

Consumer Credit Association

Please excuse the delay in submitting this short observation for your Consultation Paper CP158.

The reason for the delay is that having read the Consultation Paper we were of the view that the regulations set out in S.I. No. 196 of 2020 were being transposed into the new Consumer protection code without alteration.

So I have outlined the view of the CCARI on one aspect of S.I. No. 196 of 2020 that we have highlighted to the High Cost Credit Team on a number of occasions.
This relates to the requirement to send a notification to a customer on their third missed payment.

Arrears

20. (1) A moneylender shall establish, maintain and adhere to written procedures for the handling of arrears cases.

(2) A moneylender shall advise a consumer of relevant debt counselling services, and the contact details for such services including the name and address of a local Money Advice and Budgeting Service office upon the **third default or missed payment** under a moneylending agreement, whether consecutive or otherwise, during the currency of a moneylending agreement.

(3) Paragraph (2) shall not apply to circumstances where -

- (a) a consumer is unable to make one or more repayments, in accordance with a moneylending agreement under which repayments are paid by the consumer to the moneylender or his or her representative at any place other than the business premises of the moneylender or the business premises of the supplier of goods or services under the agreement, due to the consumer being unavailable to make the repayment at the usual time and location, where the consumer has contacted the moneylender to re-arrange the repayment,
- (b) the moneylender has agreed to the variation of the repayment schedule with the consumer in advance of the repayment falling due, or
- (c) the consumer has already paid, by way of pre-payment or previous over-payment, the amount due on the missed payment date.

(4) A moneylender shall maintain a record of such agreement to vary a repayment schedule as referred to in paragraph (3)(b).

Comments from the CCARI

It is quite usual for HCC customers to miss three or more payments in the course of their loan agreement. The majority of customers catch up either before the loan is completed or clear the loan shortly after the loan period is ended.

In one sample of 2,210 loans issued in 2023, 80% of these loans had 4 or more missed payments during the loan period.

The vast majority of these customers do not consider themselves to be in arrears not to mind financial difficulties.

As there are no further charges, fees or interest added to these loans, these missed payments do not incur any extra penalties whatsoever. Therefore, the customer does not suffer any detriment and they are made aware of this at loan application stage and again when they sign the loan agreement.

When the three week notification letter or SMS is sent out it does not, in most cases, generate contact from the customer, other than causing a small number to complain and question the purpose of the notification.

Three weeks missed payments does not have any negative impact on the customers CCR record (based on CCR current calculations).

A customer must have accumulated 9 weeks arrears before it has a negative impact on a customers CCR report. ie it would then be classed as having 1 payment past due

It would be more beneficial for the customer if this notification was sent at a later stage. For example, to ascertain if the customer is in financial difficulty or an arrears situation is building for another reason. If this is not addressed, it could have an impact on the customers Credit Record. The lender can then manage this as part of their financial difficulties policies and procedures.