

Box 4.2

MEASURES TO ALLEVIATE THE RISE IN INTEREST RATES ON MORTGAGE LOANS

In response to the rise in interest rates, the legislator approved a series of alleviation measures aimed at reducing the cost of early loan repayments and the conversion to fixed interest rates for debtors. The conduct supervision plan for 2023 and 2024 included actions aimed at verifying the proper application of this regulatory response (see Figure 1). Specifically, inspections were carried out at ten institutions, whose business volume represented a significant percentage of the sector. In the course of these inspections, the fee regime was reviewed, along with the information and documentation provided to the borrower. The work involved the review of procedures, complaints, transaction inventories and file samples.

These inspections revealed a clear preference on the part of customers for the early repayment of loans as compared to the conversion from fixed interest rates to variable rates through subrogations or novations. It was concluded that, in general, institutions had respected the regime of

suspension of fees in early repayments. However, transactions were detected in which these regulations had not been complied with, due mainly to the short period available for the implementation of the IT adaptations necessary for their automatic application.

As a result of these actions, the interpretation of the regulations was standardised, the information made available to customers was improved, and processes that led to incorrect application of the fee regime are being corrected and automated.

All the above has led to the reimbursement to customers of fees amounting to €5 million.

To amplify the impact of these inspections, a document outlining the most common errors identified and best market practices is planned to be sent to the sector in the second quarter of 2025, in line with the preventive approach to conduct supervision.

Figure 1
Regulatory response to the rise in interest rates

	Law 5/2019 regulating Real Estate Credit Agreements	Royal Decree-Law 19/2022	Royal Decree-Law 8/2023
REGULATIONS WHICH HAVE BEEN VERIFIED	<p>Special treatment for the conversion of variable interest rates to fixed rates in novations or creditor subrogations, regardless of the date of conclusion of the original contract:</p> <ul style="list-style-type: none"> — In the first 3 years, the early repayment fee may not exceed the financial loss or 0.15% of the capital repaid. — After 3 years, no fee can be charged for cancellation through subrogation. — No fee can be charged for the conversion of variable interest rates to fixed rates. 	<p>Until 31 December 2023, the charging of early repayment or early redemption fees on variable rate loans was temporarily suspended.</p> <p>From that date, the limit on the fee for cancellation through subrogation with conversion of variable interest rates to fixed rates is reduced from 0.15% to 0.05%.</p>	<p>It extends the scope of this special treatment to conversions to hybrid interest rates, with an initial fixed tranche of at least 3 years.</p> <p>It extends the suspension of early repayment fees on variable rate loans until 31 December 2024.</p>

SOURCE: Banco de España.