



Consultation on Credit Union Exempt Services

ILCU Response to CP 148

April 2022

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.

That the credit union movement supports change and wants to actively expand its products and services for its members is something which has been echoed across the country for many years now. Many credit unions are actively working to drive this change. Equally, like so many other sectors during Covid19, the pandemic necessitated a change in the operations for many credit unions offices or accelerated the pace of change already underway. As the movement now looks to the post-Covid19 landscape the desire to maintain this momentum for change persists, with many credit unions now beginning to focus on what their members and their wider communities will need from them in the period ahead.

Research in 2020 which was commissioned by the League and undertaken by independent research company, i-Reach, engaged with credit union CEOs and managers and 87% of respondents overall believe that credit unions have the capacity to expand their products and services to members, if permitted to do so. In Dublin, the figure is even higher with 94% of respondents believing this to be the case.

The League believes credit unions should be empowered to deliver an expanded range of community banking services for the benefit of members and the wider financial services landscape.

It is in this context in particular that we welcome the opportunity to respond to *CP148 Consultation on Credit Union Exempt Services* on behalf of our credit unions.

However, while we welcome the changes and clarifications proposed as part of CP148 and understand this did not form part of the review, we would like to make a general observation in relation to the Additional Services regime. We have reservations on whether the concept

of the additional services/exempt services is fit for purpose in the modern financial services environment.

We believe that it should be open to credit unions to offer financial services for the mutual benefit of their members based on a credit union's own business model while complying with any specific regulatory requirements that might attach to those services (e.g. Payment Services Regulations) without the necessity of seeking additional approval or of such services being included in an exempt services list. This would reduce uncertainty in situations where there may be ambiguity as to whether a credit union can offer further services to members or whether an application through the Additional Services Provisions would be necessary.

We have set out below our responses to the specific questions in the Consultation Paper.

CP-148

Technical drafting changes to the Exempt Services Schedule**Question 1:**

Do you (generally) agree with the proposed technical changes to the Exempt Services Schedule? If you disagree with any of the proposals, please identify these in your response and outline your reasons why. If you are suggesting further technical drafting changes to the Schedule, please outline the change and rationale for the change.

Yes, we generally agree with the proposed technical changes as they provide greater clarity. The structure of the proposed Schedule is also more accessible and easy to follow.

Question 2:

Do you agree with the proposal to change the name of the “Money transfers” service to “Money remittance service” and the revised description of this service? In your comments, please outline your view on whether the proposed technical changes would result in credit unions being unable to provide any services which they can currently provide under the existing “Money transfers” service.

We understand the rationale for the change from “Money transfers” to “Money remittance service” as the definition of the later is clearly prescribed under the Payment Services Directive 2 and so to avoid any ambiguity or uncertainty. We are not aware that the changes would result in credit unions being unable to provide any services which they currently provide under “Money transfer” services but we suggest that this is monitored to ensure there are no unintended consequences as a result of the change.

Question 3:

For credit union respondents, does your credit union currently provide money remittance services and, if not, is it likely or unlikely that the credit union would commence providing such services within the next five years?

N/A

Question 4:

Do you agree that certain of the services currently included in the Exempt Services Schedule, as outlined above, do not need to be included in the Exempt Services Schedule?

Yes we believe certain services currently included in the Exempt Services Schedule are not services of such a nature that require inclusion in an Exempt Services list. These matters are consequential and incidental to a credit union's core services and objects. The inclusion of these matters was of its time but is superfluous in the current environment. Credit unions should be permitted to undertake these, and similar activities, as a matter of course.

We agree with the removal of 1. Telephone, internet and fax access to the credit union by the member - (1) Access by telephone, (2) Access by internet, (3) Loan applications by fax; 6. Discount for goods and services; 12. Service centres; and 16. Financial Counselling from the list of exempt services on that basis.

We have one point for clarification regarding the removal of Discount for Goods and Services from the Exempt Services list. We note that this is deemed to be a service that is operational in nature and/or incidental to the provision of other services or incidental benefits of membership, which are appropriate to the objects of the credit union. We seek clarification that a credit union in continuing to provide this service will be entitled to obtain a commission for the provision of this service.

Technical changes to regulations 2 and 48 of the 2016 Regulations

Question 5:

Do you (generally) agree with the proposed technical changes to regulations 2 and 48 of the 2016 Regulations? If you disagree with any of the proposals, please identify these in your

response and outline your reason/s why. If you are suggesting further technical drafting changes to regulations 2 and/or 48, please outline the change and rationale for the change.

Yes we agree with, and welcome, these changes and clarifications.

Changes to the conditions which must be fulfilled in order that credit unions may provide various exempt services

Question 6:

Do you agree with the proposed changes to the conditions that will apply to the Budget account scheme, Draws, Savings Stamps and Gift cheques services? Please explain the reasons for your answer.

We understand that these proposals reflect the supervisory expectations as have previously been communicated to credit unions.

Investment and insurance intermediation

Question 7:

Do you agree with the proposed expansion of the intermediation services that credit unions may provide under the Exempt Services Schedule? Please explain the reasons for your answer.

Yes, we agree with the proposed expansion of the intermediation services that credit unions can provide under the Exempt Services Schedule. We see no need for an additional services application to be required when there is an existing standalone authorisation and supervisory regime to provide this service and which a credit union will be required to obtain in order to provide intermediation services.

Other*Question 8:*

Bearing in mind the focus of the current review (i.e. required technical changes), do you have any other comments on this review and/or the Central Bank's proposed changes?

1. Certain payment services,

We agree with the consolidation of third party payments, direct debits and standing orders into one Service in the proposed Schedule. However, this exempt service continues to exclude current accounts and debit cards which will require an additional services approval.

The League believes that the delivery of current accounts and debit cards should be open to all credit unions and to do so it should be included on the Exempt Services Schedule (with appropriate conditions) rather than requiring a separate approval process. These services are critical service enhancement of the credit union business model and are standard financial products for consumers that they would expect to be able to obtain in their financial institution.

Many credit unions are now operating current accounts successfully and we believe at this point that there is sufficient evidence and experience of the operation of the product to allow for it to be provided in the Exempt Services Schedule, again with appropriate conditions based on the experience to date.

2. Bill Payment Services:

We would question whether it is necessary to include this on the Exempt Services schedule. It could be argued that this would be part of a credit union normal activities in carrying out the payments of a member.

14. Insurance intermediation services on an introduction basis only

Under this service there are nine conditions that a credit union has to comply with.

Condition (vii) provides that *“The credit union shall enter into a written agreement with the regulated entity under which that undertaking is responsible for any act or omission of the credit union concerned in respect of any matter pertaining to the insurance service offered or provided by the regulated entity;”*

In our opinion, this condition is not commercially sustainable. A third party regulated entity is unlikely, from their risk perspective, to wish to enter into any contract whereby they agree to take complete responsibility and liability for any act or omission of a credit union in this service provision. We believe that this condition is an unnecessary obstacle to the establishment of this service in a credit union.

We believe that this condition should be removed.

Mortgage Intermediaries

We believe that consideration should be given to the inclusion of mortgage intermediation services or mortgages intermediation services on an introduction basis to be included as an exempt service. This may well provide opportunities into the future for a credit union, for example that does not itself offer mortgages, to refer business to a mortgage CUSO. We would be happy to discuss this matter further.

Conclusion

We welcome the opportunity to make a submission on this consultation and we would be pleased to engage with you further or provide any additional information you may need with respect to our submission.