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Consumer Protection: Policy and Authorisations
"Moneylending Regulations"
Central Bank of Ireland
PO Box 559
New Wapping Street
North Wall Quay
Dublin 1

Dear Sirs

Consultation Paper CP118 – Review of the Consumer Protection Code for Licensed Moneylenders

Premium Credit Limited (PCL) welcomes the opportunity to comment on the Consultation Paper CP118 – Review of the Consumer Protection Code for Licensed Moneylenders recently issued by the Central Bank of Ireland.

Introduction

Premium Credit Limited ("PCL") supports the enhancement of consumer protection in the financial services industry, however, we believe that in a number of areas the proposals set out in this Consultation Paper, while potentially appropriate to the specific nature of the traditional moneylender, do not recognise the specific nature of other firms operating under a moneylender's licence. As a result, we believe that the proposals as they stand, if introduced as Regulations, may by default:

- a) cause such firms to mislead or confuse the consumer in relation to the key features of their product/service, going against the core principles outlined in the consumer protection codes;
- b) prevent the fair provision of information to consumers about useful products in the market;
- c) place such firms at a disadvantage to competitors operating under a different authorisation;
- d) unfairly stigmatise firms operating under a moneylender's licence; and
- e) ultimately reduce customers accessing affordable finance offered by moneylenders that may fully meet their needs.

Response to Proposals

Prohibited Targeted Advertising

Q1: Do you agree with our proposal to prohibit moneylenders from engaging in targeted advertising?

We do not agree that this proposal should be applied in a blanket manner to all firms operating under a moneylender's licence.

We believe that the service we provide is distinct from that provided by the traditional moneylender. We offer finance for a specified and restricted purpose, that is, for the payment of the cost of mandatory outlays, namely annual personal insurance cover (for example, home/car insurance), or discretionary outlays such as

leisure club and golf memberships. Our product enables the consumer to spread these costs over a number of months by making equal monthly direct debit instalments, rather than making an upfront lump sum payment for the full cost when contracting for the insurance or service. We believe our product makes these costs more affordable for the consumer by spreading a large annual payment across a number of monthly instalments and helps them to manage their cashflows.

The insurance policy or leisure memberships financed by PCL's product(s) will become due for renewal on an annual basis, and the provider will likely issue a renewal notice in some format to the consumer. While we do not do so at present, we do not believe we should be prevented from informing the consumer that they have the option to reapply for finance to fund the renewal of their insurance policy or leisure club membership should they wish to continue to do so.

PCL's direct competitors are banks providing a similar product, credit cards or overdraft facilities, and insurer direct debit schemes. These providers are not subject to such restrictions. PCL offers competitive rates in respect of comparable products on the market. In respect of products such as the credit card, PCL believes it offers a more affordable alternative to the consumer.

Targeted advertising in the financial services industry can also take the form of cross-selling which can be beneficial to the consumer. This is a common strategy in other sectors, for example, the banking and insurance sectors. While we do not engage in cross-selling at present, we do not believe we should be prohibited from informing our consumers about the other products for which we provide finance.

PCL does not target consumers on low income, or those where availing of credit is unlikely to be in their best interests. If PCL is aware that provision of the service to a particular consumer is not likely to be in the consumer's best interests, for example, where a consumer fails the creditworthiness assessment, PCL will not provide the loan.

Q2: *Do you have any views on our proposed definition for "targeted advertising" as set out in the draft Regulations?*

We believe the split between parts (a) and (b) of the definition should be removed such that all of the listed criteria needs to present together to satisfy the definition of "targeted advertising". We believe parts (a) and (b) should be removed in this way because all firms operating under a moneylender's licence do not solicit or entice the consumer to take out a personal loan that may be unnecessary or may not be in their best interests.

PCL is one such firm operating under a moneylender's licence. As detailed above, we provide a useful spread payment facility whereby we enable the consumer to more easily afford insurance cover or avail of leisure club membership rather than being required to make a single payment for the full amount which may cause the consumer to take out a personal loan with a higher APR to make the payment, or to use a credit card or overdraft facility with a greater cost. PCL charges a maximum APR of 24.3%.

As noted above, while PCL does not advertise in this way at present, it does not believe it should be prevented from informing the consumer that their loan is nearing repayment as this will coincide with the renewal date of the consumer's insurance policy or membership, the provider of which may also send a reminder to the consumer. A loan cannot be provided in the absence of an insurance policy or club membership. In addition, PCL's direct competitors are not subject to such restrictions.

Prohibiting unsolicited contact on foot of referrals from consumers

Q3: *Do you see any reason why unsolicited contact with a new customer, on foot of a referral from an existing consumer, should not be prohibited?*

This is not applicable to our business model and hence PCL does not have any objections to this proposal.

Prohibiting unsolicited contact for the purposes of sales and marketing

Q4: *Do you foresee any practical difficulties with our proposal to prohibit unsolicited contact with existing consumers for the purposes of sales and marketing?*

For the reasons outlined above, while we do not do so at present, we do not believe that we should be prohibited from contacting existing customers for sales and marketing purposes. We believe that the aim the proposal seeks to achieve can be achieved through the usual opt out clauses in respect of contact for sales and marketing purposes, and that providing this option to consumers is sufficient.

We believe that the service we provide is distinct from that provided by the traditional cash-based moneylender. Our product is about making certain annual costs to the consumer more manageable and affordable.

PCL's direct competitors are not prohibited from advertising similar products, for example, banks providing the same product or personal loans and credit cards, and insurers providing direct debit schemes for payment of insurance cover.

We do not believe that it is detrimental to the consumer to inform them about the fact that they can spread the cost of their insurance or leisure club membership by availing of PCL's services. We believe that cross-selling can also be beneficial to the consumer and should not be prohibited for all firms operating under a moneylender's licence. As outlined above, this is recognised in relation to other sectors who use cross-selling as a common strategy.

Removing the exception to the unsolicited contact rules for non-cash credit

Q5: *Do you have any views on the proposal to remove the existing exception from the unsolicited contact rules for moneylenders providing non-cash credit?*

While we do not make unsolicited contact with customers at present, for the reasons outlined above in response to proposal 4, we do not believe this is appropriate having regard to our business model and products.

We strongly believe that it is important to maintain the differentiation between cash and non-cash credit due to the substantial differences between business models, the products provided, the purposes for which products are provided and the types of engagement with customers.

Enhancing the existing high-cost credit warning statement

Q8: *Do you see any reason why the existing warning statement should not be enhanced in the manner set out above?*

We do not have any objection to the enhancement proposed to the warning statement, but only where this is to be included on moneylending agreements with an APR of 23% or more.

Q9: *Do you agree that the enhanced warning statement should be included in all moneylending advertisements?*

PCL does not agree with including the enhanced warning statement in all advertisements because the product specific advertisement may not be advertising a product with an APR of 23% or more.

As such, to include the warning on all advertisements would have the unintended consequence of misleading the customer where the advertisement is not advertising high cost credit, thereby going against the core principles set out in the Consumer Protection Code to protect and inform the customer.

It would also contravene the proposed Regulations 8(1) and (2): *A moneylender shall ensure that all its advertisements are fair and not misleading to consumers; and*

A moneylender shall ensure that an advertisement shall not influence a consumer's attitude to the advertised product or service of the moneylender either by inaccuracy...

The warning should be restricted to advertisements advertising products with an APR of 23% or more.

Requiring moneylenders to prompt consumers to consider alternatives

Q10: Do you have any views on the proposal to require moneylenders to provide consumers with an Information Notice at pre-contract points?

Given the rates on our agreements are competitive with other institutions' financial products and offerings, and in many cases are not 23% or higher, PCL would not agree with having to include the first statement outlined in the proposed Annex II to the Regulations on the home page of its website or on the front page of its credit agreements as this would mislead consumers in relation to our product.

PCL notes that there is a second option available (set out below for convenience):

"Our moneylending agreements range from having an APR of [insert lowest interest rate product provided as APR] with a cost of credit of [insert lowest cost of credit in euro] per €100 borrowed, to an APR of [insert highest interest rate product provided as APR] with a cost of credit of [insert highest cost of credit in euro] per €100 borrowed.

Licensed moneylenders must assess your creditworthiness in accordance with regulatory requirements. Before providing credit, we will seek such information from you".

PCL negotiates bespoke trading agreements with intermediaries and we provide a variety of rates which are dependent on a number of factors. This is commercially sensitive information, the mandatory disclosure of which will make ongoing commercial negotiation with intermediaries very difficult.

Notwithstanding the above, PCL questions the value for the consumer of adding this requirement to the existing requirements. The existing requirements already require firms to clearly state the APR, interest rate and cost per €100 applicable to the credit agreement in their loan documentation for the purposes of informing the consumer. PCL's agreements clearly set out the APR, interest rate and cost per €100 applicable to the agreement, and it is that APR and cost per €100 that will be applied to the customer's relationship with PCL and not a higher or lower APR. Our loan documentation also already covers the requirement to assess the customer's suitability for the loan.

The presence of the existing requirements should also be considered alongside the significant cost that would need to be outlaid by firms to make the relevant updates to their documentation to comply with the requirement.

Q11: Do you have any suggestions in relation to the format and content of the enhanced warning statement or the Information Notice to enhance the quality, relevance or impact of the information provided?

PCL questions the relevance of the statement given the customer is entering a specific agreement with PCL which already must clearly set out the specific APR, interest rate and cost per €100 applicable to that agreement, and it is that APR and cost per €100 that will be applied to the customer's relationship with PCL and not a higher or lower APR. Given that the information must already be clearly provided under existing legislation, PCL questions the quality and impact added to the documentation by the statement.

Heightened protection for consumers using moneylending loans to pay for immediate basic needs

Q12: *Do you agree with these proposals?*

PCL does not agree with the application of the proposed Regulation 11 to firms whose products cannot be used for these purposes.

PCL believes Regulation 11 in its entirety is inappropriate for its product. PCL does not provide cash loans. The product is restricted use and finance is provided specifically for the payment of insurance premiums and golf club membership. To include this question, together with the proposed further information, would confuse the customer as to the purpose of our product, thereby going against the core principles previously outlined to protect and inform the consumer.

Q13: *Do you foresee any practical difficulties arising from the implementation of these proposals?*

There would be significant cost and time involved for firms to update their documentation to comply with the requirements. While we have no objection to additional requirements where such requirements provide protection and clarity to the consumer or enhance the service for the consumer, we believe the cost of implementation versus the value the proposed requirement seeks to add must be considered when introducing new requirements.

A cause of greater concern to us is the real risk that significant detriment would be caused to our business in terms of competitive disadvantage and stigma if the proposals in this Paper were introduced as drafted.

Ultimately, for moneylenders who have a relatively low APR, there is a risk that the costs of significant regulatory changes will be passed onto customers.

Aggregate information to consumer with more than one moneylending agreement

Q14: *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?*

It should be noted that aggregating this type of information is technically complex and firms would need to make significant investment to comply with this requirement. As stated above, while we have no objection to additional requirements that provide protection and clarity to the consumer or enhance the service for the consumer, we believe the cost of implementation versus the value the proposed requirement seeks to add must be considered in determining how best to achieve that protection and clarity, and whether firms should be permitted to decide how best to provide that information rather than a particular format being prescribed for them.

Separately, can the Central Bank please clarify their comment of recognition of the special case of "running account" credit?

PCL would like to confirm that the Central Bank also regards as included here, cases where the consumer draws down further credit under their existing agreement during the year to include mid-term insurance premium adjustments to cover costs such as change of car or a higher sum insured, for example, a bigger house. PCL is of the view that this does not constitute a "second or subsequent" agreement.

Where such an adjustment occurs on a credit agreement, PCL provides the customer with a revised statement indicating the updated repayment information for the remainder of the term. The APR and interest rate will not change.

Reducing the possibility of consumers over-extending themselves in respect of their borrowing from licensed moneylenders

Q15: Are you in favour of the introduction of a debt servicing ratio restriction as outlined above?

PCL supports any efforts to ensure responsible lending in the financial services industry, however, it believes that the proposals in this section, while potentially appropriate to the specific nature of the traditional moneylender, do not recognise the specific nature of other firms operating under a moneylender's licence and may be considered disproportionately onerous and excessive when the average loan value, term and products provided by said firms and firm business models are considered.

The level of information to be gathered should be appropriate and proportionate to the nature and complexity of the credit facility agreement being sought and of a level that allows the firm to assess the borrower's likely ability to be able to repay the debt over the duration of the agreement. The proposals outlined in the Paper take any element of discretion from professional firms operating under a moneylender's licence to assess the level of information required to determine whether a particular product is suitable for a particular consumer.

PCL believes that the current requirement under the European Communities (Consumer Credit Agreements) Regulations 2010 to "assess the consumer's creditworthiness on the basis of sufficient information, where appropriate obtained from the consumer and, where necessary, on the basis of a consultation of the relevant database" before concluding a credit agreement with a consumer, is appropriate and sufficient to protect the consumer in most cases. If this provision is to be supplemented, an appropriate addition may be consideration of the vulnerability provisions also proposed in this Paper.

PCL's creditworthiness assessment on the consumer includes a credit check. PCL also requests the consumer to provide details of incomings and outgoings for our assessment or, to confirm that based on the consumer's incomings and outgoings, they can afford the monthly repayments. Where the consumer chooses the latter confirmation, PCL keeps a record of this as per the Code (new Regulations at Regulation 23). PCL's creditworthiness policy is approved by the Board of Directors of the firm. In addition to this, it believes that it makes the consumer sufficiently aware throughout its loan documentation that they must consider whether the loan is affordable for them.

PCL does not target customers of low income. Many customers use our services as they prefer to pay for annual expenses such as mandatory insurance outlays and discretionary sports membership outlays by instalment rather than an upfront lump sum, in the same way as they pay for their mortgage protection or property tax. If the customer fails to make payments under the credit agreement, cancellation results in the loss of a service, e.g., golf club membership or insurance cover from the date of cancellation. The impact and detriment to the customer is thus relatively low in comparison to a traditional moneylending agreement where debt and interest can mount, placing the customer under further financial pressure.

Given the specific features of our product and the nature of our customer base, we believe it would be excessive to make it mandatory for the consumer to provide detailed income and expenditure information to avail of a simple and affordable spread payment facility in respect of their insurance costs or golf membership, and we believe this type of requirement would stigmatise our product. The consumer will likely opt to pay by cash or credit card whereby they undergo no creditworthiness assessment from the insurance/service provider in respect of the product purchased, which may conceivably place financial pressure on them elsewhere. Alternatively, they may choose to finance their costs with one of our competitors who will not be subject to the same requirements but will have comparable rates to or less competitive rates than PCL.

PCL believes that from a data protection perspective the level of information this proposal requires could be considered excessive when taking account of the features inherent in PCL's product. The proposal also places PCL at a disadvantage to its competitors and may discourage intermediaries from dealing with PCL when its competitors do not place the same onerous requirements on their consumers.

Q16: Do you have any views on what percentage of income the restriction should be set at and whether it should be based on gross or net income? Please provide any data or analysis you have to support your response.

We do not believe this should be applied to all firms operating under a moneylender's licence for the reasons outlined above.

Q17: *Should such a restriction also apply to forbearance arrangements for moneylending consumers in arrears? Do you have any views on how it should apply in an arrears case?*

Please see our comments above under Q15.

Q18: *Do you have views on the potential impact the introduction of a debt servicing ratio restriction, as outlined above, might have on consumers and the licensed moneylending sector?*

There is a risk that our product will be stigmatised. Demand for the finance we provide for golf club membership and insurance premium finance is likely to substantially reduce as customers move to other providers that are not required to request the same level of detail for comparable products.

Q19: *Are there any circumstances which you consider should be exempted from such a debt servicing ratio restriction?*

PCL believes premium finance providers should be exempted from the debt servicing ratio restriction for the reasons outlined at 15 above, and at the beginning of this submission in relation to the business model and product provided.

Enhancing the professionalism of the sector

Q21: *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?*

PCL has no objections to this proposal.

Q22: *Do you agree with the proposal to require moneylenders to have written lending policies and procedures in place?*

PCL has no objections to this proposal.

Q23: *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?*

PCL has no objections to the requirement to retain records of income and expenditure relied upon to assess a consumer's creditworthiness where this is provided by the consumer in support of their application.

Please see, however, our response to question 15 above, in respect of PCL's business and product specifically.

Q24: *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?*

PCL has no objections to this proposal.

Q25: *Do you agree with the proposals above in relation to the additional rules specifically targeted at tightening the rules in place around repayment books and collections?*

As PCL does not operate a home collection service, and instead collects repayments from customers by direct debit, it does not consider this proposal applicable to PCL.

Q26: *A) Do you have any comments on the changes proposed above, that is applying relevant requirements under the 2010 Regulations to loan amounts below €200.*

PCL has no objections to this proposal.

Q26: *B) Introducing a specific protection for vulnerable consumers*

PCL has no objections to this proposal or to maintaining a list of consumers it is aware are vulnerable.

Q26. C) Introducing strengthened requirements for communicating with consumers

PCL has no objections to this proposal.

Q26. D) Requiring that consumers in arrears are signposted to MABS earlier

PCL has no objections to this proposal.

Q26. E) Aligning the wording of requirements with the wording of similar provisions in the CPC 2012, where appropriate

PCL has no objections to this proposal.

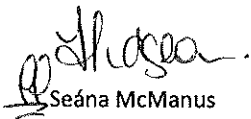
Q27. Do you have comments on the attached draft Regulations? In your response, please quote the number of the specific provision(s) which give rise to your concerns and, if possible, suggest alternative drafting or solutions.

PCL's comments on the draft Regulations are contained in our response to the proposals above. We believe that many of the proposals if introduced as drafted would be inappropriate for our product. We believe the comments we have set out in this submission are a fair consideration of the impact the proposals would have on our business if they are introduced as drafted in this Paper, and we hope that you will be able to take them into account.

We believe the traditional moneylender can be differentiated from other types of firm operating under a moneylender's licence when considering the requirements that should particularly be applied to their cash loan products in order to protect the consumer.

We would welcome the opportunity to discuss this response and would very much appreciate the opportunity to meet and work alongside the Central Bank as part of the consultation exercise.

Yours faithfully



Seána McManus

Senior Compliance Manager & MLRO - Ireland