pepper continues to invest in enhanced customer support measures for borrowers concerned about interest rate increases and the rising cost of living.
- Notable increase in customers redeeming loans or switching to a new lender

Following on from two further interest rate increases, totalling 1%, announced by the European Central Bank (ECB) in December 2022 and February 2023, Pepper will start notifying certain customers this week by letter of an additional 1% increase in their variable mortgage rate. This latest increase for variable mortgage rates continues to be less than or equivalent to the increase in ECB interest rates announced to date.

The five consecutive ECB interest rate rises, totalling 3% since July 2022, have regrettably necessitated these increases being passed on to the majority of the 21,000 residential variable rate mortgages, serviced by Pepper on behalf of its clients.

The average rate across these mortgage loans is approximately 5.2% (as at 31<sup>st</sup> Jan 2023), noting some loans will have a higher rate and some loans will have a lower rate.

The higher rates are associated with the many loans which were transferred to Pepper from other lenders at significantly higher variable rates than the average in the market, in many cases due to customers having had historic credit issues resulting in higher risk-adjusted variable rates from their previous lenders.

Pepper has inherited over a hundred different Variable rate products with different interest rates over the past 10 years.

Pepper does not receive any commercial benefit from the increase in interest rates, which are being directly passed on.

**Enhanced customer support and solutions include reduced rates and fixed repayment:** We are acutely aware this is a challenging time for many people and our highly experienced team is on hand to help anybody concerned about their ability to meet the payments.

The Pepper team is focused on, and committed to working with customers who may have previously been in arrears or who now find themselves under pressure and require assistance, to find the best solutions appropriate to their individual circumstances, and to stop them going into arrears on their mortgage.

We offer one of the broadest ranges of temporary and longer-term forbearance solutions in the Irish market including interest only payments, term extensions, arrears capitalisations, interest rate discounts as well as several other options. While Pepper does not offer a fixed rate mortgage product, it can offer fixed reduced monthly repayments and interest rate discounts, both for short term and extended periods. Forbearance solutions are offered based on affordability and an assessment of the customers' individual circumstances as set out in their Standard Financial

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Statement which is assessed in accordance with the Central Bank's Code of Conduct for Mortgage Arrears 2013.

As part of a concerted customer outreach campaign, we have now written to over 15,000 tracker and variable rate customers to offer them advice and support should they be concerned about the recent interest rate increases, their ability to meet repayments or have already fallen behind on payments.

In addition, since the start of 2023, over 5,000 customers have engaged with us through our new dedicated Helpline, primarily seeking to confirm their new payments, enquire about the rates increases, as well as looking for additional support in managing their financial situation.

**Customers redeeming loans or switching to a new lender:**

Since the ECB started increasing rates, hundreds of Pepper customers have chosen to redeem their loans early or switch to a different lender. The team at Pepper will continue to support those customers looking to switch or refinance their home loan to a Bank or alternative lender.

**Supporting Split Mortgage Customers:**

Pepper currently services thousands of Split Mortgages where the mortgage is split into two parts (the Main balance and the Split balance). We will always support customers looking to switch to another lender, but we recognise that for Split Mortgage customers, finding a new lender and switching may be more challenging.

It should be noted that on such loans the Split balance carries an interest rate of 0%. Therefore, while the main balances have an average rate of approximately 6.1% (as at 31 Jan 2023), the overall average rate across these Split Mortgages (Main balance + Split balance) is approximately 3.1% (as at 31 Jan 2023), when the Split Balance is taken into consideration.

Where customers with Split mortgages have concerns on their ability to continue making repayments on the main balance due to rising interest rates, we would ask them to contact us.

We can work with these customers to explore several different options based on the customers affordability and an assessment of their individual circumstances including fixing the interest rate on the main balance for a period of time.

**Our role is to help and support customers:**

Helping customers is central to our role as a Retail Credit Firm and we would ask all customers with concerns about their mortgage to engage with our experienced team.

We are regulated by the Central Bank of Ireland, meaning we always comply with the requirements of financial services legislation, including the regulatory requirements as set out in the Central Bank's existing codes of conduct and regulations. This includes the Consumer Protection Code 2012 and the Code of Conduct for Mortgage Arrears 2013.

We work proactively with the Central Bank of Ireland to ensure consumers rights are always protected and any questions or queries on loan contract terms and conditions are fully addressed.

Our goal is to help people and find solutions and we have completed this process successfully for thousands of customers already over the past 12 months.

Should you have any questions on the above or are concerned about the recent increases in mortgage rates please contact our Helpline 0818 828 828, which is available on our website along with frequently asked questions and answers <https://www.peppergroup.ie>

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