

Ballinasloe Credit Union (Our Lady of Lourdes) Limited  
Main St  
Ballinasloe

26.06.2008

Dear Sirs,

**Having considered the Consultation Paper 32 – on the Voluntary Consumer Protection Code for Credit Unions the Board of BCU wishes to make the following response;**

The Board questions the necessity for this code given the ethos and philosophy of the credit union's focus on members. The Board notes that the code is voluntary in nature – it has no legal standing.

However the Board believes that most credit unions would subscribe to the code and as such it would in time become a quasi-legal code and will be used as such by the Financial Services Ombudsman etc. The Board noted the possible costs associated with the implementation of the code and noted that matters within the code may conflict with the standard rules. After much discussion the Board decided to make a submission on the matters raised so as to attempt to alleviate the excesses in the document.

The Board notes;

That the code may/will put a credit union to unnecessary expense;

It is a voluntary code and may not be required at all if credit unions are operating by the standard rules;

If its cost neutral then it may be acceptable;

If its implementation costs are astronomical it may make the c.u. unviable.

The Board notes in particular that the code:

- (Intro) Is in respect of credit union core services only i.e. savings and loans Chapter 2
- (8)(h) In its “Terms of Business” information leaflet the credit union must record a summary of its policy in respect of conflicts of interest;
- (10) Where the cu makes a material change to its terms of business it must provide each affected member with the details of same – i.e. does this imply that if the credit union changes its loan interest rate, must it notify each borrower (and if so is it by registered post). Is there a similar requirement in the banking world?
- (17) requires the cu to acknowledge in writing the receipt of a DD or Payroll deduction or SO; - why is this necessary and is there a similar requirement in the bank?
- (22) Requires the cu to collect sufficient information before offering a product to a member. - Is this a Fact Find before a person becomes a member and can open an account?
- (25) Obliges the cu to have the member certify the accuracy of information which the member gives to the cu.
- (27) (a) Obliges the cu to provide a “reasons why suitable ” letter to a member before providing a service (of savings or loans).

- (35) Sets out a procedure for the handling of complaints – this is already covered in the CU Act and the FSO office.
- (38) Requires that member records be retained for a period of 6 years after the member's last transaction. – Raises the matter of storage facilities and cost.

The Board further notes that the code in;

#### Chapter 3

- (1) Obliges a credit union to issue annual statements to members
- (7) Obliges a credit union to warn members of the consequences of operating a joint account.

#### Chapter 4

- (4) Obliges a credit union to advise members in loan arrears of the MABS.
- (9) Obliges a cu to provide written indicative comparison of the cost of credit vis a vis a credit union consolidation of loans.

This code, if implemented by law, will make it more difficult for credit unions to interact with their members and it will impose an unnecessary paper framework between the member and the credit union. (If you reflect on the current credit agreement you will understand what the Board means. In this respect a single page promissory note, easily understandable, has grown into a 4 page document that few members read). Certainly our contacts with our members should be of the highest order and clearly the aspiration to best practice in this regard cannot but be supported. However a clear balance must be struck between the member's needs, the requirement to disclose all relevant information and the credit union's responsibilities to deliver services to members. This code, in its present form, will impose undue hardship on both the credit union and its members.

Noel Madden  
Manager