

Please find below our response to Consultation Paper 118 – Review of the Consumer Protection Code for Licensed Moneylenders.

By way of background, Close Brothers Limited (“CBL”) is a UK regulated Credit Institution which currently provides services in Ireland via the Single Market.

CBL’s premium finance business operates an intermediated business model, with agreements being sold through insurance brokers which allows customers to spread the cost of their insurance, typically across ten months, should they choose to do so.

We note that the consultation paper refers to premium finance firms as being caught within the scope of the regime, and hence we have responded to the questions in the consultation paper that would be relevant to this business.

CBL’s response reflects the position of a premium finance provider where:

- Agreements are not home collected, we collect repayments via monthly Direct Debit;
- Agreements are secured against the insurance policy;
- The borrowings can only be used to finance an insurance policy;
- Customers are required to pay a deposit equal to at least one monthly instalment;
- Should customers default then the lender will exercise the security and the insurance policy will be cancelled. The customer will then receive a pro-rata refund, which will typically cover the majority of the outstanding loan; and
- Customers will have pro-rata benefitted from insurance cover for the period prior to any cancellation by the lender.

Given the above, we believe it would be more appropriate for premium finance providers to be subject to the Retail Credit Firm regime given that the harm to consumers from the product is limited and the product is more akin to that provided by Retail Credit Firms than Moneylenders.

We would be happy to discuss our comments with you further if you have any queries or require any further information.

Please treat this response as confidential.

Review of the Consumer Protection Code for Licensed Moneylenders

Question 8: Do you see any reason why the existing warning statement should not be enhanced in the manner set out above?

CBL Response: As noted in our covering note, premium finance is different from the majority of products covered by the Moneylender rules in that it is secured, and upon default the amount outstanding to the customer is offset by the refund of the policy. We would propose that the CBI consider alternative rules for loans that are secured and therefore do not carry as high a risk of detriment to the customer.

Question 9: Do you agree that the enhanced warning statement should be included in all moneylending advertisements?

CBL Response: See above.

Question 10: Do you have any views on the proposal to require moneylenders to provide consumers with an Information Notice at pre-contract points?

CBL Response: While we have no objection to providing customers with an Information Notice, the nature of premium finance is that it is a tertiary product for customers, e.g. after they have bought a car, and then insured that car, the option to pay in instalments is the last decision that a customer makes. This decision is typically made after the customer is presented with the cost of the insurance and decides that they would prefer to spread the cost rather than paying in one lump sum up front. As such, an information notice introduced to this journey is unlikely to delay the process or cause the customer to reconsider their options. It should be noted that as premium finance is sold through an intermediated model, warning notices on finance providers websites or premises will not necessarily be seen by the customer prior to purchase.

Question 14:

A. Do you see any reason why the Central Bank should not prevent moneylenders from providing a second or further loan to a consumer unless the consumer is provided with the aggregate loan information set out above?

B. Is there any other information that a moneylender should provide to the consumer at the same time?

CBL Response: As previously noted, premium finance is different from the other products that typically sit within the Moneylender regime. A consumer may wish to finance more than one insurance policy (e.g. a household with more than one car, or a customer wishing to finance a car and home insurance policy). If consumers are not able to take out a second loan from their premium finance provider then they may be left with the option of going to a home collected credit firm for financing, which may well ultimately cost the consumer more. In any event the requirement will be ineffective in preventing the perceived harm it is trying to avoid. Consumers will not necessarily know at the time of approaching the insurance broker that finance would come from the same provider

Question 15: Are you in favour of the introduction of a debt servicing ratio restriction as outlined above?

CBL Response: We would suggest that all lending firms should have appropriate affordability checks in place to ensure that customer borrowings are not excessive, and question whether a limit would have the desired effect or whether, as noted in the consultation paper, sections of consumers may have their access to credit restricted by firms who feel that the monitoring of such a ratio is a costly exercise to have to go through.

Question 20: How would such a restriction operate in the case of “running account” credit provided by moneylenders? For example, should it operate on the basis of the consumer’s credit limit on that account?

CBL Response: CBPF operate a running account credit agreement, however unlike a credit card, our agreements are for specific use, and can only be drawn down to fund insurance policies. As such we could see this operating at the amount of the customers drawdown plus a margin to allow for mid-term adjustments.

Question 21: Do you agree with the proposal to introduce an explicit requirement that moneylenders provide on-going training to staff and agents in respect of the firm’s lending policies and procedures?

CBL Response: We agree with this proposal.

Question 22:

A. Do you agree with the proposal to require moneylenders to have written lending policies and procedures in place?

B. If you agree with the proposal, should moneylenders be required to address any other matters within their lending policies and procedures?

CBL Response: We agree with the proposal to require firms to have written lending policies and procedures in place. Given that the Moneylender application process requires a firm to submit copies of the key policies and procedures in place at the firm to demonstrate compliance with the legislation, then we believe that the proposal should be extended beyond just lending, and to include these other areas. Given the authorisation requirements, this should not be an issue for firms to comply with.

Question 23: Do you have any comments on the proposal to require moneylenders to retain records of income and expenditure relied upon to assess a consumer’s creditworthiness?

CBL Response: We do not have any comments on this proposal.

Question 24: Do you have any comments on the proposal to introduce explicit obligations on moneylenders to engage with third parties who are acting on behalf of borrowers?

CBL Response: We have no objections to these proposals and are happy to work with third parties nominated by our customers.

Question 26: Do you have any comments on the changes proposed above, that is:

- A. Applying relevant requirements under the 2010 Regulations to loan amounts below €200;
- B. Introducing a specific protection for vulnerable consumers;
- C. Introducing strengthened requirements for communicating with consumers;
- D. Requiring that consumers in arrears are signposted to MABS earlier; and
- E. Aligning the wording of requirements with the wording of similar provisions in the CPC 2012, where appropriate.

CBL Response: We already follow the requirements regarding vulnerable customers in the Consumer Protection Code, and therefore have no issues with this requirement being extended to the Moneylender regime. We believe that the other proposals noted above are sensible and have no further comments.

Question 27: Do you have comments on the attached draft Regulations? In your response, please quote the number of the specific provision(s) which give rise to your concerns and, if possible, suggest alternative drafting or solutions.

CBL Response: Please see our covering note in respect of premium finance and the fact that this product does not fit within the typical moneylender profile.

Question 29: Do you have any other views on the overall function and risks of the licensed moneylending sector in Ireland?

CBL Response: We believe that the criteria for a loan being caught by the Moneylender regime is too simplistic. Our typical drawing is repaid over a ten-month period and this results in a higher APR due to the short-term nature of the credit. Given the secured nature of the product and the fact that the majority of policies are refundable upon cancellation, we feel it would be appropriate either to increase the APR that applies to secured products, or to move secured loans into the Retail Credit Firm regime.