# Application of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017 to credit union core services

ILCU Response to CP 147

April 2022

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## Introduction

The Irish League of Credit Unions (ILCU) is the largest credit union representative body on the island of Ireland. The ILCU's purpose is to lead, sustain and support the development of Credit Unions in achieving their goals.

We welcome the opportunity to respond to *Application of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017 to credit union core services* on behalf of our credit unions.

Since CP-106 and the Minimum Competency Code were published in 2017, there has been significant engagement from credit unions in developing and maintaining recognised qualifications and competencies of their people. This has been supported by the ILCU through the availability of recognised accredited third level programmes (*ACCUP, Pathways Diploma* and *AP Loans*) and through the Credit Union Continuous Professional Development Scheme (*CU CPD*). Engagement has been recognised across the credit union sector in developing a new approach to their continued involvement with learning in response to the requirements of MCC 2017.

As part of our processes arranged to respond on consultation papers published by the Central Bank of Ireland (CBI), the ILCU have communicated the content of CP-147 to our members and surveyed them for their comments and observations. These have been brought forward for inclusion in this response.

Engagement with our credit unions has identified that the proposals outlined in *Application of the Minimum Competency Code 2017 and the Minimum Competency Regulations 2017 to credit union core services* are likely to have differing impacts on credit unions should they be applied. Key to the assessment of this impact is further clarity on aspects of *Questionnaire of Qualifications in the Credit Union Sector*, issued by CBI in April 2021 which relate to credit union boards.

## Impact Analysis

There are two areas that our survey with our credit unions have identified for further analysis:

- Potential impact on credit union boards & committees
- Potential impact on continued provision of savings and investments should simple term deposits fall under a full savings and investment MCC requirement

Our consultation with our member credit unions has identified different internal practices and processes relating to how closely volunteers are involved in decision-making associated with lending and complaints. We would particularly caution the possible outcome that the credit union board – as the democratically elected representatives of the membership - loses its key position as the ultimate appellant body on member matters in the credit union therefore undermining the credit unions core democratic principle. Clarity is needed from CBI to understand the potential impact on practices and processes of credit union policies which involve board members.

It is recognised that credit union involvement with savings and investments is limited, nonetheless the impact on an individual credit union of change in this space is not determined by the volume of credit unions providing these services. Our engagement with our member credit unions identifies that proposed changes to savings and investments could have a more pronounced impact on operations as the proportion of staff employed in this area is lower compared to core lending.

## CP-147

**Question 1:**

*Do you agree that the scope of the MCC and MCR should be extended to apply to credit unions' core services? Please set out the reasons for your views.*

The ILCU is broadly in agreement with the principle of required qualifications and competencies across the sector, but see challenges with the transitional arrangement suggested and propose that greater flexibility should be offered to experienced staff.

A full savings and investment MCC to limited low-risk term deposits, or a lending MCC may not recognise the substantial experience and competencies of the existing credit union staff, developed within and for credit unions. Staff considered to sit outside any new definitions of qualifications, should be afforded recognised accreditation to ease of transition of the sector to any new MCC requirements. It is suggested that employing a benchmark of four years' experience is an appropriate benchmark for the granting of accredited status.

For credit union officers with less than four years' experience, but holding qualifications an opportunity exists to recognise existing and relevant learning across the sector, to enable transition.

**Question 2:**

*Do you agree that a four-year transitional period is sufficient for credit union staff to obtain relevant recognised qualifications? Please set out the reasons for your views. If you disagree, please set out what you would consider an appropriate transitional period for the application of the MCC and MCR to credit union core services.*

A four-year transitional period in standard conditions does in the main afford adequate time to obtain relevant recognised qualifications, however we observe that current conditions are not standard.

The credit union sector has and continues to adjust to the influences and challenges of COVID-19. These adjustments include more of our credit unions offering online services with associated ongoing recruitment and restructuring processes. When responses to COVID-19 and expansion of services are added to Transfers of Engagements (TOEs) a period of human resources consolidation is ongoing in many credit unions and will continue into 2023

From previous transitional arrangements we note the condition that officers must be signed up to the "*next available*" MCC module. Proportionally, should this be applied for lending, savings and investments it will likely have a disproportionate effect on credit unions who have fewer staff and/or more part-time staff. Greater flexibility could be afforded in any conditions, allowing credit unions to choose their preferred educational provider and programme schedule, rather than impose conditions that favour any provider.

Considering ongoing human resource restructuring in credit unions we suggest a postponement of one year, to early 2024, to the proposed application of MCC and MCR to credit unions with the freedom for credit unions to choose programmes with schedules that suit their human resourcing needs.

**Question 3:**

*Do you agree with the timeline? Please set out the reasons for your views. If you disagree, please set out what you would consider an appropriate timeline for the application of the MCC and MCR to credit union core services.*

We believe the rationale or our response to Question 2 carries over to our response for Question 3 and suggest a one year postponement of the application of MCC and MCR to credit unions.

## Summary

The ILCU welcomes the opportunity to respond and does so with input from our member credit unions. The principle of recognised qualifications aligns with our vision of best in class service to our members but further clarity is needed to measure and access impact.

On behalf of its affiliated credit unions, the ILCU seeks expeditious clarification on the intended scope of MCC and MCR for credit union boards to specially address:

- Will credit union boards be subject to the MCC and MCR?

The implication of the proposal to current board and committee practices in credit unions has not been explored in CP-147. Assessment and clear communication of this is critical to enable credit unions to understand the respond to any change.

We interpret the Credit Union Act to place obligations on boards and volunteer committees, these position the board as the ultimate arbiter in the credit union. In practice this means that credit unions boards are involved with:

- complaints around loans
- as the entity responsible for officer lending
- and in adjudicating on lending decisions that members may query

Clarification in this area should address the maintenance of the board's democratic mandate as representatives and trustees for credit union members while asserting if the board's activities as arbitrator are considered to be within or outside the scope of MCC.

Also on behalf of our affiliated credit unions we propose the suggestions detailed below for consideration by CBI;

1. That CBI conduct impact analysis of MCC and MCR on;
    a. Credit Union board and committee roles in lending decision-making and
    b. Continued provision of term deposits should savings and investments services be subject to MCR.

2. That four years' experience of credit union lending be considered for accredited status.

3. That a postponement of one year, to early 2024, be applied to the proposed application of MCC and MCR to credit unions.

4. That the Central Bank of Ireland and the ILCU collaboratively review prior learning recognised on completed modules and programmes including *ACCUP Pathways* and *AP Loans* against any core lending competency in order to evaluate what learning can be recognised as meeting or partially meeting competency requirements.

In reviewing responses of CP-147 we encourage CBI to take a holistic view to include, assessment of the medium and longer term impact of COVID-19 on credit unions and their capacity to pivot in response to the application of MCC and MCR in early 2023.