



FINANCIAL REGULATOR
Rialtóir Airgeadais

Addendum to Consumer Protection Code

May 2008

Consumer Protection Code

Addendum for Retail Credit Firms and Home Reversion Firms

Introduction

The Central Bank Act 1997, as amended by the Markets in Financial Instruments and Miscellaneous Provisions Act 2007, provides that retail credit firms and home reversion firms must be authorised and subject to ongoing supervision by the Financial Regulator.

With effect from 1 February 2008, retail credit firms and home reversion firms must apply for authorisation to the Financial Regulator and the Consumer Protection Code [the Code] will apply to these firms. The Financial Regulator reserves the right to apply the Code at any time during the course of the authorisation process, if appropriate.

Where a regulated entity provides credit to relevant persons (as defined) and a separate authorisation for that activity is not required, the regulated entity will be subject to the Code in respect of that activity.

For the purposes of applying the Code to retail credit firms and home reversion firms, the following parts of the Code are amended:

- ▶ Scope
- ▶ Definitions
- ▶ Loans
- ▶ Advertising

SCOPE

The Scope section is amended as follows:

To whom this Code applies

Chapter 1 (General Principles) applies when providing the services described below to **customers** in the State. The other Chapters of the Code apply only when providing the services described below to **consumers** in the State.

Except as stated otherwise below under 'To whom this Code does not apply', this Code applies to:

- ▶ The **regulated activities** of all regulated entities operating in the State, including:
 - The services of all regulated entities operating in the State for which they require to be authorised by, or registered with, the Financial Regulator; and
 - Persons with an equivalent authorisation or registration in another EU or EEA *Member State* when providing services in this State on a branch or cross-border basis; and
 - The services of a financial or investment nature that are subject to the regulation of the Financial Regulator, for which a separate authorisation is not required.

Without prejudice to the generality of the above, the types of person that the Code covers include, therefore:

- ▶ Credit Institutions (Banks and Building Societies);
- ▶ Insurance Undertakings;
- ▶ Investment Business Firms, other than when conducting **MiFID Services**;
- ▶ Insurance Intermediaries;
- ▶ Mortgage Intermediaries;
- ▶ Credit Unions, when providing services for which they require to be authorised by or registered with the Financial Regulator under the legislation listed in 'Legislative Basis' above (i.e. other than the Credit Union Act 1997);
- ▶ Retail Credit Firms; and
- ▶ Home Reversion Firms.

Chapters 1 (General Principles), 2 (Common Rules) and 7 (Advertising) apply to all regulated entities.

Chapter 3 (Banking Products and Services) applies to regulated entities when providing banking products and services.

Chapter 4 (Loans and Equity Release) applies to credit providers, mortgage intermediaries and home reversion firms.

Chapter 5 (Insurance Products and Services) applies to insurance undertakings and insurance intermediaries.

Chapter 6 (Investments) will apply to regulated entities providing investment services, or providing services in relation to deposits with a term equal to or greater than one year, other than **MiFID Services**.

To whom this Code does not apply

This Code does not apply to regulated entities when:

- ▶ providing services to persons outside the State
- ▶ providing **MiFID Services**
- ▶ providing the services of a 'moneylender', within the meaning of the Consumer Credit Act 1995;
- ▶ carrying on the business of reinsurance or reinsurance mediation;
- ▶ carrying on the business of a 'bureau de change' or 'money transmission', within the meaning of Part V of the Central Bank Act 1997;
- ▶ if such firm is a credit union, when providing services for which it does not require to be authorised by or registered with the Financial Regulator under the legislation listed in 'Legislative Basis' above (i.e., other than the Credit Union Act 1997);
- ▶ carrying on the business of entering into hire purchase agreements; or
- ▶ carrying on the business of entering into consumer hire agreements.

DEFINITIONS

The following definitions are inserted:

"equity release product" means a **lifetime mortgage** or a **home reversion agreement**.

"home reversion agreement" has the meaning in Part V of the Central Bank Act 1997.

"regulated activities" are services of a financial or investment nature that are subject to the regulation of the Financial Regulator.

"regulated entity" means a person who carries on a business of providing one or more regulated activities.

CHAPTER 4

LOANS AND EQUITY RELEASE

The "**Lifetime Mortgages**" Section of Chapter 4 is replaced with the following:

EQUITY RELEASE

- 16 A regulated entity must advise the **consumer** of the consequences of **equity release products** including details of the total costs involved, including all interest, **charges** and the effect on the existing mortgage, if any.
- 17 A regulated entity must ensure that **consumers** are made aware of the importance of seeking independent legal advice.
- 18 A regulated entity must include the following warning on any information document, application form or any other document given to the **consumer** in connection with an **equity release product**.

Warning: Purchasing this product may negatively impact on your ability to fund future needs.

CHAPTER 7

ADVERTISING

The following warning is added to Chapter 7, Provision 25

LENDING

25 a) An advertisement for an interest-only mortgage must contain the following warning:

Warning: The entire amount that you have borrowed will still be outstanding at the end of the interest-only period.

b) An advertisement for an equity release product must contain the following warning:

Warning: Purchasing this product may negatively impact on your ability to fund future needs.



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