

## **NEWS RELEASE – McGovern PR DUBLIN**

**Consumers warned today not to consider interest only mortgages or a moratorium as first option when dealing with debt by the DMAI (Debt Managers Association of Ireland)**

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**New Debt Management Association of Ireland spokesperson available to comment on report by the Expert Group on Mortgage Arrears and Personal Debt**

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**Dublin Tuesday 30t June 2010** – Chairman of the recently formed Debt Management Association of Ireland (**DMAI**), Mr Eugene McDarby, today urges mortgages holders not to consider an interest only mortgage or a moratorium as a first option or solution to paying off other debts as details of the Expert Group on Mortgage are published today.

He says “My fear is that the report will focus solely on mortgages and the products on offer and not deal with the real underlying problem where the creditor who ‘shouts loudest’ is the one that gets paid faster and consumer is none the wiser. I am concerned, for example, that mortgage holders will be offered interest only mortgages, or consider a moratorium to alleviate debt. The problem is that this is usually done in order to pay off other personal debts which are secondary. **This is not the solution and has been proven worldwide that this is only ‘a stay of execution’.** There are other options relating to mortgage repayments which need to be considered first. I am hoping to see a situation that the whole client debt position is looked at first by the mortgage lender before a final decision is made on the mortgage repayment options.

McDarby urges mortgage lenders in Ireland to work with the DMAI because many people, he says, who are in arrears with the mortgage just don’t understand how to engage with their lender.

Commenting on the obligation of lenders to enter meaningful dialogue with debtors McDarby says “Lenders need to consider the consumer’s entire debt position before any new mortgage repayment scheme is considered. Mortgage lenders in Ireland need to liaise with a third party debt manager to bridge the gap between the lender and the consumer who tends to be intimidated when it comes to liaising with their mortgage lender. That’s when they can commit to repayment schemes that are totally unrealistic, impractical and unsustainable in the longer term. In other jurisdictions namely the UK, Europe and the United States creditors work in partnership with debtors to find a mutually acceptable method of repayment. Lenders need to understand that a more lenient approach to debt collection is essential if debts are to be deal with efficiently.

“It is proven worldwide that the holistic approach of Debt Management is far more efficient than the traditional linear approach of debt collection which is the norm in Ireland. Lenders in Ireland tend to focus on the type of mortgage and, very often, suggest an interest only repayment in the case of a debt ridden consumer. This can be very dangerous for the consumer in the longer term. There are other options.

“While we welcome that there is a real effort being made by Government independent financial advice must be sought by the consumer before any commitment to repaying debt is considered.

Vice Chairman of DMAI Mr Emmet Pullan says “In Ireland we can no longer borrow our way out of debt, we must budget our way through the period of debt. Debt managers help ordinary families get through this extremely stressful period in their lives and they must be facilitated by the lenders.”

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**Editors Note: About the DMAI**

The Debt Management Association of Ireland (DMAI) has been launched to promote best practice in the debt management industry, and to protect the interests of the public and the creditors to whom they owe money. The aim of the DMAI is to impose a code of conduct for the burgeoning number of debt advisers being set up in Ireland as the national consumer debt crisis continues to escalate. Although the sector has not, to date, been regulated formerly in Ireland, the objective of the DMAI is to impose a self regulatory system in advance of pending legislation. Members of DMAI will have to adhere to a strict code of conduct and guidelines similar to the UK Debt Managers Standards Association (DEMSA) which has been rubber stamped by the Office of Fair Trading (OFT).

Members of the DMAI will have the special skills required to liaise with credit to arrive at a figure that people can afford every month. The pressure is then taken off the consumer as our members do all the administration, handle all correspondence, phone calls before the debt is distributed across all creditors.

**Consumers should check out [www.dmai.ie](http://www.dmai.ie) to see list of debt managers who have joined the association to date. Free download software available to help evaluate personal debt through [www.moneyudoo.com](http://www.moneyudoo.com)**