

11 November 2005

By Email Only

To The Commission of the European Communities

Dear Sirs

Response to the Green paper on Mortgage Credit in the EU

This response is made by the Joint Investment Business Committee on behalf of the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland.

We welcome the opportunity to comment at this early stage on the Commission's consideration as to whether any intervention should be proposed in the EU residential mortgage credit market.

We support the view that any intervention should be aimed at making the market more efficient and competitive for the benefit of all.

At this stage, we only have a few points which we would wish to raise as follows:

General

1. The Green Paper appears to target credit arrangements in the domestic/residential loan market. There are significant differences between this market and credit arrangements to fund business/commercial properties. The consideration of the two different areas must be kept separate and any future consultation should specifically exclude business/commercial loans.
2. Any approach to intervene in the mortgage market should be on a principles basis, rather than an approach which provides detailed rules.
3. Any intervention must be the subject of a Regulatory Impact Assessment, to ensure that any additional regulation is cost effective and does not add disproportionate costs onto the lenders and ultimately, the borrowers.
4. No mention is made within the paper of consumers' exposure to exchange rate fluctuations. We think that this is an area where consumer education is important, with appropriate and clear disclosures being made to consumers concerning the risk of fluctuation in exchange rates where the mortgage is provided in an alternative currency.



5. A further additional aspect that we believe should also be considered is the mortgage “after market”, where a mortgage provider sells on their book of mortgage loans to another lender. Consumers may not be aware that this may occur.

The current EU Code

6. There should be an emphasis on the provision of clear documentation, which discloses the details of the loan and the obligations imposed on the borrower.

Advice and credit intermediation

7. We do not believe that there should be a requirement for compulsory advice. This would curtail the rights of consumers to seek their own information and take their own informed decisions. Whilst in many instances, consumers should be encouraged to seek appropriate advice, consumers who do not need advice should not be obliged to receive the advice and consequently, to have to pay for it.

Please contact Alison Carr at the Institute of Chartered Accountants in England and Wales (telephone: 01908 546220, email alison.carr@icaew.co.uk) if you have any queries on this response.

Yours faithfully

Peter Green
Chairman of the Joint Investment Business Committee.