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Dear Colleagues,
Thank you for the new Consumer Protection Code. It is very well put together, and you can see the hard work that went into it.

The customer-centred approach is welcome, particularly the "Guidance on Securing Customers Interests".

As a provider of consultancy services to credit unions for over 20 years, I look forward to the day when the updated Code will apply to them, so that the treatment of members in arrears will finally be guided, codified and not left to individual credit unions to decide upon. Most credit unions are anxious to help members in difficulty and will take great care not to profit from members' financial distress. However, the current system for crediting loan repayments first to interest, then principal, with interest charged on the declining balance, creates the possibility for very negative outcomes for borrowers in arrears, particularly when they engage with the credit union and continue paying as best they can.

I offer the real-life example of a member who was vulnerable because of illness, as outlined in the Code.

[redacted]

[redacted]

I accept the Code's recognition that vulnerable borrowers cannot be protected from all negative outcomes, but I believe that more should be done to protect them from unfair outcomes. In particular:

- There is presently no guidance available to credit unions as to what limit (if any) should apply to the cost of credit. The new Code should either provide this or provide a method for approaching this issue in the context of securing borrowers' interests, by

addressing the question of how much interest a lender is entitled to charge under a credit agreement and how this should be determined.

- A member who engages with their credit union and repays their loan as best they can, should surely be entitled to at least as good an outcome as somebody who walks away from their credit agreement. In reality, had the borrower in my example paid nothing off the loan, the credit union would have been limited to charging her only that amount of interest which had accrued to the date of the charge-off which should itself be no greater than 53 weeks from the last payment to principal. Because she did her best and kept repaying, she was charged a multiple of this.

- The Code states that "firms are not expected to protect customers from risks inherent to a product, where they have complied with all their obligations and have confidence that the customer understands and accepts those risks". Warnings about what can happen if your loan goes into arrears are presently focused on damage to credit ratings. The Code should require far more specific information to be provided to borrowers, including a monetary value where applicable, or an indication of the additional cost by way of a "for example".

- Credit unions are limited in terms of the percentage charge per month that they can levy but there is no guidance on when (if ever) to stop charging interest and the possibility of an open-ended loan is very real. There is no warning given to the borrower that this could happen. The Code should address this.

Yours sincerely,
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