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- KBC Bank Ireland Plc ("KBC") Variable Rate Policy Statement as at 18/01/17

KBC BANK IRELAND PLC ("KBC") VARIABLE RATE POLICY STATEMENT AS AT 18/01/17

Warning: We may change the interest rate on this loan. This means the cost of your monthly repayments may increase or decrease.

What do we consider when setting our variable interest rates?

We set and change variable rates by reference to a variety of factors;

1. Cost of funds – To have funds available to lend, we must first raise these funds from sources such as deposits, borrowing funds from other entities within the KBC group or obtaining funding from the European Central Bank or other third parties. We incur costs in raising this funding.
2. Operational costs – We incur expenses and overheads in the running of our business. These include but are not limited to items such as staff salaries, premises, information technology, professional fees and insurance costs.
3. Credit risk – When we lend money to a customer there is a risk that the customer may not pay back the loan or the interest related to the loan. If the loan is not repaid KBC sustains a loss of income and incurs expenses in seeking to recover the amount of the loan from the customer.
4. Regulatory obligations – We are obliged to maintain certain levels of capital and adhere to prudential rules set by the Central Bank of Ireland in accordance with requirements of the European Central Bank. We are also required to comply with regulatory requirements and statutory codes in operating a mortgage business, such as the Consumer Protection Code 2012 and the European Union (Consumer Mortgage Credit Agreements) Regulations 2016. We incur costs in complying with these

legal and regulatory obligations. Further information in relation to these regulations and statutory codes can be found at www.centralbank.ie and www.irishstatutebook.ie.

5. Market Conditions – We consider the external market within which we operate and various economic factors which can impact on the cost of operating the business.
6. Commercial strategy – We consider our competitive position in the market, aligning it to KBC objectives which have been established for a sustainable profitable business and product offering.

Variations and/or changes in the factors and criteria outlined above could result in changes to some or all of the variable interest rates offered by KBC from time to time.

How do we make decisions when setting variable interest rates?

When setting or proposing interest rate changes we determine what is reasonable and appropriate in the circumstances taking all the factors outlined above into consideration.

All changes must be approved at the highest level of KBC through its Executive Committee which comprises the Executive Directors of KBC. Our Variable Interest rates are reviewed on a quarterly basis by the Executive Committee. They may also be reviewed by the Executive Committee when deemed necessary at a particular time. When we make a decision to alter a variable interest rate, affected customers will be notified of the change at least 30 days prior to the new rates coming into effect.

Why do we have different variable interest rates?

We currently offer variable interest rates using a risk based approach which considers the amount of the loan applied for relative to the value of the property over which it is secured ('Loan to Value Variable Interest Rates'). We do however also have loans to which standard variable interest rates apply. The factors and criteria set out above are considered by us when amending Loan to Value Variable Interest Rates and standard variable interest rates.

The interest rate applicable to the loan of an individual customer is determined by that customer's category of loan. The relevant

category of loan for interest rate purposes is determined by us by reference to one or more of the following:-

1. The Loan to Value percentage calculated at the drawdown of the Loan or, when agreed with us, recalculated during the term of the Loan based on an updated valuation.
2. The date of drawdown of the loan which is relevant as on that date you become an existing customer.
3. The use of the property by the borrower is either as a principal private residence or an investment property (buy-to-let property). If the use of the property changes over the term of the loan you must advise us.
4. The type of customer the borrower is:
 1. Namely whether the Borrower has drawn down the loan whereby he/she is an existing customer of the Lender.
 2. Namely whether the Borrower has not yet drawn down the loan whereby he/she is a new customer of the Lender.
5. If a borrower requests a variable rate loan or requests that the rate of interest on all or part of a variable rate loan is to be fixed for any period.

As the factors and criteria set out above will impact different categories of loan to a greater or lesser extent from time to time, we may, when setting or changing variable interest rates decide to apply different variable interest rates to different categories of loan.

We may also decide based on the factors set above to amend one type of variable interest rate (e.g. our standard variable rate) but not another type of variable interest rate (e.g. our Loan to Value Variable Interest Rate).

Could you get a different type of interest rate or a lower interest rate?

We urge all of our customers to consider their mortgage options on a regular basis. There are several options available to customers who wish to avail of a lower interest rate.

Customers are entitled, with our agreement, to fix the interest rate on a loan for a period of time (usually 1, 2, 3 or 5 years). Fixed rates may be lower than variable interest rates. During the fixed rate period however customers who choose a fixed rate will not benefit from reductions which may apply to variable interest rates, however they will benefit compared to those on variable rates if variable interest rates increase. If the loan is redeemed either fully or partially during the fixed period, a break funding fee may be applied.

If a customer has a KBC Current Account he/she may avail of a discount, currently 0.20% on the applicable mortgage interest rate if the loan is for a principal private residence. In order to avail of this discount, customers are required to mandate their salary to their KBC Current Account and are required to pay their KBC mortgage by Direct Debit from their KBC Current Account. This offer is available to borrowers whose loan is in respect of their principal private residence only and is not available for loans for investment properties. It should be noted that if a customer ceases to meet any of the required conditions the discount will no longer apply. Further information on this discount and the terms and conditions that apply to same are available on the KBC website – www.kbc.ie/currentaccountmortgage.

KBC offers a range of variable and fixed rates based on the amount of the loan relative to the value of the property over which it is secured. These rates can vary for new and existing customers. It is possible for an existing customer to avail of new business rates which may provide a reduction in the interest rate applicable. This offer is available with respect to loans for principal private residences only. To avail of the offer an existing customer is required to obtain an up to date valuation of the principle primary residence. Further information including an application form, a list of approved valuers and the terms and conditions applicable are available on the KBC website at www.kbc.ie/existing-customers/pdhooffer.

Information on all interest rates currently offered by KBC is available on our website, www.kbc.ie/our-mortgage-rates. We encourage our customers to contact us if they consider that there may be a better offer available for them, by phone on 1800 93 92 44 or by e-mail to customerservices@kbc.ie.

This document is subject to change and notification of any changes will be provided by KBC. The current version of this document can be found on www.kbc.ie.