



Premier Wayne Panton
Government Administration Building
George Town, Grand Cayman

July 12, 2023

Dear Premier Panton,

One month ago, Members of Parliament debated and passed a Private Member's Motion that sought various protections for borrowers who are customers of our commercial banks. While the motion was unanimously agreed, it was evident from the debate that some members, including those on the Opposition benches, accepted the spirit of the motion but had concerns regarding some aspects of the motion.

In summary, the motion called for the Government to consider:

- (a) meeting with the local banks concerning recent interest rate increases and the negative impact on the public;
- (b) creating an interest rate setting body; and
- (c) increasing the role of the Cayman Islands Development Bank in accepting deposits from and lending to the public.

It was good to learn that the local banks have now agreed, as you indicated at the Chamber of Commerce Legislative Luncheon, to delay increases to interest rates by 30 days following any future increases in interest rates by the United States Federal Reserve. This is certainly a good start.

I ask that you publish the letter from the banks confirming this change so that the public, and all Members of Parliament, can be fully aware of its contents. At the same time, as I requested in Parliament, I again ask that you publish all earlier correspondence with the banks on this matter and their responses. This issue is important and deserves full transparency.

In addition, I do hope that the offer by the banks to delay interest rate increases has not stopped the necessary ongoing discussions on a range of other matters that Members mentioned during their debate. I would appreciate your advising where your discussions with banks currently stand.

I offer the following points raised during my debate on behalf of the Members of the Opposition. Please include these in the Government's conversations with representatives of the local banks.



Our recommendations are:

- In addition to 30 days' notice on rate increases, banks should also provide a minimum of 60 days' notice before increasing banking fees. If customers are unhappy with an increase in fees, it could take at least this long to open an account at another bank. This notice period and the 30-day notice for an interest rate increase should be made mandatory in legislation.
- During the years when interest rates were at historic lows, banks were challenged to make adequate profits from lending to satisfy their stakeholders. So, they increased fees to the public to improve profitability. We understood this. But as we have returned to a period of higher interest rates and normalized spreads, banks should now remove these added fees.
- You mentioned in your debate that banks confirmed that deposit rates are being suitably increased as the prime rate increased. However, the Government should have this assessed independently. This assessment should not be complex but is important. We must ensure as far as possible that the value of people's savings is not further eroded at a time of high inflation.
- In your debate, you also indicated your wish for the Law Reform Commission's work regarding mortgages, especially foreclosures, to be brought forward quickly. I agree with you and would welcome your thoughts on when you expect this to come to Parliament.

Both of us, Premier Panton, acknowledged in Parliament that whilst banks are saying they are not seeing many foreclosures now, the time between a borrower defaulting and the bank foreclosing usually takes many months and sometimes years. Thus, it takes time for foreclosure trends to emerge.

The fact that there have been some ten interest rate increases over the past eighteen months has caused loan repayments, particularly for mortgages, to skyrocket and, in many cases, to become unaffordable. Add to that the increases in house insurance, and the issue worsens.

This impact on mortgage holders is why I ask that you also request that, during these challenging times, banks do not automatically increase mortgage payments for existing loans when interest rate increases occur. I do not believe that banks typically reduce loan payments when interest rates decline. I appreciate that not increasing payments could mean banks may have to increase



the loan term. But also, as you indicated in your debate, interest rates rise and eventually fall. So, there could be little significant change in the loan term in the long run. At the very least, banks should be asked to commit to offering an extended term to customers instead of raising repayments as a matter of course. The point is that it serves neither the bank nor the mortgage holder to have a mortgage default. Banks must work with their clients early on and develop suitable programmes to assist them in these challenging times.

As an aside, the Government also needs to consider what it has control over to assist our people with the high cost of living. I have previously written to you about ensuring that the Cayman Islands Water Authority keeps its core rates the same, and working with other utility providers to request that they do the same. I have also written regarding removing, even temporarily, the duty on fuel paid by CUC and by the petrol importers of automotive fuel. Every little bit helps Premier Panton.

And, of course, a topic that I will continue to mention is for the Government to implement the private member's motion brought by the members for George Town West and George Town South to reduce stamp duty for all Caymanians buying property – particularly first-time Caymanian property buyers. All parliamentarians passed this motion unanimously, yet it has languished with no action taken for over a year.

Lastly, I again ask that Government increase the \$950 ex-gratia payment to \$1,500. The majority of those receiving this assistance are elderly and rely on it to help them survive each month. But in recent times the value of this assistance has been eroded by the cost of living crisis.

Yes, let's talk to the banks, but also Government should do what it can to reduce costs and to provide help directly for our people now struggling to make ends meet.

I look forward to hearing from you on these matters.

Yours sincerely,

Hon Roy McTaggart, JP, MP
Leader of the Opposition