

THE MABS/BPFI (BANKING AND PAYMENTS FEDERATION OF IRELAND) 2015 PROTOCOL – FREQUENTLY ASKED QUESTIONS

Introduction: MABS and the BPFI (or the IBF as it then was) agreed their first joint protocol in 2009 and it provided a framework for both organisations to work together to assist overindebted people to manage their debt repayments in a way that was affordable and sustainable for them. The 2009 protocol has now been updated to reflect both experience to date and changes in the operating environment generally, and now includes the possibility of debt settlement at the discretion of the lender. This means that the lender may agree to accept less than the full amount of the loan in settlement of it.

The new protocol will underline and continue the good working relationship which MABS and the BPFI have built up together, to the ongoing benefit of MABS clients.

This Q&A document is designed as a simple and helpful guide to the revised BPFI/MABS protocol. It should not be regarded as a substitute for the text of the protocol itself. If you wish to read the full text of the protocol itself, you can find it under **Assess Your Needs** on the MABS website homepage.

Q 1: What is the BPFI/MABS protocol?

A: The BPFI/MABS protocol is an agreement between the BPFI and MABS. It outlines how borrowers with loans from subscribing BPFI members are to be treated by those lenders and provides a framework for the BPFI and MABS clients to communicate with each other about debts.

Q 2: What does BPFI stand for?

A: BPFI is the Banking and Payments Federation of Ireland, the new name for the Irish Banking Federation. It is a representative organisation for banks and payment service providers.

Q 3: Which members of the BPFI have signed up to the protocol?

A: AIB, Avant Credit Cards, Danske Bank, EBS, KBC, permanent TSB, Bank of Ireland, and Ulster Bank

Q 4: I have some loans and credit cards. How can the protocol benefit me?

A: You can either ask to be dealt with under the protocol as a full MABS client, or as a self-help MABS client (this means that you are happy to handle your own debts, with the support of MABS). For information on how to get started, call the MABS helpline on 0761 07 2000. The protocol sets out timelines for lenders to deal with your request to restructure your loan (this is where the lender may lower the payments, extend the term, freeze the interest or settle some of your loan. Settlement means the lender agreeing to accept less than you originally agreed to pay back. Please

note that this is entirely at the lender's discretion). It aims to put in place a payment plan that is acceptable to both you and your lender, which is also affordable for you, and which is sustainable (which means you will be able to keep up the repayments for as long as the agreement lasts).

Q 5: What information will I have to give the lender?

A: You will have to give the lender all information about your financial circumstances. You can do this by way of a standard financial statement. Your MABS adviser or the MABS helpline will assist you with these. It is important to be completely honest with your lender about all of your other debts, as otherwise the lender can refuse to deal with you under the protocol. If you are not completely honest about the level of your debts, your lender may also decide on a payment amount which, even if it is lower than what you are paying now, is still too high for you, and which you will not be able to keep up. This may lead to the agreement between you and the lender breaking down. While the lender will work with you to make sure this doesn't happen, if it happens repeatedly, the lender may take further action to recover the debt.

Q 6: What information will the lender have to give to me?

A: Your lender will give you all of the information about your new payment plan in writing before you start paying it. They will also give you the contact details for their centralised debt collection department/office.

Q 7: Will the lender write off some of my debt?

A: For the first time, the protocol provides for debt settlement (see Q4 above for an explanation of this) as opposed to just debt management (lowering the payments but perhaps being tied into a very long agreement in order to pay off the whole loan). However there is no guarantee that your lender will settle some of your debt – this is at the discretion of each lender. The important thing about the protocol is that for the first time, debt settlement is seen as central in helping people to get on top of their debt problems.

Q 8: Does this mean that some of my mortgage debt will be written down?

A: No. It is very important to realise that the protocol refers to unsecured debt only, which means things like bank loans, credit cards, overdrafts etc.

Q 9: What about my income? Will that be protected?

A: Yes. You will be able to keep a certain standard of living and any money you have left over will go towards paying your debts under the protocol. The standard of living the lender will take into

account will be the same as that used by the Insolvency Service of Ireland and lenders will not allow your income to fall below that. This amount varies depending on your family's circumstances. See www.isi.ie for further details of these amounts or contact the MABS helpline.

Q 10: Can my lender still take me to court?

A: As long as the agreed repayment plan is working, your lender will stop all legal action against you. If they have not already sent you a solicitor's letter, they won't do so if you are dealing with them under the protocol, and will put a payment plan in place for you within 30 days of you or your MABS adviser contacting them.

If they have already sent you a solicitor's letter by the time you contact MABS, they will not take the case any further for 30 days, once you engage with them under the protocol. The same applies if they have already served a summons on you. Where they have already obtained a judgment against you in court for the debt, they will not take the case any further once you start engaging with them under the protocol. This means they will not seek to enforce the judgment against you.

The 30-day limit is a guideline only. Lenders and borrowers will do their best to agree a payment plan within that timeframe, but in cases where this is not possible, a reasonable amount of time will be allowed to put a plan in place.

Q 11: What happens if I break the payment plan?

A: If you continuously break the repayment plan, or ignore contact from your lender once you have a plan in place under the protocol, the lender may go ahead with legal action once they have given you notice that they intend to do so.

Q 12: Can I still borrow money while my repayment plan is in place?

A: Yes. You can borrow up to €650 at any one time, but if you need to borrow more than this, you will have to tell your lender that you are considering taking out a new loan.

Q 13: What about the interest on my loan? It keeps building up and makes it very difficult to pay back the loan.

A: In so far as possible, the lender will try to avoid a situation where interest builds up on your loan. "Freezing" the interest completely is at the discretion of each lender. You or your MABS adviser can certainly ask them to consider this.

Q 14: What if my lender will not deal with me under the protocol?

A: The protocol recognises that there may be some cases which are unsuited to the protocol, for example, where the borrower has ignored all communication from the lender for a long time, or where the lender is aware that the borrower has a higher income than they have declared. In such cases the lender can refuse to deal with the borrower under the protocol, but will endeavour to let the borrower or the borrower's MABS adviser know why.

Q 15: Does the protocol mean that the contract I signed when I took out the loan doesn't matter any more?

A: No. The contract will still be in place unless another payment plan is agreed between you and your lender and until your debt is settled in full or in part (as agreed with the lender).

Q 16: So my lender will definitely not pursue debt outstanding after completion of an agreed payment plan?

A: There is no guarantee that this will happen, and it's a decision for the lender in each case. You or your MABS adviser can certainly ask them to do this. However, where the lender decides not to settle any of your loan, they will make sure that the repayments are set at a level you can afford. This may mean that your loan will last longer than it was originally meant to.

Q 17: So once my repayment plan is up and running, that's it?

A: No. The lender will wish to review your case from time to time (perhaps every six months, perhaps once a year, depending on your loan) and may adjust the payments upwards if your income has risen, or reduce them if it has fallen. You should also make sure to contact your lender or your MABS adviser at any time if it looks as if the repayments are going to become too much for you. The sooner you do this the better, as it allows the lender to work with you to put a new plan in place. The very worst thing you can do is ignore the debt and your lender, because the lender will then assume that you're not interested in working with them, and may then take you to court instead. The protocol allows 10 days for you to let your lender or your MABS adviser know of your difficulties. If you can't do this inside 10 days, you should do so as soon as you can.

Q 18: Are there any other ways to get my debts settled or reduced?

A: Yes. There are four other ways, which are governed by law. They are:

Debt relief notice: for unsecured debts under €35,000. Contact the MABS helpline for further information. This pathway out of debt is managed by MABS, who will assist you with your application.

Debt settlement arrangement: for unsecured debts over €35,000. Does not cover mortgages. This is managed by a qualified individual called a personal insolvency practitioner. They will charge a fee for their services.

Personal insolvency arrangement: for mortgages and other debts. This is also managed by a personal insolvency practitioner.

Bankruptcy: Covers all debts over €35,000. Lasts for 3 years after which you are debt-free. This is managed by the Official Assignee, a court representative. For further information you will need to contact a solicitor who practises in the area of bankruptcy applications.

Of these options, the most popular since the ISI was established are the DRNs and bankruptcy.

You are legally entitled to apply for any of these options at any time, even if you have a repayment arrangement in place with your lender under the protocol. There are certain terms and conditions and the MABS helpline or your MABS adviser can give you further information on them.

Q 19: If I enter into a repayment arrangement with my lender under the protocol, will this affect my credit rating?

A: When the agreement with your lender has finished and you have made all the agreed payments under it, your lender will record this fact with the Irish Credit Bureau. This record will normally last for about 5 years. It is at the discretion of your lender or other lenders whether they are prepared to lend to you having regard to your Irish Credit Bureau record, but it is not an automatic bar to obtaining credit in the future.

Q 20: How long will my repayment plan last?

A: Under the protocol, no arrangement can last for longer than 7 years. This does not mean that every arrangement in every case will last for 7 years. It means none can last longer than that, and in most cases arrangements should ideally be shorter. The exact length of each arrangement will depend on the circumstances of your case.

Q 21: What will happen when my agreement is finished?

Q: If you have kept to the terms of your agreement and paid back what you or your MABS adviser agreed with your lender, the lender will then send you a letter confirming that you have finished your loan, or else they will send you a closing statement for the account, showing that the debt has been settled.

Q 22: Where can I get more information on the protocol?

A: If you wish to read the full protocol, you can find it under Assess Your Needs on the MABS website homepage. If you have any questions, your MABS adviser or the MABS helpline on 0761 07 2000 will be happy to help you.