Savvi Credit Union Ltd,

56 Sir John Rogerson's Quay,
Dublin 2.

10th February 2025

Dear Registrar of Credit Unions,

Thank you for the opportunity to respond to CP159 - Consultation on Proposed Changes to the Credit Union Lending Regulations.

As a leading Credit Union with a proven recent track record in loan growth, we at Savvi Credit Union welcome the proposed changes which can be summarized as follows:

- to decouple the home and business lending concentration limits,
- increase the house lending limits and,
- the removal of Regulation 16.

We also recognise the Central Bank's caution towards a prudent approach to diversification of the loan book, in particular towards increasing lending with longer maturities, without due consideration on the impacts of such changes from both a liquidity and an ALM perspective.

Please find outlined below our answers to the 4 questions posed within CP159.

Q 1. Do you agree with the proposed changes to the concentration limits for house and business lending. These changes would:

• decouple the limits to prescribe new separate concentration limits for house lending and business lending;

• remove tiering whereby all credit unions regardless of asset size may avail of the same concentration limits;

• adjust the lending capacity available to all credit unions for house and business lending, within the new concentration limits, as follows:

- **house lending - 30% of total assets**
- **business lending - 10% of total assets**

Answer:

Yes, we are in agreement with the proposed changes.

Rationale:

We welcome the proposal to decouple house loans and business loans' concentration limits and the overall increase in lending limits. We were an advocate of this recommendation submitted within the February 2024 ILCU, CUDA, CUMA and NSF joint submission. The rationale made then, and still applicable today, is that these are two different products with different risk profiles; different skill set requirements and the combined concentration limits acts as barrier to entry.

In addition, the decoupling recognises that not all credit unions have the risk appetite or skill set to enter both house and business lending markets and hence the decoupling of these limits will allow for a focused loan growth model pertinent to the Credit Unions appetite.

We also welcome the removal of tiering and the increase in lending limits, in particular for house loans.

Q 2. Do you have any other comments on these proposed changes including on the need for any transitional arrangements related to the changes?

Answer:

We would welcome the earlier commencement of the New Regulations to 30th June 2025.

Rationale:

We do not believe there is a need for transitional arrangements. We acknowledge the timelines as set out in Part 8 of CP159. We also acknowledge the requirements with respect to the S84 Statutory Consultation process and the publication of a Feeback Statement. That said, given the consensus in relation to the proposed changes, the change in the market with the departure of KBC and Ulster Bank since the original 2020 Regulations, and the continued strengthening of the credit union financial and governance performance, we would respectively request that the Central Bank expedite the commencement of the New Regulations and the changes proposed in CP159 to 30th June 2025.

This will allow those Credit Unions whom have or are close to reaching their existing 15% limits to continue on with the pipeline build and limit the requirement to pause promotion which will potentially cause confusion and frustration amongst its member base.

Q 3. Do you agree with the proposed removal of Regulation 16 of the 2016 Regulations?

Answer:

We agree with the proposal to remove Regulation 16(1) and 16(2)

Rationale:

The existing requirement under Regulation 16(1) for SMEs to provide a business plan to a credit union for all loan amounts of €25,000 and greater, along with detailed financial projections, is putting credit unions, including Savvi at a competitive disadvantage . We would note that the average credit union business loan is below this threshold at approximately €23,000, so it potentially has acted as a brake on higher value lending.

Furthermore, as is recognised in CP159, credit unions also comply with SME Regulations - providing additional protections and transparency for SME’s when applying for and obtaining credit. We are confident that the removal of Regulation 16(1) will not only enhance member engagement, but help deliver increased lending growth and allow for further growth of new competition into the SME market.

Q 4. Do you have any other comments on this proposed change including on the need for any transitional arrangements related to the change?

Answer:

We do not believe there is a need for transitional arrangements. In addition to the removal of reporting requirements in Regulation 16(2).

In addition, we believe that the wider credit union sector needs a centralised liquidity support mechanism to provide alternative funding options than members' savings with the increasing lending and maturity limits albeit this is against the strong retention demonstrated historically within the behavioural life of members' savings across the sector. Savvi would welcome consideration to be given to a viable mechanism within a Corporate Credit Union structure.

Many thanks again for the opportunity to respond to this consultation and we re-iterate our support for the key aspects of this consultation.

Yours Sincerely,

Mark Beirne

CEO, Savvi Credit Union ltd.