



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

## Settlement Agreement between the Central Bank of Ireland and FBD Insurance plc

The Central Bank of Ireland (the “**Central Bank**”) has entered into a Settlement Agreement with effect from 8 May 2014 with FBD Insurance plc (the “**Firm**”), a regulated financial services provider, in relation to breaches of regulatory requirements contained in the Consumer Protection Code 2006 (the “**2006 Code**”).

### Reprimand and fine

The Central Bank reprimanded the Firm and required it to pay a monetary penalty of €490,000.

### Contraventions

The Firm breached various requirements of the 2006 Code. The breaches identified demonstrate that the Firm failed to ensure that it had resources and procedures, systems and controls necessary to ensure compliance by it, and other entities to whom it outsourced regulated activities, with the 2006 Code.

Specifically, the Firm:

1. from 2008 to 2011 failed to ensure that regulated activities it outsourced to other entities were compliant with the 2006 Code;
2. from 2007 to 2008 failed to demonstrate that it provided effective staff training in relation to the 2006 Code;

3. failed to demonstrate that it disclosed to customers relevant material information, including an administration charge (which applied in limited circumstances where customers had provided inaccurate information) and the intention of the Firm to record telephone calls;
4. failed, from 2006 to 2011, to provide certain consumers with a terms of business document prior to entering into policies with new consumers;
5. during 2011 failed to have adequate complaints handling procedures in place in its various offices and failed to adhere to the complaints handling rules set out at Chapter 2, provisions 46(a) to (e) of the 2006 Code. These breaches specifically related to failures to:
  - provide complainants with a point of contact in relation to the complaint and to keep complainants updated on the status and outcome of complaints in accordance with the relevant requirements;
  - inform complainants of their right to refer their complaint to the relevant Ombudsman and provide them with the contact details of that Ombudsman;
  - offer complainants the opportunity to have their verbal complaints treated as a written complaint;
  - maintain an up-to-date record of complaints in accordance with the 2006 Code; and
6. failed during 2010 to advise consumers that loss adjusters, appointed by the Firm, were acting in the interests of the Firm.

### **The Consumer Protection Code**

The 2006 Code set out the requirements that regulated firms must comply with when dealing with consumers. The 2006 Code was replaced, with effect from 1 January 2012, by the Consumer Protection Code 2012. The Consumer Protection Code is a key element of the Central Bank's consumer protection framework. Regulated firms are required to ensure they have and employ resources and procedures, systems and control checks necessary to ensure compliance with the Code. Regulated firms must also ensure that any outsourced regulated activity complies with the requirements of the Code.

### **Background**

The Firm provided the Central Bank with a report identifying breaches by the Firm of the 2006 Code. Following review of the report, the Central Bank undertook its own inspection. The report and the Central Bank's inspection identified concerns regarding the Firm's failure to ensure it had resources

and procedures, systems and controls necessary to ensure compliance with the 2006 Code and formed the basis of this administrative sanctions procedure case.

The Firm promptly undertook measures to rectify the issues that were identified. These included the dedication of additional compliance resources, the implementation of new systems and procedures, an enhanced training programme and enhanced controls in respect of outsourced activities in order to prevent recurrence.

### **Penalty decision factors**

The penalties imposed in this case reflect the seriousness with which the Central Bank treats the relevant contraventions. They also reflect the importance the Central Bank places on consumer protection and the obligation of regulated entities to ensure that they comply with, and have adequate resources and procedures, systems and controls in place to ensure compliance with, the Consumer Protection Code.

In particular, the Central Bank considers it unacceptable for firms to outsource regulated activity without appropriate oversight and assurance that the regulated activity is being conducted in accordance with the 2006 Code.

In deciding the appropriate penalty to impose, the Central Bank has also taken the following into account:

- the Firm's failure to ensure that outsourced activities complied with the requirements of the 2006 Code;
- that the Firm identified breaches of the 2006 Code and notified these to the Central Bank;
- the Firm has taken appropriate remedial steps to rectify the breaches, including the dedication of additional resources to its compliance function and the implementation of enhanced systems and controls to ensure compliance with the Consumer Protection Code 2012 (which replaced the 2006 Code with effect from 1 January 2012);
- that the Firm has enhanced its controls around the outsourcing of regulated activity to other entities; and
- the cooperation of the Firm during the investigation and in settling at an early stage in the administrative sanctions procedure.

The Central Bank confirms that the matter is now closed.

- End -

## **Market Commentary**

The Central Bank of Ireland has entered into a Settlement Agreement on 8 May 2014 with FBD Insurance plc, a regulated financial services provider, in relation to breaches of Consumer Protection Code 2006.

The Central Bank of Ireland also issued a general comment from Director of Enforcement, Derville Rowland:

*“Since 2010, this is the thirteenth settlement concluded by the Central Bank with a firm involving breaches of the Consumer Protection Code 2006. In light of the public statements made and enforcement actions taken by the Central Bank, firms should be aware of the importance of compliance with the Consumer Protection Code.*

*Working to protect the interests of consumers of financial services is a key priority for the Central Bank. The Consumer Protection Code is a key element of the Central Bank’s consumer protection framework. The Central Bank views the implementation of proper systems and controls by firms to ensure compliance with the Consumer Protection Code as a fundamental requirement. The existence of inadequate systems and controls, incomplete procedures and/or a failure to employ effective resources is an unacceptable risk to the Central Bank due to the potential for consumer detriment.*

*In circumstances where firms outsource regulated activities to other entities, the Central Bank expects firms to exercise due skill and care when entering into and/or managing those outsourcing arrangements and to ensure that the outsourced activity is conducted in compliance with the Consumer Protection Code and any other relevant regulatory requirements.*

*The pursuit of enforcement actions in respect of systems and controls failings has been part of the Central Bank’s Enforcement Priorities since 2011 and, for that reason, where breaches occur in this area, regulated entities and their management should expect vigorous investigation and follow up by the Central Bank.”*