



FINANCIAL REGULATOR
Rialtóir Airgeadais

Voluntary Consumer Protection
Code for Credit Unions

(In respect of their Core Services)

March 2008

Consultation Paper | CP32

INTRODUCTION

The Financial Regulator commenced operations on 1 May 2003, as the single body for regulating all financial services in Ireland. A key driving force behind our establishment was a determination to put consumers at the heart of financial services regulation.

In our public response to the Consultation Paper on the Consumer Protection Code (CP10) we stated that: "Following the publication of the Code, we will commence discussions with the Department of Finance, credit union representatives, consumer and social groups and other interested parties, with a view to applying an appropriate Code for credit unions. The Code for Credit Unions will take into consideration the special structure and voluntary ethos of the credit union movement". The Financial Regulator's Strategic Plan 2008-2010 states that the Financial Regulator will: "Consult credit unions on an appropriate consumer protection framework for their members, in respect of their core business". In the context of credit unions, 'Core Services' means Savings and Loans.

At this stage there is no legal basis to support the imposition of a statutory Consumer Protection Code for Credit Unions in respect of their Core Services. Accordingly, the intention is that such a Code would be voluntary in nature for the foreseeable future. However, in the event of a general review of credit union legislation taking place, the Financial Regulator will be seeking to have the Code written into such legislation.

Preliminary consultations with the Credit Union Movement commenced in late 2006 and we have engaged in extensive consultation since then. During this preliminary consultation process, we gave an undertaking to produce a first draft of the Code and forward the draft document to all Credit Unions, Credit Union Chapters, the various Credit Union Representative Organisations and other Stakeholders, and other interested parties. We are delivering on this commitment as part of the Formal Public Consultation process, which we are now commencing. The proposed Code is to be found at pages 3-27 of this Consultation Paper.

We believe that consumers are entitled to the same levels of protection regardless of which provider they are dealing with. This Consultation Paper applies all relevant parts of our existing Consumer Protection Code to Credit Unions making adjustments that take into account the nature of credit union business.

The Consultation Process

The closing date for submissions is **30 June 2008**.

We welcome submissions from all interested parties. Please make your submissions in writing and, if possible, by email or on disk.

When addressing any issues raised in this Consultation Paper the corresponding chapter and paragraph number should be used to identify the section being referred to. Where the issue being raised is not included in the Consultation Paper please indicate this in your submission.

We place a high value on the openness of the Consultation Process. We intend to make all submissions available on our website after the deadline for receiving submissions has passed. For this reason we would ask you not to include commercially or personally sensitive material in your submission.

If you do include such material, please highlight it clearly so that we may take reasonable steps to avoid publishing that material. This may involve publishing submissions with the sensitive material deleted, and indicating the deletions. In some cases it may not be possible to publish any information that you deem confidential. So be aware that, unless you clearly identify any commercially or personally sensitive information, you are making a submission on the basis that you consent to it being published in full. We will not publish any material that we deem potentially libellous.

Please mark your submission 'Credit Union Code' and send it to:

Consumer Protection Codes Department
Financial Regulator
P.O. Box 9138
College Green
Dublin 2

Email: creditunioncode@financialregulator.ie

Fax: 01 410 4969

SCOPE

To whom this Code applies

This Consumer Protection Code for Credit Unions ("Code"), is issued by and in the name of the Irish Financial Services Regulatory Authority ("Financial Regulator") and applies to credit unions within the State.

This Code is being adopted by credit unions on a voluntary basis.

Other Matters

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

We use the term 'credit union' throughout the Code to refer to entities to whom the Code applies.

Please refer to the Definitions section for any term shown in bold and italics throughout the text of the Code.

DEFINITIONS

In this Code:

"**advertisement**" means any commercial communication usually paid for by a **credit union**, which is addressed to the **member**, public, or a section of it, the purpose being to advertise a product, service or **credit union** the subject of this Code;

"**advertised product or service**" means a product or service that is the subject of an **advertisement**;

"**business day**" means any day except Saturday, Sunday, bank holidays and public holidays;

"**certified person**" has the meaning assigned to it by Section 55 of the Investment Intermediaries Act, 1995;

"**charges**" means any cost or fee which a member must pay in connection with a product or service provided by a **credit union**;

"**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**;

"**core service**" means savings or loans;

"**credit union**" means a society registered as such under the Credit Union Act 1997, (as amended), including a society deemed to be so registered;

"**employee**" means a person employed under a contract of service or a person otherwise employed by a **credit union**;

"**inducement**" means any gifts or rewards (monetary or otherwise) provided to a **credit union** but does not include:

- a) disclosable commission, or
- b) goods or services which can reasonably be expected to assist in the provision of services to members and which are provided or are to be provided under a soft commission agreement;

"member" means a member of a **credit union**;

"officer" in relation to a **credit union** includes a chairman (or president), vice chairman (or vice president), treasurer or secretary, a member of the board of directors or of a principal committee or supervisory committee, employee or credit control officer, but does not include an auditor;

"outsourced activity" is where a **credit union** employs another person (other than a natural person who is an employee of the **credit union** under a contract of service) to carry out an activity on its behalf;

"person" means a natural person or a legal person;

"protection policies" for the purposes of this Code include the following:

- a) insurances of a class falling within the European Communities (Non-Life Assurance) Framework Regulations, 1994; and
- b) insurances of classes I, III and IV as set out in Annex I of the European Communities (Life Assurance) Framework Regulations, 1994 where the purpose and intention of the policy is solely to provide protection;

"record" means any document, file or information (whether stored electronically or otherwise) and which is capable of being reproduced in a legible form;

"soft commission agreement" means any agreement under which a **credit union** receives goods or services, in return for which it agrees to direct business through or in the way of another **person**;

"terms of business" means the document in which a **credit union** sets out the basis on which it will conduct business with members;

"voluntary assistant" in relation to a credit union means a member of the **credit union** who, although not an **officer** of the **credit union**, is engaged in any way (but without remuneration), in the operation of the **credit union**.

Contents

General Principles	7
Common Rules For All Credit Unions	8
Share And Deposit Accounts	20
Loans	22
Advertising	24

CHAPTER 1

GENERAL PRINCIPLES

A **credit union** must ensure that in all its dealings with **members** it:

- 1 acts honestly, fairly and professionally in the best interests of its **members**;
- 2 acts with due skill, care and diligence in the best interests of its **members**;
- 3 does not recklessly, negligently or deliberately mislead a **member** as to the real or perceived advantages or disadvantages of any product or service;
- 4 has and employs effectively the resources and procedures, systems and control checks that are necessary for compliance with this Code;
- 5 seeks from its **members** information relevant to the product or service requested;
- 6 makes full disclosure of all relevant material information, including all **charges**, if any, in a way that seeks to inform the **member**;
- 7 seeks to avoid conflicts of interest;
- 8 corrects errors and handles **complaints** speedily, efficiently and fairly;
- 9 does not exert undue pressure or undue influence on a **member**;
- 10 ensures that any **outsourced activity** complies with the requirements of this Code; and
- 11 complies with the letter and spirit of this Code.

CHAPTER 2

COMMON RULES FOR ALL CREDIT UNIONS

GENERAL

- 1 A **credit union** must ensure that the name of a product or service, which it provides is not misleading in terms of the benefits that the product or service can deliver.
- 2 A **credit union** must ensure that all instructions from or on behalf of a **member** are processed properly and promptly and that the date of both the receipt and transmission of the instructions is recorded.
- 3 A **credit union** must ensure that, where it accepts an instruction from a **member** that is subject to any condition imposed by the **member**, it maintains a **record** of the condition to which the instruction is subject.
- 4 A **credit union** must not make the sale of a product or service contingent on the **member** purchasing another product or service from the **credit union**.
- 5 A **credit union** must not charge a **member** a fee for any optional extra(s) offered in conjunction with a product or service, unless that **member** has positively indicated that they wish to purchase the optional extra(s).
- 6 A **credit union** must ensure that all warnings required by this Code are prominent, i.e. they must be in a box, in bold type and of a font size that is larger than the normal font size used throughout the document or **advertisement**.

ACCESS

- 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.

TERMS OF BUSINESS

- 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**. The **terms of business** must set out the basis on which the **credit union** provides its services and must include at least the following:
- a) the legal name, address, and contact details of the **credit union**;
 - b) confirmation that the **credit union** is registered and the name of the competent authority that has registered the **credit union**;
 - c) the name of the regulatory authority which currently regulates the **credit union**;
 - d) the regulatory status of the **credit union**;
 - e) a description of the services that the **credit union** provides;
 - f) if the **credit union** is tied for any of the services outlined in e) above, the name of the regulated entity to which it is tied and details of the service for which it is tied;
 - g) a general statement of the **charges**, if any, imposed directly by the **credit union**;
 - h) a summary of the **credit union's** policy in relation to conflicts of interest;

- i) an outline of the action and remedies which the **credit union** may take in the event of default by the **member**,
 - j) a summary of the **complaints** procedure operated by the **credit union**; and
 - k) if the **credit union** is a member of a compensation scheme, the name of the scheme and the nature and level of protection available from the scheme.
- 9 A **credit union** must provide its **terms of business** to a **member** as a stand-alone document.
- 10 Where a **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.

PROVISION OF INFORMATION TO THE MEMBER

- 11 A **credit union** must ensure that all information it provides to a **member** is clear and comprehensible, and that key items are brought to the attention of the **member**. The method of presentation must not disguise, diminish or obscure important information.
- 12 A **credit union** must supply information to a **member** on a timely basis. In doing so, the **credit union** must have regard to the following:
- a) the urgency of the situation; and
 - b) the time necessary for the **member** to absorb and react to the information provided.
- 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.
- 14 A **credit union** must ensure that, where applicable, documents conferring ownership rights are given to the **member** in a timely manner or are held for safekeeping under an agreement with the **member**.
- 15 A **credit union** must ensure that, where it intends to record a telephone conversation with a **member**, it informs the **member**, at the outset of the conversation, that it is being recorded.

- 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**.
- 17 A **credit union** must acknowledge in writing, the receipt of a completed direct debit mandate or payroll deduction mandate, received from a **member** as a payment instruction for a financial product or service provided by that **credit union**.
- 18 A **credit union** must ensure that, where it communicates with a **member** using electronic media, it has in place appropriate arrangements to ensure the secure transmission of information to, and receipt of information from, the **member**.
- 19 A **credit union** must provide each **member** with the terms and conditions attaching to a product or service, before the **member** enters into a contract for that product or service, or before the cooling-off period (if any) expires.
- 20 A **credit union** must ensure that all printed information it provides to **members** is of a print size that is clearly legible.

PRESERVATION OF A MEMBER'S RIGHTS

- 21 A **credit union** must not, in any communication or agreement with a **member** (except where permitted by applicable legislation), exclude or restrict, or seek to exclude or restrict:
- a) any legal liability or duty of care to a **member**, which it has under applicable law or under this Code;
 - b) any other duty to act with skill, care and diligence, which is owed to a **member** in connection with the provision to that **member** of financial services; or
 - c) any liability owed to a **member** for failure to exercise the degree of skill, care and diligence that may reasonably be expected of it in the provision of a financial service.

KNOWING THE MEMBER

- 22 Before providing a product or service to a **member**, a **credit union** must gather and record sufficient information from the **member** to enable it to provide a recommendation or a product or service appropriate to that **member**. The level of information gathered should be appropriate to the nature and complexity of the product or service being sought by the **member**, but must be to a level that allows the **credit union** to provide a professional service.

This requirement does not apply where:

- i) the **member** is opening a share account or a deposit account;
 - ii) the **member** has specified both the product and the product provider and has not received any advice; or
 - iii) the **member** is purchasing or selling foreign currency.
- 23 A **credit union** must gather and record details of any material changes to a **member's** circumstances before providing that **member** with a subsequent product or service.
- 24 A **credit union** must ensure that, where a **member** refuses to provide information sought in compliance with this Code, the refusal is noted on that **member's** records.
- 25 A **credit union** must endeavour to have the **member** certify the accuracy of the information it has provided to the **credit union**. Where the **member** declines to do so, the **credit union** must note this on the **member's records**.

SUITABILITY

- 26 A **credit union** must ensure that, having regard to the facts disclosed by the **member** and other relevant facts about that **member** of which the **credit union** is aware:
- a) any product or service offered to a **member** is suitable to that **member**;
 - b) where it offers a selection of product options to the **member**, the product options contained in the selection represent the most suitable from the range available to the **credit union**; or
 - c) where it recommends a product to a **member**, the recommended product is the most suitable product for that **member**.

This requirement does not apply where:

- i) the **member** is opening a share account or a deposit account;
 - ii) the **member** has specified both the product and the provider and has not received any advice; or
 - iii) the **member** is purchasing or selling foreign currency.
- 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**.

The **credit union** must give a copy of this written statement to the **member** and retain a copy.

This requirement does not apply where:

- i) the **member** is opening a share account or a deposit account;
- ii) the **member** has specified both the product and the provider and has not received any advice; or
- iii) the **member** is purchasing or selling foreign currency.

UNSOLICITED CONTACT (COLDCALLING)

28 When contacting a **member**:

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:

- a) the **credit union** has, within the previous twelve months, provided that **member** with a product or service similar to the purpose of the unsolicited contact;
- b) the **member** holds a product, which requires the **credit union** to maintain contact with the **member** in relation to that product;
- c) the purpose of the contact is limited to offering **protection policies** only; or
- d) the **member** has given his/her consent in writing to being contacted in this way by the **credit union**.

29 Unsolicited contact, made in accordance with this Code, may be made only between 9.00 a.m. and 9.00 p.m. Monday to Saturday (excluding bank holidays and public holidays), unless otherwise requested by the **member**.

30 When making an unsolicited contact in accordance with this Code, the representative of a **credit union** must immediately and in the following order:

- a) identify himself or herself by name, the name of the **credit union** on whose behalf he/she is calling and the purpose of the contact;
- b) inform the **member** that the call is being recorded, if this is the case; and
- c) establish if the **member** wishes the call to proceed; if not the caller must end the contact immediately.

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

32 A **credit union** must not reach a binding agreement with a **member** on the basis of an unsolicited contact alone, except in the circumstances permitted under the European Communities (Distance Marketing of Consumer Financial Services) Regulations, 2004.

CHARGES

33 A **credit union** must, where applicable:

- a) provide the **member** with details of all **charges**, including third party **charges**, which the **credit union** will pass on to the **member**, prior to providing a service to the **member** and where such **charges** cannot be ascertained in advance, the **credit union** must advise the **member** that such **charges** will be levied as part of the transaction;
- b) advise affected **members** of increases in **charges**, or the introduction of any new **charges**, at least 30 days before the change takes effect;
- c) detail in each statement provided to the **member**, all **charges** applied during the period covered by that statement; and
- d) where **charges** are accumulated and applied periodically to accounts, advise **members** at least 10 **business days** before deduction of **charges** and give each **member** a breakdown of such **charges**, except where **charges** total an amount of €12.70 or less.

ERRORS

34 A **credit union** must:

- a) speedily, efficiently and fairly, correct an error in any charge or price levied on, or quoted to, a **member** in respect of any product or service the subject of this Code;
- b) where the **credit union** considers that there may have been a material charging or pricing error, without delay, inform the Financial Regulator of its proposals for correcting any such error as may have occurred in accordance with paragraph a) above (if any such information is provided verbally in the first instance, it must be provided to the Financial Regulator in writing on the next **business day**); and
- c) notify all affected **members**, both current and former, in a timely manner and in such form as may be agreed with the Financial Regulator, of any material charging or pricing error that impacted negatively on the cost of the service or the value of the product provided.

HANDLING COMPLAINTS

- 35 A **credit union** must have in place a written procedure for the proper handling of **complaints**. This procedure need not apply where the **complaint** has been resolved to the complainant's satisfaction within 5 **business days**, provided however that a record of this fact is maintained. At a minimum this procedure must provide that:
- a) the **credit union** will acknowledge each **complaint** in writing within 5 **business days** of the **complaint** being received;
 - b) the **credit union** will provide the complainant with the name of one or more individuals appointed by the **credit union** to be the complainant's point of contact in relation to the **complaint** until the **complaint** is resolved or cannot be processed any further;
 - c) the **credit union** will provide the complainant with a regular written update on the progress of the investigation of the **complaint** at intervals of not greater than 20 **business days**;
 - d) the **credit union** will attempt to investigate and resolve a **complaint** within 50 **business days** of having received the **complaint**; where the 50 **business days** have elapsed and the **complaint** is not resolved, the **credit union** will inform the complainant of the anticipated timeframe within which the **credit union** hopes to resolve the **complaint** and of the **member's** right to refer the matter to the Financial Services Ombudsman, the Pensions Ombudsman or the District Court where relevant, and will provide the **member** with the contact details of such Ombudsman; and
 - e) the **credit union** will advise the complainant in writing, within 5 **business days** of the completion of the investigation of a **complaint**, of the outcome of the investigation and, where applicable, explain the terms of any offer or settlement being made. The **credit union** will also inform the complainant of the right to refer the matter to the Financial Services Ombudsman or the Pensions Ombudsman, where relevant, and will provide the **member** with the contact details of such Ombudsman.
- 36 When a **credit union** receives a verbal **complaint**, it must offer the **member** the opportunity to have the **complaint** treated as a written **complaint**.
- 37 A **credit union** must maintain an up-to-date **record** of all **complaints** subject to the complaints procedure. This **record** must contain the details of each **complaint**, a **record** of the **credit union's** response(s), any other relevant correspondence or **records** and the action taken to resolve each **complaint**.

MEMBER RECORDS

- 38 A **credit union** must maintain up-to-date **member records** containing at least the following:
- a) a copy of all documents required for **member** identification and profile;
 - b) the **member's** contact details;
 - c) all information and documents prepared in compliance with this Code;
 - d) details of products and services provided to the **member**;
 - e) all correspondence with the **member** and details of any other information provided to the **member** in relation to the product or service;
 - f) all documents or applications completed or signed by the **member**;
 - g) copies of all original documents submitted by the **member** in support of an application for the provision of a service or product; and
 - h) all other relevant information concerning the **member**.

Details of individual transactions must be retained for 6 years after the date of the transaction. All other **records** required under a) to h), above, must be retained for 6 years from the date the relationship ends. **Member records** are not required to be kept in a single location but must be complete and readily accessible.

FEES, COMMISSIONS AND OTHER REWARDS

- 39 A **credit union** may pay a fee, commission, other reward or remuneration only to a **person** that is:
- a) a **credit union**;
 - b) a **certified person**;
 - c) an individual for whom a **credit union** has taken full and unconditional responsibility;
 - d) an entity specifically exempt by law from requiring authorisation;

- e) an authorised "credit intermediary" (within the meaning of the Consumer Credit Act, 1995); or
- f) a financial services provider operating in the State in accordance with freedom of services or establishment provisions of EU law.

CONFLICTS OF INTEREST

- 40 Where conflicts of interest arise and cannot be reasonably avoided, a **credit union** may undertake business with or on behalf of a **member** with whom it has directly or indirectly a conflicting interest, only where that **member** has acknowledged, in writing, that he/she is aware of the conflict of interest and that he/she still wants to proceed.
- 41 A **credit union** must take reasonable steps to ensure that it or any of its **officers** or **employees** does not offer, give, solicit or accept, any **inducement** likely to conflict with any duties of the recipient or of the recipient's employer.
- 42 A **credit union** must not enter into a **soft commission agreement** unless such agreement is in writing. Any business transacted under a **soft commission agreement** must not conflict with the best interests of its **members**. Where a **credit union** considers that a **member** may be affected by the **soft commission agreement**, the **member** must be made aware of the **soft commission agreement** and of how the **soft commission agreement** may affect him/her. A copy of the **soft commission agreement** must be made available to the **member** on request.
- 43 Goods or services received by a **credit union** under a **soft commission agreement** must be used to assist in the provision of services to **members**.
- 44 A **credit union** must provide to any affected **member** details of any changes in its policy on **soft commission agreements** promptly after implementation of any such changes.

COMPLIANCE WITH THIS CODE

- 45 A **credit union** must have adequate systems and controls in place to ensure compliance with this Code.
- 46 Where the Financial Regulator requests a **credit union** to provide information in respect of the **credit union's** compliance with this Code, such **credit union** should provide information which is full, fair and accurate in all respects and not misleading and to do so in any reasonable period of time or format that may be specified by the Financial Regulator.
- 47 Where the Financial Regulator requests information in respect of a **credit union's** compliance with this Code, and the Financial Regulator is of the opinion that a meeting with personnel of the **credit union** is necessary in order to procure such information in a satisfactory manner, the **credit union** must use its best endeavours to arrange for appropriate personnel to participate in such a meeting in order to provide the requested information to the Financial Regulator.

CHAPTER 3

SHARE AND DEPOSIT ACCOUNTS

STATEMENTS

- 1 A **credit union** must, at least annually, issue statements of transactions on all share and deposit accounts with a balance in excess of €20, unless otherwise agreed with the **member** in writing.

This statement must:

- a) include details of the dividend or interest rates applied to the account during the period covered by the statement;
- b) be issued to the **member's** last known postal address, or be made available to the **member** electronically if the **member** so requests; and
- c) where tax is deducted from a dividend or interest paid, provide information on the tax deducted or inform **members** how they may obtain a certificate detailing the tax paid.

CHANGES IN INTEREST RATES

- 2 A **credit union** must ensure that when it announces a change in interest rates, the notification states clearly the date from which the changes will apply.
- 3 Where a **credit union** changes the interest rate on deposit accounts, it must update the information on information services, including telephone helplines and websites as soon as the change comes into effect.

ACCOUNTS

- 4 A **credit union** must make available to existing deposit holding **members**, details of the different interest rates, if any, that are being applied to its other deposit accounts.
- 5 A **credit union** must ensure that at least 10 days before the maturity of a fixed-term deposit, which has a minimum term of 1 year, it alerts the **member** about its impending maturity.
- 6 A **credit union** must ensure that any funds lodged by a **member** to the **member's** share or deposit account are credited to that account on that day.

JOINT ACCOUNTS

- 7 A **credit union** must, before a **member** opens a joint account, which permits full access and use of funds in the account by either named party, warn such **member** of the consequences of opening and operating such a joint account.
- 8 A **credit union** must ascertain from the accountholders of a joint account any limitations that they wish to impose on the operations of the account.

CHAPTER 4

LOANS

UNSOLICITED CREDIT FACILITIES

- 1 A **credit union** must not offer unsolicited pre-approved credit facilities.

ARREARS AND GUARANTEES

- 2 Where a loan is being advanced subject to a guarantee, the guarantee must outline the obligations of the guarantor and must contain the following warning:

Warning: As a guarantor of this loan, you will have to pay off the loan, the interest and all associated charges, if any, if the borrowing member does not. Before you sign this guarantee you should get independent legal advice.

- 3 If the terms of the loan agreement change, the **credit union** must notify the guarantor in writing.
- 4 A **credit union** must have in place procedures for the handling of arrears cases.

A **credit union** must advise members who have defaulted on their repayments of relevant credit counseling services and the contact details for such a service, e.g. name and address of a local Money Advice & Budgeting Service (MABS).

PAYMENT PROTECTION INSURANCE

- 5 Where a **credit union** offers payment protection insurance in conjunction with a loan, the initial repayment estimate of the loan advised to the **member** must be exclusive of the payment protection premium.
- 6 A combined application form can be used, provided that all information relating to payment protection insurance is contained in a separate section and this section also contains a requirement for the **member** to sign in order to apply for payment protection insurance.
- 7 A text box indicating that the payment protection insurance is optional must be included in the application form immediately above where the **member** is required to sign.

PERSONAL LENDING

- 8 Prior to a loan being approved, a **credit union** must explain to a **member** the effect, if any, of missing any of the scheduled repayments. This information must be highlighted in any relevant documentation and the following notice should also appear:

Warning: If you do not meet the repayments on your loan, your account will go into arrears. This may affect your credit rating.

CONSOLIDATION

- 9 Where a loan is offered to a **member** for the purpose of consolidating other loans or credit facilities, the **credit union** must provide the **member** with a written indicative comparison of the total cost of continuing with the existing facilities and the total cost of the consolidated facility on offer.

CHAPTER 5

ADVERTISING

GENERAL REQUIREMENTS

- 1 A **credit union** must ensure that all its **advertisements** are fair and not misleading.
- 2 An **advertisement** must not influence a **member's** attitude to the **advertised product or service** or the **credit union** either by inaccuracy, ambiguity, exaggeration or omission.
- 3 The name of the **credit union** publishing an **advertisement** must be clearly shown in all **advertisements**.
- 4 The nature or type of the **advertised product or service** must be clear and not disguised in any way.
- 5 An **advertisement** must be designed and presented so that any reasonable **member** knows immediately that it is an **advertisement**.
- 6 The design and presentation of an **advertisement** must allow it to be clearly understood. Where small print or footnotes are used, they should be of sufficient size and prominence to be clearly legible. Where appropriate they should be linked to the relevant part of the main copy.
- 7 Warnings and product specific information must be clear and must not be obscured or disguised in any way by the content, design or format of the **advertisement**.
- 8 An **advertisement** that uses promotional or introductory rates must clearly state the expiry date of that rate and provide an indication of the rate that will apply thereafter. This requirement does not apply to **advertisements** for loans where the promotional rate is for a period that does not exceed 1 year.
- 9 Any statement or promise contained in an **advertisement** must be true and not misleading at the time it is made and any assumptions on which it is based must be reasonable and stated clearly.
- 10 Any forecast contained in an **advertisement** must not be misleading at the time it is made and any assumptions on which it is based must be reasonable and stated clearly.
- 11 An **advertisement** must not be misleading in relation to:

- a) the **credit union's** independence or the independence of the information it provides;
 - b) the **credit union's** ability to provide the **advertised product or service**;
 - c) the scale of the **credit union's** activities;
 - d) the extent of the resources of the **credit union**;
 - e) the nature of the **credit union's** or any other **person's** involvement in the **advertised product or service**;
 - f) the scarcity of the **advertised product or service**;
 - g) past performance or possible future performance of the **advertised product or service**.
- 12 An **advertisement** that promotes more than one product must set out clearly the different features of each product in such a way that a **member** could distinguish between the products.
- 13 Any recommendations or commendations quoted must be complete, fair, accurate and not misleading at the time of issue, and relevant to the **advertised product or service**.
- 14 A recommendation or commendation may not be used without the consent of the author and, if the author has received any payment from the **credit union** for the recommendation or commendation, the **advertisement** must state that fact.
- 15 Comparisons or contrasts must be based either on facts verified by the **credit union**, or on reasonable assumptions stated within the **advertisement** and must be presented in a fair and balanced way; and not omit anything material to the comparison or contrast. Material differences between the products must be set out clearly.
- 16 It is not necessary to display the required warnings set out in this chapter if the **advertisement** does not refer to the benefits of a product but only invites a **member** to discuss the product or service in more detail with the **credit union**.

LENDING

- 17 Where an **advertisement** includes an annual percentage rate, the **advertisement** must clearly state if the underlying interest rate is fixed or variable.
- 18 An **advertisement** for a loan for a specified term must, if displaying the annual percentage rate and the term, display the total cost of credit.
- 19 **Advertisements** for the consolidation of two or more debts must, where sample figures are offered in the **advertisement**, indicate the difference between the total cost of credit of the consolidated loan and the total cost of credit of the individual debts that are the subject of consolidation.
- 20 An **advertisement** for a debt consolidation loan must carry the following warning:

Warning: This new loan may take longer to pay off than your previous loans. This means you may pay more than if you paid over a shorter term.

SAVINGS & INVESTMENTS

- 21 Where an interest rate for a deposit account is displayed in an **advertisement**, it must clearly state the following:
 - a) whether the rate quoted is variable or fixed, and if fixed, for what period;
 - b) the relevant interest rate for each term quoted together with the equivalent annual rate for each rate quoted, and each rate should be given equal prominence;
 - c) the minimum term and/or minimum amount required to qualify for a specified rate of interest, if applicable; and
 - d) if any tax is payable on the interest earned.

- 22 Information about the past performance of the **advertised product or service** or of the **credit union** must:
- a) be based on a product similar to that being advertised;
 - b) not be selected so as to exaggerate the success or disguise the lack of success of the **advertised product or service**;
 - c) state the source of the information;
 - d) be based on actual performance;
 - e) state clearly the period chosen, which must be related to the term of the product being advertised; where that term is open-ended, the longest term available should be included;
 - f) include the most recent period;
 - g) indicate, where they arise, details of transaction costs, interest and taxation that have been taken into account; and
 - h) state, where applicable, the basis upon which performance is quoted.
- 23 An **advertisement**, which contains information on past performance, must contain the following warning:

Warning: Past performance is not a reliable guide to future performance.





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