

# Banks threaten to increase repossessions as Irish mortgage crisis deepens

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Details have emerged in recent weeks of the full scale of the debt crisis confronting households in Ireland. The large quantity of mortgage debt, which totals €17 billion for owner-occupied properties alone in a country of just 4.5 million people, equating to €3,777 per person, is creating concerns about the potential for a renewed financial collapse.

A report from the Central Bank of Ireland stated that over 140,000 households were in some form of mortgage arrears. Including the buy-to-let market, the total outstanding debt stood at €25 billion. The report showed that more than 23,000 households had been in debt for at least two years and that the total overdue payments were at least €3 billion. Some 11.5 percent of households were in arrears by more than 90 days.

Almost one quarter of mortgages are either in arrears or have been restructured due to the inability of borrowers to pay. Many homes are “under water”, meaning that they are worth less than the mortgage taken out on them, since property prices have halved since the economic crisis began.

A massive property bubble prior to 2008, brought on by the speculative activities of the banks and encouraged by low tax rates, contributed significantly to the financial collapse five years ago. Since then, the austerity policies implemented by the political elite have shifted the burden of the crisis onto the backs of working people.

The last five years have seen spending cuts and tax hikes totalling €28.5 billion, and much more is to come. The latest deal agreed between Ireland’s international lenders and the government in February will see working people pay for the bailout of the former Anglo Irish Bank over the next 40 years.

Concerns remain that the large levels of mortgage debt could provoke another financial collapse,

particularly as the economy across Europe goes deeper into recession. Projections for the domestic economy this year suggest that it will see zero growth.

Bank of Ireland, the only major financial institution not to have fallen under majority state control, reported pre-tax losses of €2.16 billion earlier this month. It has cut 5,000 jobs since 2008. Over €3 billion of its mortgage lending, which totals €28 billion, is more than 90 days in arrears.

Some commentators have warned that the deepening crisis may compel the state to intervene and assume responsibility for the debt, not only at Bank of Ireland, but also at Allied Irish Bank and Permanent TSB. Losses for 2012 at Allied Irish were even worse at €2.8 billion. At Permanent TSB, one in five mortgages are in arrears.

In spite of the Bank of Ireland’s poor figures, executive pay rose sharply in 2012. Bank CEO Richie Boucher saw his pay and bonus package rise by over €12,000 to more than €840,000. Joe Walsh, a former Fianna Fáil government minister ostensibly appointed to the bank “on behalf of taxpayers,” enjoyed a pay increase of 14 percent.

In contrast, yet more sacrifices are being demanded from the working class. Leading banking officials responded to the latest mortgage figures with complaints over the low repossession rate of homes, and warned that they would be taking a more direct approach in future. A Bloomberg report described what was being prepared as “the biggest wave of foreclosures in the nation’s history.”

John Moran, the Secretary General of the Department of Finance, summed up the views in government when he declared that the rates of house repossessions in Ireland were “uncharacteristically low.” He continued that banks would soon be able to “move forward” in

dealing with problem mortgages.

Matthew Elderfield, Deputy head of the Irish Central Bank stated, “Various factors have temporarily restrained lenders but it is an unpalatable fact in light of the severity of the crisis that repossessions must be expected to rise significantly.”

The Central Bank, which will oversee new government regulations to tackle the crisis, has said that banks must propose “sustainable” solutions to 50 percent of those with mortgage arrears by the end of 2013. In addition, the bank wants 75 percent of all customers with outstanding debts to have complied with new agreements by the end of 2014.

The government legislation will help facilitate the banks’ attempts to claw back mortgage arrears from workers struggling to make ends meet, with provision for repossession for those unable to make repayments. There are also plans to remove a legal loophole that has prevented a number of repossessions from going ahead.

The government proposals also include powers for representatives of the banks to impose income restrictions and limits on living standards on those in arrears. This could include compelling individuals to give up health insurance or even childcare. State-appointed “mediators”, who will be tasked with debt negotiations between mortgage holders and the banks, will be granted the power to determine “reasonable living expenses,” and rule out any spending deemed to be a “luxury.”

The government is calling for more “engagement” by the banks, in order to separate the “strategic defaulters” from those borrowers who genuinely cannot afford to pay. This distinction is completely fraudulent and is an attempt to conceal the brutality of the approach being proposed. The reality is that thousands of people across the country no longer have the means to meet basic living costs, let alone keep up with mortgage payments.

According to a survey by the Irish League of Credit Unions, 1.8 million people—a third of the population—have less than €100 left each month after “essential bills” are paid. Slashing of wages across all economic sectors, the implementation of a series of new taxes and levies to pay for the banking bailout, and thousands of job losses, with unemployment rising to over 14 percent, have all contributed to the growth of mass poverty.

On top of this, the government will introduce a new

property tax at the beginning of July on 1.8 million households across the country.

Ireland’s international lenders in the European Union (EU), European Central Bank, (ECB) and International Monetary Fund (IMF) all support these measures against homeowners. In its latest review of Dublin’s bailout programme, the IMF hailed the government’s encouragement of the banks to increase home repossessions. “Building on the strong budget out-turn for 2012, sound budget execution remains critical in 2013, including continued vigilance on health spending and a successful introduction of the property tax,” the IMF wrote.

The callous indifference to the impact such measures are having on working people is in line with the policies being dictated by the troika across Europe. Similar austerity programmes are being followed in Greece, Spain, Portugal, Italy, and Cyprus.

The banks have seized the opportunity to massively expand repossessions. On March 16, the *Irish Independent* reported that instead of the 200 homes it had repossessed last year, Ulster Bank may aim at assuming control of 1,000 in 2013.



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