



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

27th June 2018

Consultation Paper CP 118 – Moneylending: Review of the Consumer Protection Code for Licenced Moneylenders

Dear Sir/Madam,

We refer to the Central Bank of Ireland's (the Bank) consultation paper CP118 reviewing the Consumer Protection Code for Licenced Moneylenders (the Code).

We welcome the opportunity to respond to the proposals outlined and we are pleased to enclose our submission on the issues and the draft requirements set out in the consultation paper.

As background, Provident Financial (the Group) was established in 1880, and it is one of the UK and Ireland's leading suppliers of personal credit products to the non-standard lending market. The Group serves over two million customers, providing simple, manageable financial services for people whose needs are not always met through mainstream prime lending products. The Group's objective is to be the leading non-standard lender in the UK and Ireland, acting responsibly in all its relationships and playing a positive role in the communities it serves.

A network of approximately 630 self-employed Agents work closely with customers in Ireland, serving them in their own homes to issue loans and collect weekly repayments. Agents are required to lend and collect responsibly, the face to face service that comes with a weekly Agent visit is highly valued and delivers high levels of customer satisfaction.

We have set out our response to those questions (25 out of the 29 in the consultation paper) which we have identified as being relevant to home collection firms.

In our response, we would ask the Central Bank of Ireland for consideration in respect of the necessary timescale to implement the proposed changes of the final published Regulations. It is our view that it is to the benefit of all stakeholders for the relevant changes to be implemented in a correct and considered manner and that such implementation should include sufficient discussion between the industry and the Bank around the interpretation and clarity of the final version of the Regulations to allow sufficient time to make the necessary information technology, policy, procedures and documentation changes along with training and awareness to ensure proper implementation of the new requirements.

We trust that our submission will be of use to you in considering and progressing the review of the Code.

Yours faithfully,

Joe Sweeney
Chief Risk Officer

Provident Personal Credit Limited (Provident) response to the questions set out in CP118.

Responses are set out against each of the relevant headings in the paper and and these are numbered as set out in the consultation paper.

Responsible Lending and acting in the best interest of consumers

Prohibited targeted advertising

Question 1:

Do you agree with the CBI's proposal to prohibit moneylenders from engaging in targeted advertising?

Question 2:

Do you have any views on the CBI's proposed definition for "targeted advertising" as set out in the draft Regulations?

We do not agree with the CBI's proposals to prohibit moneylenders from engaging in targeted advertising. In the Moneylending market customers may have had credit problems in the past which may have led to them being declined by both standard and non-standard lenders. As such, these customers may have a borrowing need, but will not enquire as to the concern of being rejected. Provident provide tailored letters to customers based on the repayment performance and allows them to make an informed decision as to whether they require additional borrowing.

Prohibiting unsolicited contact on foot of referrals from consumers

Question 3:

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?

Money Lending is built on Agent and customer relationship and trust, customers will often inform their friends and family about the good/bad service they have had. In some circumstances, family or friends of the customer may have a borrowing need and will ask the customer to refer them. Upon a referral Provident will contact the person (in line with ML Code 17-21) that has been referred and ensure they wish to proceed with discussions of a new loan.

If the rule is changed consumers may not feel comfortable contacting the moneylender direct as they may feel anxious that they will be rejected. We therefore believe the current unsolicited contact (cold calling) rules (ML Code 17 – 21) set out within the 2009 Consumer Protection Code are adequate and do not need to change.

Prohibiting unsolicited contact for the purposes of sales and marketing

Question 4:

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

As with our response to Question 1, we would also ask the Central Bank of Ireland for clear guidance when finalising the requirements to this proposal, specifically where an existing consumer has given explicit consent for the firm to contact him/her about products and services offered by the firm. This guidance should also take into consideration the requirements set out in other legislation and regulation e.g. Data Protection Act 2018 and the EU General Data Protection Regulations.

Consumers availing of credit from a moneylender on a more informed and considered basis

Enhancing the existing high-cost credit warning statement

Question 8:

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

Question 9:

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

We understand the intentions of the health warning change proposed by Central Bank of Ireland to encourage and instruct home credit customers to switch to other less expensive (mainstream) products. However this is potentially harmful as the health warning does not always mean the alternatives are cheaper, for example the alternative may have a cheaper APR, however they have fees and charges for missed or late payments.

Moneylending consumers do miss repayments for a number of reasons, such as; they have missed the Agent when they called to the house, they have experienced a financial emergency which meant they could not pay or they are in financial difficulty. The product offered by Moneylenders offers in-built, cost-free, forbearance that helps consumers stay in control that other cheaper alternatives do not offer.

Requiring moneylenders to prompt consumers to consider alternatives

Question 10:

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

We agree that the provision of useful information regarding social welfare payments etc at pre-contract points could be beneficial for consumers. Any such information notice should be clear and concise to the consumer. Should the enhanced wording referred to under questions 8 and 9 above be used, our concerns regarding the suitability of alternative products remains.

Question 11:

Do you have any suggestions in relation to the form and content of the enhanced warning statement (referred to at Section 5.1 in the consultation paper and 2.1 above) or the Information Notice to enhance the quality, relevance or impact of the information provided?

No

Heightened protection for consumers using moneylending loans to pay for immediate basic needs**Question 12:**

A. Do you agree with these proposals?

There may however be circumstances where a consumer requires credit to alleviate an event such as those highlighted in 5.3 of the consultation paper having explored a number of the options open to them as indicated in the paper. In such circumstances, an application for credit from the moneylender should proceed once the moneylender has carried out an assessment of affordability, suitability and sustainability and can demonstrate compliance with these requirements.

B. Do you foresee any practical difficulties arising from the implementation of these proposals?

Provident will need to develop the process and systems to reflect the changes required.

Question 13:

What do you suggest be included within the concept of “immediate basic needs” to which these proposals would apply?

In addition to the examples provided in the paper, we would suggest the Reasonable Living Expenses guidance issued by the Insolvency Service of Ireland as a useful source of identifying immediate basic needs

Aggregate information to consumers with more than one moneylending agreement**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?

We support the provision of sufficient information to customers to enable them to make the correct lending decision for them.

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

We believe that the information proposed in section 5.4 is sufficient to meet the aims of the requirement.

Reducing the possibility of consumers over-extending themselves in respect of their borrowing from licenced moneylenders**Question 15:**

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

Question 16:

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 (gross income meaning the income, before tax or other deductions, of the consumer and net income meaning the income, after tax or other deductions, of the consumer)? Please provide any data or analysis you have to support your response

Whilst the introduction of a debt servicing ratio is well-intentioned, the proposal does raise a number of complexities and concerns.

There is a risk that the ratio set is at a level that would inhibit the reasonable and appropriate supply of credit into the market, which could result in consumers turning to illegal moneylenders. In addition the effort and cost required to comply would be substantial and ongoing.

Some of our customers have multiple income sources (Employment (usually multiple), Benefits and Pension). The proposed requirements would require a complete change to the new lending system and processes we have implemented. We feel this change is therefore disproportionate to the work we have already undertaken to manage the risk the CBI has outlined within the proposal.

Question 17:

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 (e.g., do you consider that different factors also need to be taken into account in such a case)?

Any forbearance arrangements entered into with a consumer are done so following an assessment of affordability and sustainability. In some instances, the circumstances which gave rise to a consumer falling into arrears are temporary and the consumer may wish to pay in excess of the income restriction (be it 20% of net income or other limit set by the Bank), subject to affordability and sustainability, to clear the arrears. In such circumstances and where the affordability and sustainability is clearly demonstrated, the cap on such a restriction should be temporarily suspended.

Question 18:

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?

We refer you to our response to Question 16.

Question 19:

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

We refer you to our response to Question 17.

Enhancing the professionalism of the sector

Training of staff and agents

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?

We are in agreement with the proposal to provide such training as an explicit requirement. Provident is committed to providing on-going training to staff and agents and does so through a series of mandatory e-learning training modules and assessments delivered each year. The topics covered in such training include Responsible Lending and Responsible Collections in addition to AML, Data Protection and Information Security.

Lending policies and procedures

Question 22:

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

We are in agreement and welcome the proposal for 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?

The procedures should include the controls in place to demonstrate compliance with the policy and procedures and what levels of oversight will be in place to monitor such controls.

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?

We are in agreement with the proposal for moneylenders to retain records of income and expenditure information obtained and relied upon during the lending process and would suggest that the Central Bank defines the required retention periods for such records.

Engagement with third parties who are acting on behalf of borrowers

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?

The proposed rules suggest we should provide personal data to a third party within 10 working days. We would recommend that the engagement with third parties is in line with the GDPR rules, i.e. the request for personal information should be in line with the new GDPR requirements (30 days).

Repayment books and collections

Question 25:

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

We are in agreement with the proposals in relation to the additional rules around repayment books and collections.

Additional enhancements to the Moneylenders Code of Conduct

Applying relevant requirements under the 2010 Regulations to loan amounts below €200

Specific protection for vulnerable consumers

Strengthened requirements for communicating with consumers

Earlier signposting of MABS for consumers in arrears

Alignment with wording of provisions in CPC 2012

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;

No further comment.

B. Introducing a specific protection for vulnerable consumers;

We welcome the proposal for the introduction of a specific protection for vulnerable consumers.

C. Introducing strengthened requirements for communicating with consumers;

No further comment

D. Requiring that consumers in arrears are signposted to MABS earlier; and

We would comment that the earlier sign posting for consumers after the third default or missed may not take into account those customers who have altered from a weekly repayment frequency to monthly repayments due to their circumstances (i.e. paid monthly for a short period) and this may trigger requirement unnecessarily in such cases.

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

No further comment.