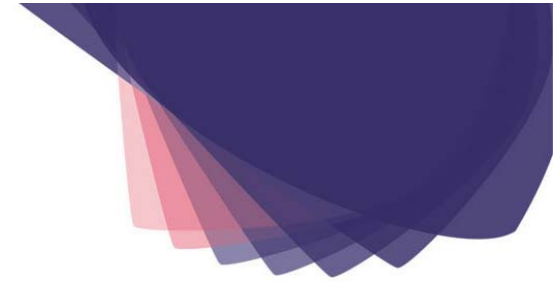


# Consumer Protection Code in Ireland



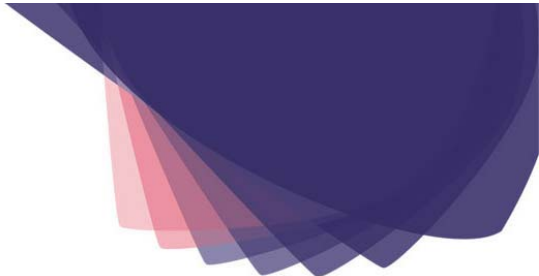
FINANCIAL REGULATOR  
*Rialtóir Airgeadais*

*Presenter:*  
Bernard Sheridan  
Financial Regulator



# History of Financial Regulator

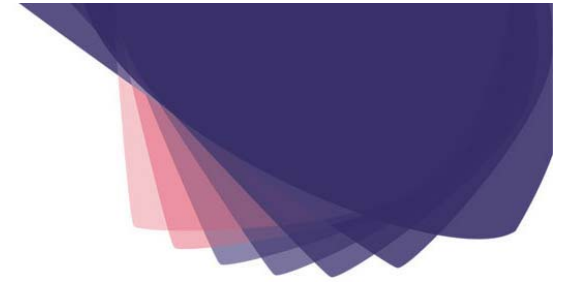
- Prior to Financial Regulator
  - CBI – banks, building societies, investment firms, stockbrokers, investment intermediaries
  - DETE – insurance companies and intermediaries
  - ODCA – mortgage intermediaries, moneylenders
  - RFS – credit unions
- Government decision
  - Central Bank & Financial Services Authority of Ireland Act 2003
  - Established single regulator for all financial services
  - Introduced specific consumer protection mandate
- Two independent components of CBFSAI
  - Financial Regulator
  - Central Bank



# Cohesive Approach

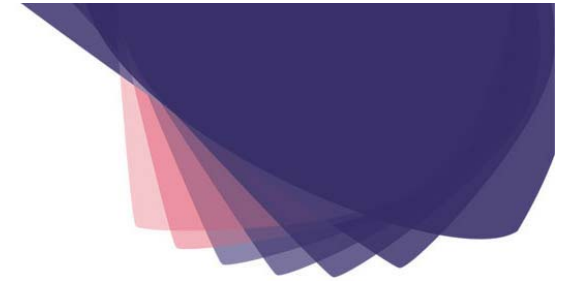


Consumer protection, prudential supervision and financial stability all interlinked



# Overview of Irish Retail Banking Market

- Retail Banking Market
  - 12 retail banks dealing with consumers
  - Approx 1000 branches
- Traditionally “Big Four” dominated market
  - AIB
  - BOI
  - Ulster Bank
  - Ptsb
- Number of new entrants recently
  - An Post
  - Halifax



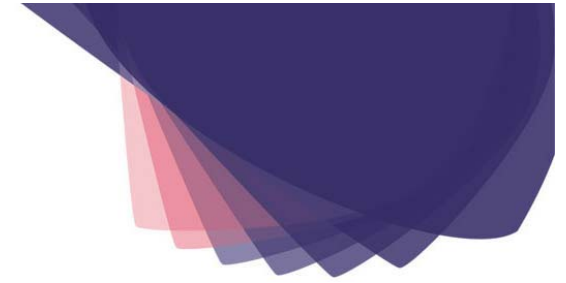
# Irish Retail Banking Market

## ■ Activities

- Deposits
- Current Accounts
- Mortgages
- Investments
- Personal Loans

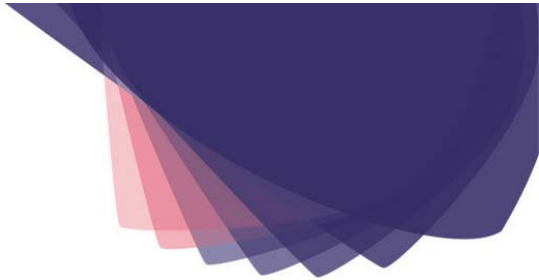
## ■ Regulatory concerns

- Access - branch network diminishing in favour of telephone and internet banking
- Availability of credit – levels of lending extremely high
  - €112bn in residential mortgages by end 1<sup>st</sup> qtr 2007
  - €2.6bn owed on credit cards by end 1<sup>st</sup> qtr 2007
- Competition – mortgages very competitive, personal lending not as competitive



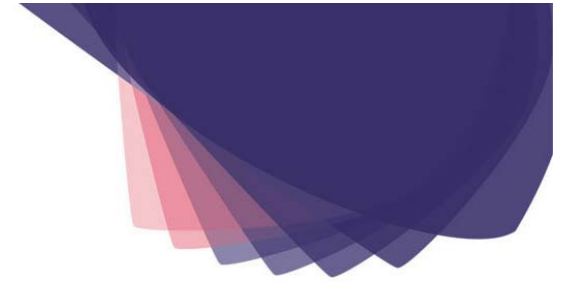
## Role of Financial Regulator

- Put the interests of the consumer at the heart of financial services regulation
  
- Achieve this through
  - Consumer Protection
    - helping consumers make informed decisions on their financial affairs in a safe & fair market
  - Prudential Supervision
    - foster sound dynamic financial institutions



# Fulfilling our Role

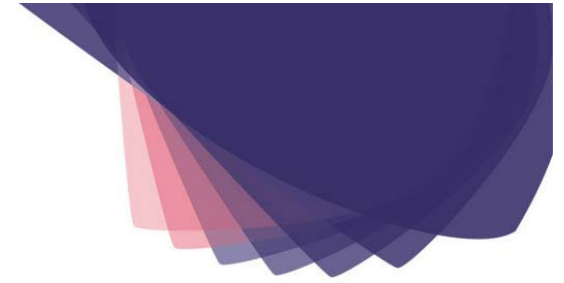




## Promoting information & education

- Promote awareness among consumers of the costs, risks and benefits of financial products
- Provision of information
  - directly to consumers via publications, website, consumer information centre, consumer helpline
  - advertising and Public Relations
- Developing an education action plan
  - Consultation paper
  - Pilot projects



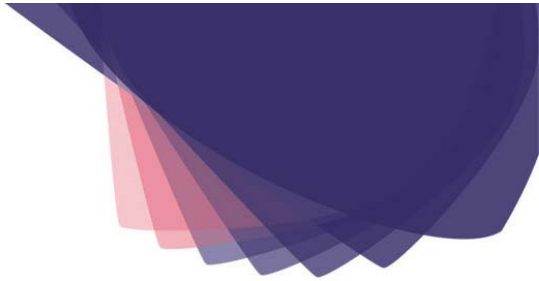


## What information is available?

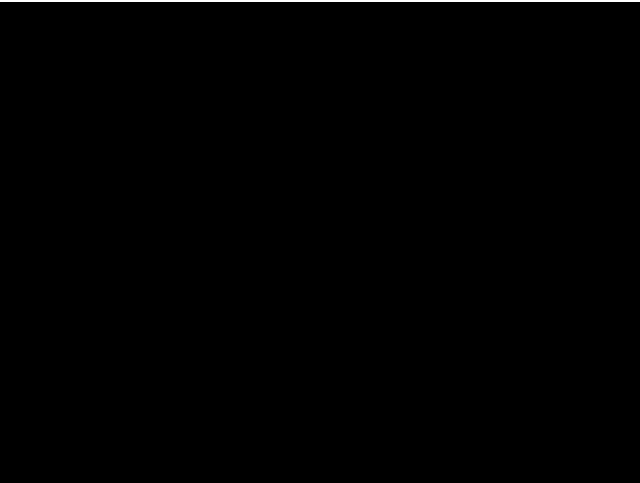
- Printed consumer literature
- Cost surveys
- Consumer area on the website
- Dedicated staff to assist consumers

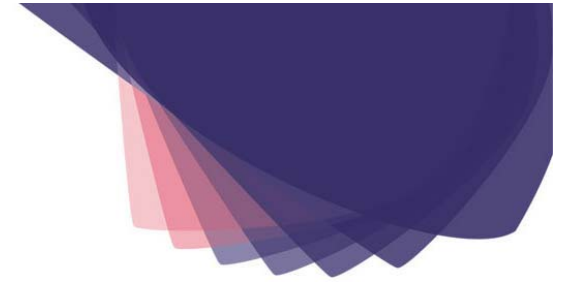
In addition:

- Advertising: consumer awareness
- PR and Press Office activities
- Nationwide distribution
  - Schools
  - Local events



# Recent Financial Regulator Advert





## Promoting choice & competition - Cost surveys

- Objectives
  - Show range of prices and characteristics
  - Encourage shopping around
  - Provide user-friendly information
  - Promote competition
  
- Range includes
  - Motor insurance – every three months
  - Personal current account charges – six months
  - Credit cards – six months
  - Home & contents insurance – six months
  - Personal Loans – six months
  - Life insurance – six months

# Latest Cost Survey



## lump sum deposit survey

Issue 1 / April 2017

If you want access to your money and want a low risk product, you may decide that a deposit account is the best place to keep lump sums such as your SSIA money. This survey shows the rates available for different sizes of lump sum deposits over different types of deposit account: demand, one month notice and 12 month fixed term.

### Comparing deposit rates

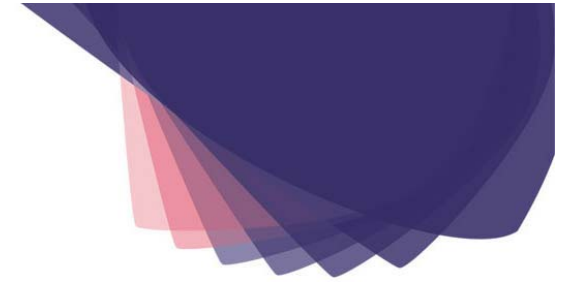
All the rates shown in the survey are expressed in EAR –equivalent annual rate – so you can compare one rate against another. The higher the EAR, the more interest you will earn. You may get a better rate if you are prepared to leave your money on deposit for longer, for example, a year or more. Demand accounts, where you can take your money out at any time will usually, but not always, give you a lower rate.

A demand account gives you immediate access to your money while a one month notice account means you must give 30 days notice if you wish to make a withdrawal. If you put your money on deposit for a fixed term, (for example, one year), you will be guaranteed a fixed rate of interest. If you withdraw your money early, you may be penalised and you may have to pay a breakage cost or a reduction in the amount of interest due. Do make sure you check all the terms and conditions before you decide which type of account to open.



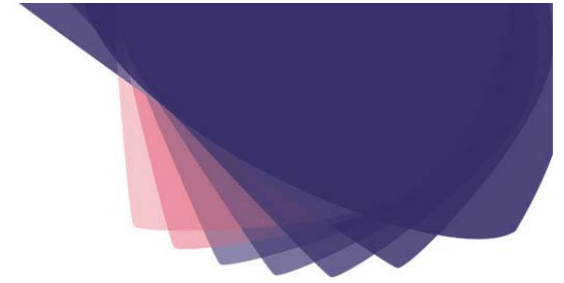
### Protecting your money against inflation

Inflation risk is the risk that your money will lose value over time. Even a modest inflation rate of 3% means that €100 will be worth only €97 in "buying power" after one year. That's why it's so important to earn a return on your savings. Even a low level of return, such as on a savings account, helps your money to hold some of its value. If you do nothing with your money, inflation will reduce your buying power over time.



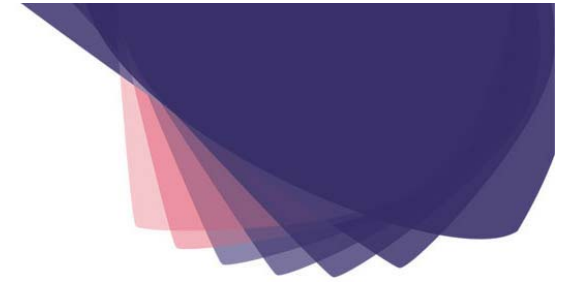
## Voluntary Switching Code – Current Accounts

- Acknowledge role for certain voluntary codes
- Switching not included in Code
- Financial Regulator observer role in development
- Allow customers to switch more easily
- Financial Regulator will monitor effectiveness



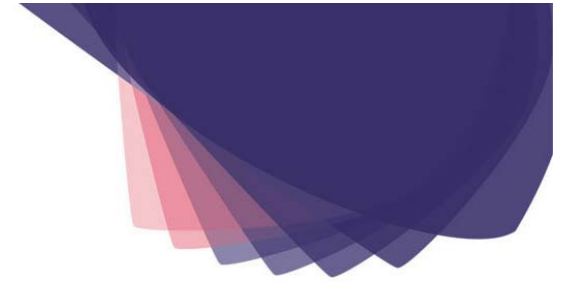
## Switching Statistics

- Number of switches up to end April 2007
  - Personal switches since Jan 2005 – 35,529
  - Business switches since July 2006– 649



## Statutory Instrument No 74 of 2007

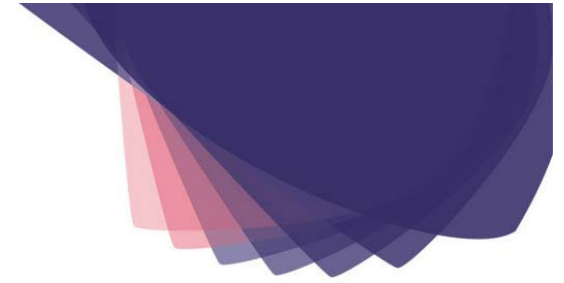
- ❑ Non-Life Renewal Notices
- ❑ Signed into law 22 February
- ❑ Replaces existing SI on motor insurance
- ❑ Requires renewal notice for non-life insurance to be issued 15 days before renewal
- ❑ Specifies minimum content of motor renewals
- ❑ Allows notices to be issued via intermediaries
- ❑ Effective 1 July 2007



## Statutory Code

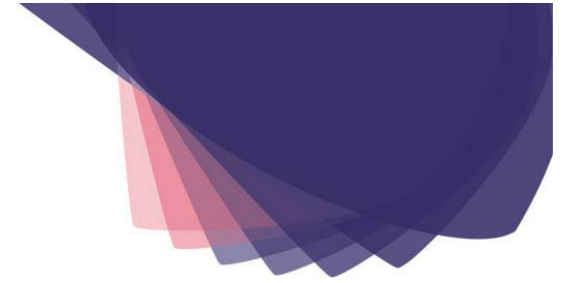
- Fulfil our consumer protection role by
  - Developing codes of practice covering transparency, the avoidance of mis-selling and disclosure issues;
  - Enforcing these codes to ensure compliance; and
  - Setting standards relating to the competencies and skills that sales staff require when dealing with customers





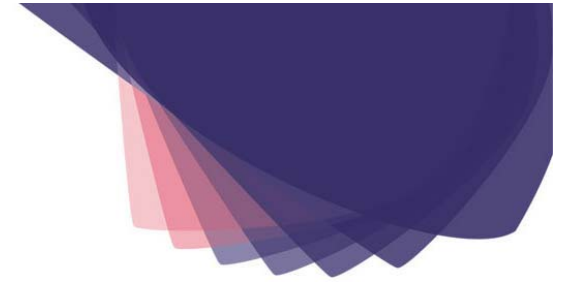
# Background to Code Development

- Number of different codes in place
  - Codes of conduct
  - Interim codes
  - Voluntary codes
  
- Working well and firms generally compliant
  
- But:
  - Developed in an ad hoc way under different pieces of legislation
  - Applied by sector
  - Not always consistent



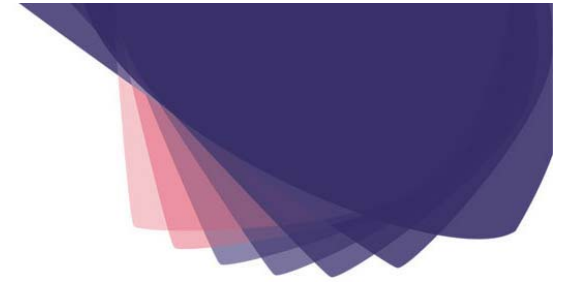
## Aims of Code

- to ensure a consumer focussed standard of protection for purchasers of financial products and services
- to ensure the same level of protection for consumers regardless of the type of financial services provider they choose; and
- to facilitate competition by encouraging a level playing field



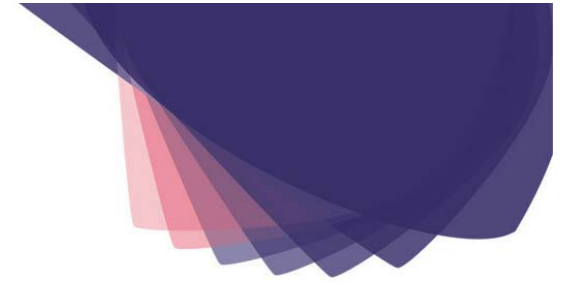
## How Code was Developed

- Issued interim codes to sectors not previously covered (December 2003)
- Established Project team & steering committee
- Public Consultation



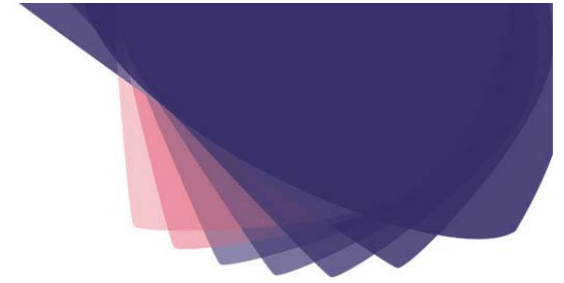
# Consultation

- CP2 (Codes) - discussed structure
- CP3 (Trackers) – sales & marketing
- CP10 (Code) - contained specific provisions
  
- Consultation Process
  - Consultative Panels, consumer representatives, industry representative bodies, individual institutions, Ombudsman, Minister for Finance
  - Incorporated recommendations from Competition Authority, MIAB, JOC



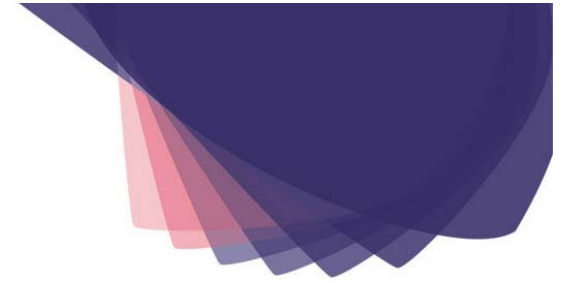
# Publications

- December 2005
- Regulatory Impact Analysis (RIA)
- Public Response
  - Set out key decisions made



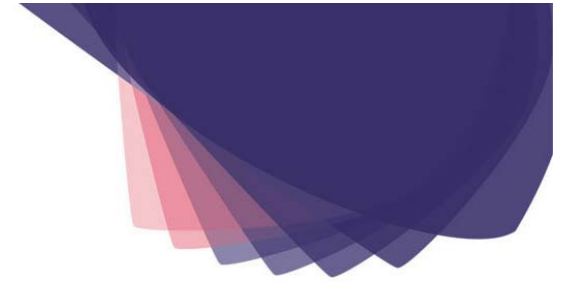
## To whom does Code apply?

- Applies to
  - Banks
  - Building Societies
  - Insurance Companies
  - Insurance, investment & mortgage intermediaries



## Structure of Code

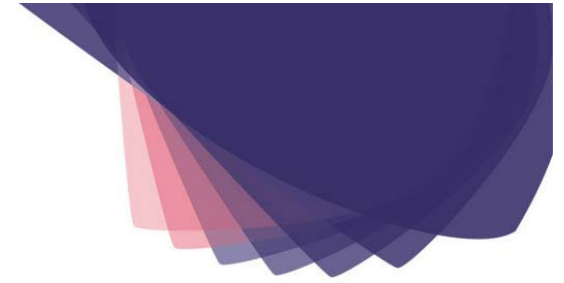
- Principles based
- General Principles
- Common Rules
- Provisions specific to service offered not classification of firm
- Advertising



# General Principles

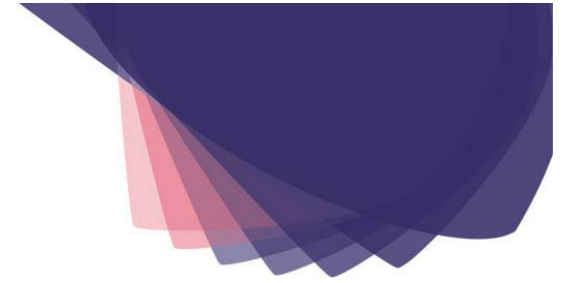
- Apply to provision of products/services to all customers
- Best Interests of customers and integrity of the market
- Must not mislead a customer
- Have adequate resources
- Make full disclosure of relevant information
- Avoid conflicts of interest
- Must not prevent access to basic financial services





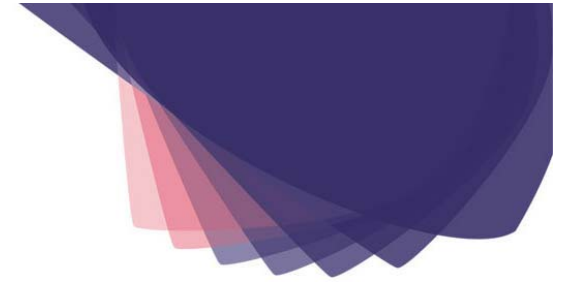
## Common Rules

- **Knowing the Consumer**
  - Proportionality - obligation to gather and record sufficient information to provide a suitable product or service
- **Suitability/Reason Why**
  - All products recommended, including a range, to be suitable based on KYC
- **Unsolicited Contact**
  - Restriction applies to personal visits & phone calls
- **Complaints handling**
  - Framework for developing procedures for dealing with complaints
  - Response times



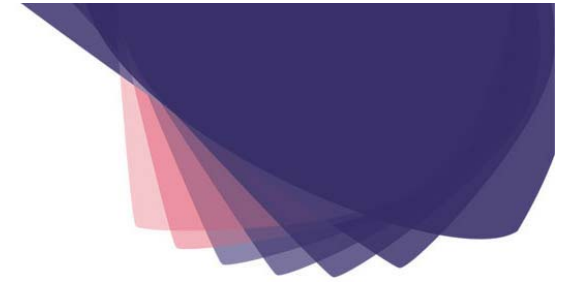
# Implementation

- Provisions carried forward from existing codes & handbooks, and General Principles, effective from 1 August 2006
  
- New provisions came into effect by 31 August 2006
  - Contingent Selling
  - Optional extras
  - Notification of change in interest rates
  - Unsolicited pre-approved credit
  - Secondary markets for certain life policies
  - Warning statements in new advertisements
  
- All remaining provisions to be implemented by 1 July 2007



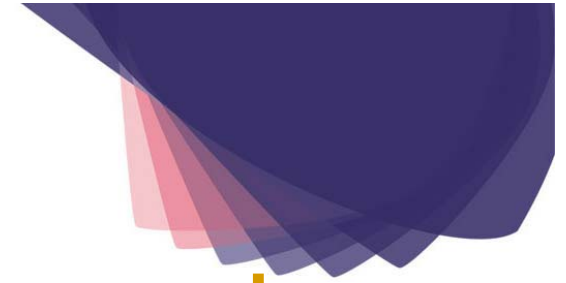
# Monitoring Compliance

- Regular inspections of firms based on
  - Complaints
  - Routine/geographical
  - Poor supervision record
  
- Use of themed inspections
  - Credit cards
  - PRSAs
  - PPI
  
- Sanctions powers
  - Administrative Sanctions Procedure
  - Range from disciplinary measure to fines



# Minimum Competency Requirements

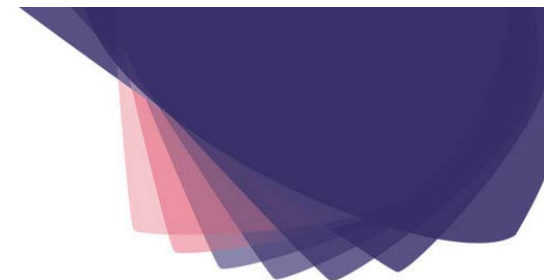
- In effect since 1 January 2007
- A basic competency framework designed to establish minimum standards for financial services providers
- Applies to firms that
  - provide advice on or
  - sell retail financial products or
  - undertake specified activities, i.e., claims administration, reinsurance mediation, management of accredited individuals, adjudicating on complaints



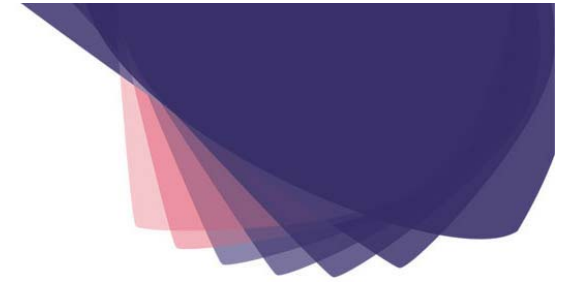
# Minimum Competency Requirements

- Specifies knowledge requirements & who must be accredited individuals
- Grandfathering process to be completed by 1 January 2008
- Each firm must maintain a publicly available register of all accredited individuals

# Retail financial product classifications

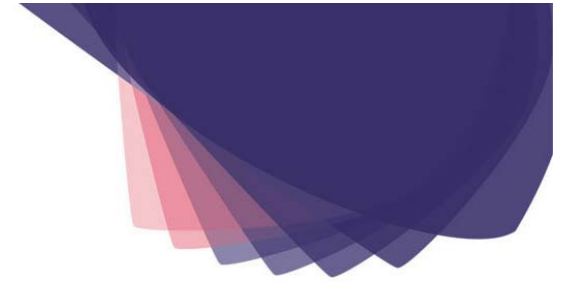


- Life Assurance Protection Policies
- General Insurance Policies
- Shares and Bonds and other Investment Instruments
- Savings, Investments and Pensions
- Housing Loans
  - Including associated insurances
- Consumer Credit Agreements
  - Agreements subject to Consumer Credit Act
  - Including associated insurances



## Recognised Qualifications

- Qualified Financial Adviser (QFA)
- Certified Insurance Practitioner (CIP)
- Associate/Fellow of the Chartered Insurance Institute
- Member/Associate/Fellow of the Irish Institute of Pensions Managers
- Registered Representative
- Mortgage Diploma
- Certificate in Mortgage Practice
- Foundation Certificate in Consumer Credit



## What's Next

- Consumer Awareness campaign late 2007
- Ongoing monitoring of effectiveness of Code provisions
- Full Review after 2 years - 2009



*Thank you*



FINANCIAL REGULATOR  
*Rialtóir Airgeadais*