



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Information Release

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Central Bank Inspection Identifies Errors in Bank Products With Promotional Interest Rates

Refunds due to customers as a result of errors identified

The Central Bank of Ireland today (20 May 2011) published the results of a themed inspection of products sold by banks with promotional interest rates. The inspection identified a number of concerns including interest rate errors on homeloan products and misleading advertising.

The inspection examined deposit and homeloan promotional interest rate products from six banks in terms of how they were advertised and sold to consumers and whether the terms and conditions of products were complied with by banks, particularly when the promotional interest rate period expired. Deposit and homeloan promotional interest rate products were identified as potential areas of consumer risk based on the experience of dealing with charging errors previously identified in banks. The Central Bank inspection examined five deposit products and six home loan products in six banks, for over 112,000 customers, and 200 customer and 40 complaint files were reviewed.

Director of Consumer Protection, Bernard Sheridan, said: 'Some promotional rate products can appear to be very attractive to consumers. However, consumers must be aware that the benefits usually only apply for a limited time and can be subject to restrictions. Our inspection found that in a number of cases, consumers did not receive the full benefit promised. We are working to ensure that affected customers are identified and refunded by the institutions.'

The Central Bank has informed all banks of the findings and requested that they be considered fully in the context of all products they offer.

The main issues identified were:

Interest rate errors – corrections and refunds

In the case of several homeloan products, errors were identified where customers did not receive the full period (365 days) at the promotional or discounted rate. Fixed rate homeloan customers were also affected, although fixed rate homeloans were not within the scope of this inspection. It was found these errors could have been avoided if the product development process included a thorough end-to-end check of IT systems at the banks concerned.

An investigation is ongoing at one bank to rectify the issue, while refunds are in the process of being issued to customers affected at another. The Central Bank is particularly concerned to see that IT systems could not deliver the terms and conditions of the products examined, despite having previously raised this issue with the banks. The Central Bank is engaging with the banks involved to ensure that the errors in their systems and procedures are corrected.

Misleading advertising

In the case of one deposit product, two brochures were examined and were considered to be unfair and misleading to customers. The brochures advertised an attractive equivalent annual rate, and information relating to the minimum rate payable, which should have been highlighted, was not clearly presented to the customer. Within nine months of issuing the brochure, the rate payable on the account was the minimum rate. In this case it was determined that customers were misled on the actual rate that could be achieved. The relevant bank is now in the process of recalculating the interest for each customer as if they had received the advertised rate for the entire year, and refunds will be made.

Requirement to retain application forms

The inspection found that two banks had difficulty locating signed application forms submitted by customers for homeloan/mortgage products. Banks are

required to retain all applications completed or signed by customers and have been requested to review their retention policies and to make business units aware of the importance of compliance.

ENDS

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