



**AIB Mortgage Bank
Home Mortgages**

Credit Operations
Bankcentre
Ballsbridge
Dublin 4

DX 183 Dublin

Telephone 1890 252 008
Facsimile (01) 608 9274
E-mail homemortgages@aib.ie
www.aib.ie

Private & Confidential

12th July 2016

Complaint No:
Reference No:
(Please use in correspondence)

**Property:
Mortgage Loan Account Number:**

Dear Mr. & Mrs.

We have been corresponding with you in relation to a complaint regarding your mortgage account where you expressed your dissatisfaction that you were not offered the option to revert to a tracker interest rate.

I also note in your email of 3rd May 2016 that you telephoned the Bank in relation to your complaint on 25th April 2016 and 3rd May 2016 and did not receive a satisfactory response. We sincerely apologise for not following up on your telephone calls and for the delay in responding to your written complaint of 9th March 2016.

I understand you raised this complaint previously and that we have responded by way of letter dated 12th December 2013. However on receipt of your letter of 9th March 2016, we have thoroughly reinvestigated this issue for you and taking everything into account, I confirm this is our response.

On review of the sequence of events and on referring to your Letter of Offer for mortgage loan account dated 21st June 2008 (copy enclosed), the interest rate applicable to the above mortgage loan was a 3 year fixed rate of 5.25% followed by a Standard Variable Rate of 5.25% and both parties to the Mortgage signed in acceptance to the terms within said Letter of Offer. Upon drawdown of the facility on 4th July 2008, the interest rate applied to the mortgage account was a 3 year fixed rate of 5.25% .This was confirmed to you in the Bank's letter of the same day (copy enclosed).



AIB Mortgage Bank has its registered office at Bankcentre, Ballsbridge, Dublin 4 and is registered in Ireland, No. 404926.

A list of names and personal details of every director of the company is available to the public for inspection at the company's registered office. AIB Mortgage Bank is a wholly owned subsidiary of Allied Irish Banks, p.l.c. AIB Mortgage Bank is regulated by the Central Bank of Ireland. Allied Irish Banks, p.l.c. is regulated by the Central Bank of Ireland. Allied Irish Banks, p.l.c. is an authorised agent and servicer of AIB Mortgage Bank in relation to origination and servicing of mortgage loans and mortgages.



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Subsequently on 8th December 2008, you requested in writing, signed by all parties to the mortgage loan, to break out of the 3 year fixed interest rate and apply the Bank's Standard Variable Rate to your mortgage account. In accordance with Clause 3.3 of Part 4 of your Letter of Offer, being the General Terms and Conditions governing your mortgage loan with the Bank, the Bank complied with this request and on 9th December 2008 applied the Bank's Standard Variable Rate of 4.5% to the Mortgage account. This was confirmed to you in the Bank's letter of the same day (copy enclosed).

Clause 3.3 (b) of Part 4 of the Letter of Offer entitles the customer,

"to withdraw from a fixed interest rate agreement... (b) by conversion to a variable interest rate or another fixed interest rate".

The Bank also applied a breakage cost of €1,163.59 in line with Clause 3.3 which you paid and this was confirmed to you in the Bank's letter of the same day (copy enclosed).

On 10th February 2010, you requested in writing, signed by all parties to the mortgage loan that a 3 year fixed interest rate of 3.19% be applied to your mortgage account. The Bank complied with this request and on 5th March 2010 applied a 3 year Fixed interest rate of 3.19% to your mortgage account. This was confirmed to you in the Bank's letter of the same day (copy enclosed).

On 25th and 26th January 2013, the Bank wrote to you to inform you that the fixed interest rate period was due to expire on 5th March 2013. In this letter, the Bank outlined a list of sample interest rates that were then on offer by the Bank with a form attached which you could complete and return to the Bank, indicating which rate you wished to avail of (copy enclosed). The letter stated that in the absence of any reply, the Bank's Standard Variable Rate of 4% would be applied to the mortgage account. As the Bank did not receive a response from you, the Bank's Standard Variable Rate was applied to the mortgage account on expiry of the fixed interest rate on 5th March 2013.

In response to your complaint that you were not offered the option to avail of a tracker rate, Clause 3.2 of Part 4 of the Letter of Offer, being the General Terms and Conditions deals with what is to happen at the end of a fixed rate interest rate period as follows:

3.2 FURTHER FIXED INTEREST RATE OPTIONS/CHOICE

"At the end of any fixed interest rate period, the customer may choose between:

- (a) a further fixed interest rate period, or*
 - (b) conversion to a variable interest rate Mortgage Loan, or*
 - (c) conversion to a tracker interest rate Mortgage Loan,*
- at the Bank's then prevailing rates appropriate to the Mortgage Loan. If the customer does not exercise this choice then the Mortgage Loan will automatically convert to a variable interest rate Mortgage Loan."*



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In the context of Clause 3.2 the term “prevailing rates” means the interest rates then current and available at the date that a customer’s fixed rate period expires.

The Bank discontinued providing tracker rates to customers in October 2008 and therefore did not have a quoted prevailing tracker rate in January 2013 when your fixed rate expired. As a result, the Bank was only in a position to offer rates at the expiry of your fixed rate period that were then currently available, being the Bank’s prevailing fixed and variable rates. There was no indication or guarantee given in the Bank’s correspondence that a tracker rate would be available on expiry of your fixed interest rate period.

Prior to fixing the mortgage account initially in July 2008, the Bank could not have informed you that you would not have been able to avail of a tracker rate on expiry of the fixed interest period, given that trackers were still on offer by the Bank at that time, not having been discontinued until October 2008. It is also important to highlight that you have never availed of a tracker rate and albeit an option that was available to you in July 2008, you signed your Letter of Offer dated 21st June 2008 opting for a 3 year fixed interest rate. Furthermore, the Bank’s letter dated 5th March 2010 (copy enclosed) stated that on expiry of the fixed interest rate period, your monthly payments would be revised “*in accordance with the rate then applicable*”. The Bank is satisfied that there was no indication or guarantee given in the Bank’s correspondence that a tracker rate would be available on expiry of the fixed interest rate period.

However, as mentioned in our previous letter of 12th December 2013, taking cognisance of your case, we would now like to offer you a commercially priced prevailing tracker rate. This has been calculated at ECB (currently 0.00%) plus a margin of 3.67%. The Tracker rate [“Tracker”] is the European Central Bank’s Main Refinancing Operations Minimum Bid Rate [“ECB”] plus an agreed margin [“the agreed margin”] over that rate. Tracker ‘tracks’ changes in the ECB and will change within 5 working days of an ECB rate change.

It is also important to outline the context of the above mentioned prevailing tracker rate. In October 2008, AIB withdrew its tracker rates on the basis that it was no longer commercially viable to provide mortgages at rates below our standard variable rate or fixed rates.

Therefore any prevailing tracker rate that existed after October 2008 would clearly be significantly higher than historical tracker rates.

Furthermore prior to the withdrawal of tracker rates in October 2008, customers who were due to roll off a fixed rate arrangement were given a number of rate options. One of



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these options would have been a prevailing tracker rate (ECB + prevailing margin) based on the tracker rates available on the day the fixed rate expired. This was regardless of the tracker margin (if any) that would have been quoted in their Letter of Offer.

Should you wish to apply this prevailing tracker rate to your mortgage account, we will require your consent which must be signed by all parties to the loan.

In addition to the goodwill payment offered in our letter of 24th July 2015 and in order to acknowledge to the delay in responding to you, we now wish to offer you a goodwill payment of €500.00 which I hope you will accept. Should you wish to accept it, please complete the attached form signed by all parties to the mortgage loan and return it to the above address.

While we appreciate that this is not the response you were hoping for, we believe this is a fair outcome to the issue you raised and please take this as our final response to your complaint.

While we have made a decision in relation to your complaint, we want to let you know that separate to this, we are looking at the accounts of customers under an industry wide Tracker Mortgage Review, which the Central Bank of Ireland has asked all banks to do. Should new information emerge that affects your account, we will contact you. In any event, we will write to you again when our Tracker Mortgage Review is complete to confirm our position.

As our consideration of your complaint is now complete, I am obliged to inform you about the services of the Financial Services Ombudsman (FSO). If you are dissatisfied with our response to your complaint you may refer your complaint to the FSO who will seek to resolve it through mediation or through investigation and adjudication.

Information about the services provided by the FSO is available from the website www.financialombudsman.ie

Complaints to the FSO can be made online through the website. Enquiries to the FSO can be made by email to enquiries@financialombudsman.ie or by telephone to Lo-Call 1890 822 090 or 01 662 0899.

If you are making a complaint to the FSO you must provide a copy of this correspondence with your Complaint Form.



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The Financial Services Ombudsman will deal independently with a complaint from a personal customer or company with a turnover of less than €3 million.

Yours sincerely,



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