

As discussed, having reviewed the areas of your consultation paper on compulsory purchase that I believe are relevant to lenders, there are two main areas where we feel that there are opportunities to improve the current legislation.

Firstly we believe that it would be beneficial for all parties if there was a statutory obligation for heritable creditors to be given notice of intended compulsory purchases at the same time that the relevant property owner is given notice. As you will appreciate we have a financial interest in the property that we will want to protect but more importantly we will have a customer who will be facing a major issue in relation to their property. Having knowledge of the issue at an early juncture would assist us in helping that customer to the extent we can. In particular if the customer wishes to make a variation to their mortgage such as by obtaining a further advance or switching their product we have a regulatory obligation where we provide advice to ensure that the variation is suitable to the customer. A potential CPO is an important factor to be taken in account by us when advising the customer whether that variation is suitable for them and knowledge of the CPO is therefore essential to us ensuring good customer outcomes. A uniform process of notification would also assist us to streamline our processes further to ensure a consistent approach to customers facing a CPO.

The second area where we feel that there is a need for change is in relation to payments of compensation amounts which are insufficient to repay the borrower's outstanding loan. As discussed, situations do arise where customers whose properties are subject to a CPO do not receive sufficient compensation to enable them to repay their outstanding loan in full. The result of this is that the customer and the bank are left in an unsecured position. We obviously work with our customers to find the best outcome for this situation, however, it can in theory lead to litigation, an adverse credit entry for customers and a potential loss for the bank. These outcomes can have a major bearing on customers and their future financial position. This appears inequitable for all parties. As the intention of compensation in respect of compulsory purchase is to replace the loss that the landowner has suffered we see no reason why borrowers should be left in this unenviable position through no fault of their own. We would, therefore, welcome a change in law to avoid this unfair situation of customers, solely as a result of their property being subject to a compulsory purchase order, facing major financial issues which they otherwise would not have faced.

I have contacted the Council of Mortgage Lenders to see whether they or any of their other members would like to provide input. I imagine that even in the absence of that input the industry as a whole would welcome the changes described above.

Should you wish to discuss any of the point above or should you require any further input from me please do not hesitate to contact me.

Kind regards

Michael

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