

**Voluntary Consumer Protection Code for Credit Unions**  
**(In respect of their Core Services).**  
**Submission by Chapter 16**

Chapter 16 discussed the Voluntary Consumer Protection Code for Credit Unions.

These are Chapter 16 general and specific recommendations. Many of these points were also verbally presented to Martin Sisk at Regulator's Roadshow in Galway Bay Hotel, Salthill on 15/4/08.

**General Observations**

Prior Consultation did not take place on the contents of this Consultation Paper prior to its publication.

The special consideration been given to Credit Unions does not appear to be very different from what applies to the Banking Institutions.

Voluntary Code should not infer that its primary purpose is to ensure that the Credit Union does not pull a 'fast one' on the member. The object of the Credit Union has always been to provide the best possible service and value for its members.

The Code should positively commend the excellent relationship and trust that has always existed between the Credit Union and its members and encourage members to actively participate in the running of their Credit Union.

Administration involved in implementing the present draft Code will be a substantial cost on larger Credit Unions and very frustrating for smaller ones.

Code should be pruned to about half the size of the present draft.

To give members a booklet like 'Terms of Business' is good idea but a 'Welcome or Introduction Pack' would be more appropriate for CU members.

Code should be free of Bankers Jargon and easily understood.

The *Devil is in the Detail* and Code should propose more General Concepts and measures rather than spelling out specific and often laborious procedures.

The Name of the Code should be altered to Voluntary Protection Code for Credit Union Members. The word 'Consumer' does not accurately reflect the role of a CU member.

The suggestion that Credit Unions should be in any way restricted from contacting or talking to their members is contrary to the ethos and spirit of the Credit Union Movement.

Credit Unions need to have clarified for them the implications of either accepting or rejecting this Voluntary Consumer Protection Code for their Core Services of Savings and Loans. Does the Credit Union need this Code at all?

A Random Sample of Members should be surveyed about the effectiveness of Draft Code prior to its implementation.

### **Specific Observations**

#### **Introduction - Page 1, Paragraph 4.**

*“Preliminary consultation with the Credit Union Movement commenced in late 2006 and we have engaged in extensive consultation since then.”*

Irish League of Credit Unions (ILCU) in a memo sent to Credit Unions on the 28<sup>th</sup> March 2008 stated *“The League is disappointed to inform credit unions that no consultation of any consequence was entered into by the Financial Regulator with the League prior to the publication of the document and the League did not have sight of the document prior to its publication.”*

**Clarify: What consultation took place between the Financial Regulator and ILCU?**

#### **Scope - Page 3, Paragraph 2.**

*“The provisions of this Code will come into effect on a date to be agreed by the Financial Regulator with the Credit Union Movement.”*

**Note: Any change in rules of the Credit Union would need to be passed at an AGM / SGM before they could be adopted by Credit Unions.**

#### **Definitions – Page 4.**

*“Complaint” refers to an expression of grievance or dissatisfaction by a member, either verbally or in writing in connection with:*

- a) *the provision of a product or service to the member by a credit union, or*
- b) *The failure of a credit union to provide a product or service to the member.”*

**Note: Differentiate between actual complaint and an appeal following loan refusal.**

**Also note:**

- **Consumer not defined.**
- **Shareholders not mentioned.**

#### **Chapter 1 – General Principles. Page 7, No. 7.**

*“Seeks to avoid conflicts of interest”*

**Clarify: What conflict may exist between a Credit Union and members as members are the Credit Union?**

**Common Rules Page 8 Paragraph 4 – A Credit Union must not make the sale of a product or service contingent on the member purchasing another product or service.**

**Does this mean that a Credit Union could not insist on a member having Shares before granting that member a Loan?**

**Access – Page 9, No. 7.**

*“A credit union must take into consideration the provisions of the relevant anti- money laundering guidance notes issued with the approval of the Money Laundering Steering Committee, and in particular any guidance in such notes on how to establish identity, in order to ensure that a person is not denied access to financial services solely on the grounds that that person does not possess certain specified identification documentation”*

**Clarify: Whole paragraph?**

**Terms of Business – Page 9, No. 8.**

*“A credit union must draw up its terms of business and provide each member with a copy prior to providing the first service to that member.”*

**Clarify: When is the first service to a member – when opening a share account or when they apply for first loan? What about opening an account on behalf of an infant?**

**Terms of Business Page 9 Paragraph h** –*A summary of the Credit Union’s policy in relation to conflicts of interests.*

**What are examples of conflicts of interest?**

**Terms of Business Page 10 Paragraph 9** – *A Credit Union must provide its Terms of Business to a member as a stand alone document.*

**Will Terms of Business Document that prints when a member is placed on system be sufficient?**

**Terms of Business – Page 10, No. 10.**

*“Where the credit union makes a material change to its terms of business, it must provide each affected member with details of the change as soon as possible.”*

- **Clarify material change, would change of address be material change?**
- **How should the member be informed of this change? Postage is very expensive.**

**Provision of Information to the Member – Page 10, No. 13.**

*“Where a credit union intends to amend or alter the range of services it provides, it must give notice to affected members at least one month in advance of the amendment being introduced.”*

**Clarify: How are members to be informed / how is the credit union to communicate this information? Postage is very expensive.**

**Provision of Information to the Member – Page 11, No. 16.**

*“A credit union must provide a member with a receipt for each negotiable or non – negotiable instrument presented by the member as payment for a financial product or service provided by that credit union.”*

**Clarify what are negotiable and non - negotiable instruments?**

**Provision of Information to the Member – Page 11, No. 17.**

*“A credit union must acknowledge in writing, the receipt of a completed direct debit mandate or payroll deduction mandate...”*

**Note: Is this a duplication of Credit Agreement?**

**Knowing the Member Page 12 Paragraph 22 – Knowing the Member.**

**What knowledge about member would be required for each type of product that a Credit Union may be offering e.g. RPI, DBI, Travel Insurance, PRSA etc?**

**Suitability – Page 13, No. 27.**

*“Before providing a product or service to a member, a credit union must prepare a written statement setting out:*

- a) The reasons why a product or service offered to a member is considered to be suitable to that member.*
- b) the reasons why each of a selection of product options offered to a member are considered to be suitable to that member, or*
- c) The reasons why a recommended product is considered to be the most suitable product for that member...”*

**Note: Is this financial advice? This seems to imply that a member wishing to withdraw their shares should not be persuaded to take out a loan instead. This is contrary to long established credit union procedure.**

**Suggest remove No. 27 and replace with the following:**

*‘A Credit Union, having regard to the facts disclosed by the member and other relative facts about that member of which the Credit Union is aware, must endeavour to service that member’s requirements to the best advantage of that member’.*

**Unsolicited Contact (Coldcalling) – Page 14, No. 28.**

*“A credit union may make an unsolicited contact to a member, who is an individual, by way of a personal visit or telephone call, only if:...*

**Suggest remove No. 28 and replace with the following:**

*‘A Credit Union may make an unsolicited contact to a member, who is an individual, by way of personal visit, telephone call, text or email.’*

**Unsolicited Contact (Coldcalling) Page 14 Paragraph 29** – *Contact with Member may be made only between 9.00 am and 9.00pm Mon to Sat.*

**This requirement is restrictive especially for Credit Unions who may only be open at weekends (including Sundays).**

**Unsolicited Contact (Coldcalling) – Page 14, No. 31**

*“A credit union must abide by a request from a member not to make an unsolicited contact to him/her again.”*

**Suggest remove No. 31 and replace with the following:**

*‘A Credit Union must abide by a written request from a member not to make an unsolicited contact to him/her again by whatever mode is not acceptable to that member i.e. personal visit, telephone, text or email unless that member holds a product, which*

*requires the credit union to maintain contact with the member in relation to that product in which case the written request may be ignored.'*

**Charges – Page 15. No. 33 (b)**

*“A credit union must, where applicable:*

*advise affected members of increases in charges, or the introduction of any new charges, at least 30 days before the change takes effect;...”*

**Clarify: How are members to be informed, how should this be communicated?**

**Postage is very expensive.**

**Member Records Page 17 Paragraph 38** – *Maintain up-to-date member records.*

**Can such information be stored electronically rather than holding hard copies?**

**Compliance with Code Page 19 Paragraph 45** – *A Credit Union must have adequate systems in place to ensure compliance with this Code*

**Why ‘must’ when the Code is voluntary? This should be qualified – A Credit Union that has adopted this Code must have adequate systems in place to ensure compliance with the Code.**

**Statements Page 20 Paragraph 1** – *A Credit Union must, at least annually, issue statements to members of transactions on all share and deposit accounts.*

**This requirement would be very labour intensive and costly particularly where member has a number of different accounts.**

**Loans Chapter 4 – Page 22, No. 3**

*“If the terms of the loan agreement change, the credit union must notify the guarantor in writing.”*

**Note: Guarantor must sign new loan agreement before terms of the loan agreement are changed or refinancing loan is sanctioned. Is that not sufficient?**

**Loans Page 22 Paragraph 4** – *A Credit Union must advise members who have defaulted to contact MABS*

**This requirement will delay recovery of bad debt by giving the debtor a further excuse not to pay up promptly. It’s also ironic that MABS are always advising people with money difficulties to contact their local Credit Union so it’s a bit like sending the fool further.**

**Advertising Page 24 Paragraph 3** – *Name of Credit Union must be clearly shown in all advertisements.*

**This requirement could be difficult where several Credit Unions (like Chapter) combine for a composite Advert on Radio or in Newspaper.**

**END**

Joe McCarthy,

Chairman Chapter 16 (Phone 091-753651 or email:joeandmmccarthy@eircom.net).