

**CP32 Voluntary Consumer Protection Code for Credit Unions
Submission by Credit Union Technology Suppliers Forum**

30th June 2008

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

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Submission by the Credit Union Technology Suppliers Forum**

The following submission on CP32 is made by the Credit Union Technology Suppliers Forum (CUTSF). The Forum was established in May 2005 on the suggestion of Brendan Logue Registrar of Credit Unions and meets bi-monthly. It consists of nine suppliers providing member accounting systems to practically every credit union in the State. Current participants in the Forum are:

Everest Computers Limited
Fern Computer Services Limited
ICE Cube Computer Services Limited
Langford Computer Support
Octagon Computer Services
Pallas Computer Systems Limited
Percom Computers Limited
Progress Systems Limited
Wellington Computer Systems Limited

The objectives of the Forum are:

- (a) to discuss non-competitive areas of common interest to suppliers of credit union member accounting systems
- (b) to bring about better understanding and working relationships with credit union representative bodies and regulators
- (c) to contribute to the development of credit union IT standards.

Introduction

This submission focuses solely on technology related issues. In particular, suppliers are conscious that certain provisions within the draft code will necessitate system changes. It is noted that the provisions of the Code will come into effect on a date to be agreed by the Financial Regulator with the Credit Union Movement. The Financial Regulator and the Credit Union Movement need to take account of the lead times for specifying, programming, testing, and implement system changes in credit unions before setting dates.

As it is a voluntary Code it may not be adopted at all or in full by all credit unions. Software suppliers can only implement system changes when requested to do so by credit unions. In most cases, system changes are prioritised by User Groups.

Software suppliers acknowledge that there are other aspects of the draft code that credit unions and their representative bodies may be interested in and that these will be covered in their respective responses to the consultation paper.

Detailed Response

Chapter 1 – General Principles

- **4.** The 'procedures, systems and controls' necessary for compliance with the code are not outlined. In particular, it is unclear whether certain records are required in an electronic format.

Chapter 2 – Common Rules for all Credit Unions

- **2.** Provisions are open to misinterpretation and abuse. The requirement that the date of both the receipt and transmission of instructions be recorded (p.8) has already been interpreted by some service providers to mean that telephone instructions must be recorded. This is clearly not the case. The extent to which member instructions need to be recorded, stored and reflected on member accounts should be clarified. How long does this date have to be held?
- **18.** The requirement for secure electronic communications with members should depend on the sensitivity of the data. For example, online applications and access to account information should always be encrypted, while general emails of a non-sensitive nature and marketing emails need not be encrypted.
- **20.** What constitutes a print size that is clearly legible on forms. Eyesight deteriorates with age and colour is as important as print size when it comes to legibility. Legibility is the issue, not print size.
- **22.** Who decides on the 'level of information' appropriate to the product or service? Presumably, this information should be captured on application forms.
- **23.** What would be considered material changes in a member's circumstances for the purposes of issuing a loan? Income is obvious, but would an increase / reduction in the number of dependents be considered a material change. Does this information need to be captured every time a loan is issued and is it a systems overwrite or must the circumstances prevailing at the time each loan is issued be recorded and retained. Is it sufficient for this information to appear on the printed loan application or does it have to be retained electronically?
- **24.** Member refusals to provide information sought in compliance with the Code must be noted on the member's records. Is this provision subject to paragraph 38?
- **25.** What information provided to the credit union must the member certify as accurate and how is this done? Where a member declines, a note of the refusal must be retained on the member's record. Is this provision subject to paragraph 38?

- **26i).** Does the exemption from the suitability requirements apply to all share and deposit accounts, including special term share accounts and fixed term deposit accounts? Why aren't loans accounts exempt? Credit Unions usually only distinguish between loan products based on loan purpose, size or duration. There may be only one loan product available for any given set of circumstances.
- **31.** Credit Unions must abide by a request from a member not to make an unsolicited contact to him / her again. This section relates to coldcalling (i.e. personal visits or telephone calls). Does it also apply to written communications by post and electronic communications by email and text messaging?
- **33c)** Is there a requirement regarding the frequency of statements incorporating charges or is it subject to Chapter 3 -1. (i.e. at least annually for share and deposit accounts with balances in excess of €20)?
- **33d)** What level of breakdown is required for the breakdown of charges? Is the type and volume of transactions sufficient? What is the position regarding annual charges that are known in advance and are either collectively agreed by the members (e.g. death benefit insurance premium) or where individual members sign-up to participate (e.g. member's car draw)?

Confirmation is required that direct deductions from members' accounts that do not constitute a charge for a product or service, are not subject to this provision (e.g. membership / affiliation fees, contributions to third world / development funds). These deductions are in the credit unions' registered rules or agreed at general meetings.

- **38.** Can member records be a combination of system and manual files on different storage media, as at present? Does this provision apply to member refusals to provide information in paragraphs 24 and 25.

Chapter 3 – Share & Deposit Accounts

- **1.** Can a member agree in writing that a statement is not necessary or agree criteria other than a minimum balance for issuing statements of transactions? If a statement of account is issued annually, can it be issued with a notice of Annual General Meeting?

Is there a requirement under this provision to physically issue a statement of account to the member? If a member is registered for an online service that provides access to account balances and statements at any time, is there still a requirement to physically issue a statement, at least annually? If the answer is yes, can a member agree to waive this requirement?

- **2.** How are Credit Unions obliged to notify members of changes in interest rates? Are individual notifications to members required?
- **6.** Does 'credited to that account on that day' relate to a requirement to process transactions on the same day or does it refer to the value date for lodgements. In practice, express lodgements and transactions at schools and sub offices may not be processed until the following day.
- **8.** Where it is open to a joint accountholder to specify 'any limitations' on the operation of a joint account there are an infinite number of possibilities which would require reference to a written mandate. In general, credit unions give the option that either one or both parties have to sign to obtain a loan or withdraw from the account. Can the 'limitations' be restricted in this way?

Chapter 4 - Loans

- **1.** Does this provision apply to accounts with credit limits?
- **9.** Does this provision relate to top-up loans or consolidation of loans within the credit union or from other lenders? If it is the latter, it implies that credit unions or their members will have knowledge of the interest rates and unexpired terms of loans / credit facilities from other lenders. This may not be the case.

Chapter 5 - Advertising

- No Comments

Conclusion

The Credit Union Technology Suppliers Forum looks forward to engaging constructively with all parties to bring about the implementation of the Code that will be agreed between the Financial Regulator and the Credit Union Movement.

Software suppliers are available to meet the Financial Regulator and credit union stakeholders, if requested.