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The Field in Ireland in 2014

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The Field in Ireland 2014

Repossessions are an important part of recovery in the housing market, says TOM DUNNE.

In a period of recession and in a property bust, mortgage arrears inevitably grow, and with prolonged economic difficulties home repossessions will be expected. Compared to other countries, however, Ireland has not seen the level of repossessions that might have been expected given the depth of the problems faced by people here struggling with negative equity, job loss and income reduction.

Plainly in Ireland there has been a lot of forbearance and the number of evictions has been kept very low. Partly this is a result of a flaw in the 2009 Conveyancing Act, but only partly. More important have been a cultural attachment to home ownership and an antipathy to evictions. The empathic reaction to the loss of a family home is deep in our national psyche and this informs public policy and the capacity of banks to deal with mortgage arrears. According to the Central Bank, more than 30,000 personal dwelling mortgage accounts are in arrears for 720 days. That's nearly two years of arrears and yet there are relatively few repossessions and much fewer than international comparisons would suggest should be the case.

Clearly we Irish have a problem with repossessions. But this is not without repercussions. Recently, Investec, the South African-owned bank, has put its offer of up to €300m in new Irish mortgages on hold. It is understood that this is a result of recent changes to repossession and insolvency regimes, which make it harder and more costly for banks to repossess properties in cases of personal dwelling house loans.

Given prevailing attitudes to repossessing family homes and as a result of what they might see as an inability to retrieve their money from failed mortgage loans, banks are likely to see mortgages as being more risky in future. Inevitably they will reflect this in the interest rates they charge and tighten up eligibility criteria.

So if we do not allow banks to repossess, there will be less money for mortgages and they will cost more, and this will reduce the ability of people in Ireland to buy their own homes. In the private rented residential sector evictions have also been few. It is likely, however, that there would be less sympathy for tenants who are to be evicted because they have not paid rent than would be the case if a mortgagor was being evicted. If a tenant did not pay rent for two years on what is after all their family home, the bigger question might be why it took so long to get the tenant out. So our antipathy to eviction has some boundaries. Perhaps we do understand that the rental sector would not work if tenants could not be got out for non-payment of rent.

Losing a family home is an individual tragedy but a necessary process for a functioning housing market. People who lose their homes need somewhere to live and whether they come from the owner-occupied sector or the rented sector there is a need for them to be provided with an alternative home if they cannot afford the rent or the mortgage repayment. Perhaps this lies at the heart of the issue.

There is a need for a coherent housing policy, which recognises that repossessions are necessary, and provides a clear and readily achievable route to another home. The alternative is more costly mortgages, and less money available for mortgages, with consequences for all.

Tom Dunne

Tom is Head of the School of Real Estate and Construction Economics, DIT, and Editor of the Surveyors Journal.