



# Dundrum Credit Union Limited

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## CREDIT UNION CODE

### Voluntary Consumer Protection Code for Credit Unions – Response by Dundrum Credit Union to Consultation Paper 32

Dundrum Credit Union is committed to the highest standard of service to members. We are committed to providing a professional, friendly service to our members together with excellent value for money.

Our members own the Credit Union and we believe they must be treated at all times with respect, honesty and transparency.

We are proud to state that our Board of Directors, Supervisory Committee, Management and Staff are dedicated to delivering those standards at all times.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Introduction
Provision Number	
Sub-provision	

In the Introduction, it is stated that the code for credit unions will take into consideration the special structure and voluntary ethos of the credit union movement.

In our opinion, the Code is largely similar to the existing Consumer Protection Code and, indeed, seems to have imported a lot of its content from the Code without any amendment.

We cannot see where consideration of the special structure and voluntary ethos of the credit union movement has been applied in the Code and we would appreciate if the sections where consideration has been given could be highlighted and brought to our attention.

It is stated that the Code will apply to the core business of credit unions and the 'core business' or 'core services' are defined as savings and loans. However, throughout the Code, foreign exchange is mentioned as is 'products', product providers' etc.  
Are other services and products included in the Code, other than Savings and Loans?  
If it is intended that other products are to be included, we would request that, where appropriate, the term 'and other products' should be used.

When referring to Savings and Loans, we request that the terms 'Savings' and 'Loans' be used to avoid confusion, as credit union people would seldom, if ever refer to our Savings and Loans as Products.

While we welcome many of the provisions in the code, we believe that no real consideration has been given to the ethos and structure of credit unions.

We believe that credit unions will experience additional costs and administration time and expense as a result of some of the provisions within the Code.

We believe that some of the proposed provisions will have a detrimental effect on the business of the credit union – see examples below.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	8
Sub-provision	h), i)

In general, we believe a booklet outlining the terms of business would be beneficial to the relationship between the credit union and the member and could be given to each member on joining the credit union.

Section h) needs to be clarified. If it relates to any conflict of interest between the credit union and the member, it should be included. We would ask that the Regulator give a specific example to assist credit unions in drawing up a suitable policy.

However, if Section h) refers to the credit union's policy in relation to conflicts of interest between the credit union and its officers, then the terms of business is not the place to include this.

We believe that the terms of business should not include an outline of the action and remedies which the credit union may take in the event of default by the member. Many members will never apply for a loan and it would be inappropriate and possibly offensive to include default actions for those members. Apart from this, we believe that the default actions should be outlined to the member when they apply for a loan, as this is the appropriate time to alert members.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	13
Sub-provision	

Is it intended that this provision would apply to non-core business i.e. not savings and loans?

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	17
Sub-provision	

This will unnecessarily add to the cost and administration of the credit union. Many members complete a direct debit form at the time of collecting a loan. It seems overly bureaucratic to be requiring credit unions to give receipts in writing in such cases. We note that no such requirement is imposed on moneylenders. We also wish to point out that we issue quarterly statements to members paying by direct debit and we believe this would be more than sufficient.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	22
Sub-provision	

If this provision does not apply to shares, deposits or foreign currency, would it be reasonable to assume that it only applies to loans? If so, would it be better to state that?

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	25
Sub-provision	

We believe it would be unreasonable to expect a member to certify the accuracy of the information provided on every occasion that the member applies for a loan. For instance, a member who receives a loan for a holiday in September may apply for a small loan for Christmas in October or November and we believe it would be unreasonable to expect a member to produce proof of address, payslips, bank statements, child benefit book, rent receipts etc. We believe in such circumstances that a signed statement by the member certifying the details to be true should be sufficient. We request that the Regulator state what parameters he would like to see on this provision.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	27
Sub-provision	

If this provision does not apply to shares, deposits or foreign currency, would it be reasonable to assume that it only applies to loans? If so, would it be better to state that?

We believe a 'reasons why' written statement is entirely unnecessary and will add to the cost and administration of the credit union. It is pure bureaucracy and a waste of paper. The credit union will always offer the member the most advantageous rate available. Apart from this, when the exclusions are factored in, we cannot think of an example where the credit union would need to give such a written statement. If the Regulator intends to proceed with this provision, we would expect that concrete examples would be given. Once again, we wish to state our objection to the inclusion of any such unnecessary provision. We believe provision 26 adequately deals with suitability.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	28
Sub-provision	

We presume text messages are not covered under this provision.

If this provision is designed to restrict unsolicited marketing phone calls or personal visits, we think it would be better to simply state that rather than using the general term unsolicited contact.

We believe sub provision a) is much too restrictive in terms of time.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	34
Sub-provision	b)

In our opinion, this provision should not apply to individual errors, as it would add unnecessary cost and administration to the credit union. For example, if a member was charged €10 with regard to an unpaid cheque and should have been charged €5, we believe it is entirely unnecessary to inform the Regulator in such an instance and the imposition of such a provision would be an unnecessary burden on the credit union and an undue interference by the Regulator. We request that the Regulator state what parameters he would like to see on this provision.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	36
Sub-provision	

We receive very few complaints from members, either verbal or written. We support the adoption of a transparent and fair complaints procedure for members.

We believe provision 36 is unnecessary, unless the member is not satisfied with the response to his/her verbal complaint.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	38
Sub-provision	e), f), h)

We believe the imposition of this provision will negatively impact on the cost and administrative burden of the credit union and is impractical. Is it intended that this provision would include AGM notices, marketing circulars, statements etc?

Provisions f) and h) are too vague.

We request that the Regulator state what parameters he would like to see on this provision.

We would also like clarification on whether the Regulator is intending that a credit union be required to keep a hard copy of such records.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	39
Sub-provision	

We think 'outsourced activity' should be included in this provision.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 2
Provision Number	40
Sub-provision	

We would appreciate some concrete examples of how this provision might be required as we cannot recall any such conflict of interest with a member.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 3
Provision Number	1
Sub-provision	

Statements issued in mid year will not include details of dividend as no dividend will have been declared.

We welcome the requirement to issue members with electronic statements. However, we believe this may prove difficult for some smaller credit unions.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 3
Provision Number	4
Sub-provision	

The credit union has information leaflets, which are available to members and include the details of the different interest rates on deposit accounts. If this is what is required by the provision, we have no problem with that. However, if the provision intends that the credit union must give each deposit holding member the details of the different interest rates, we believe this to be both unnecessary and possibly even unwelcome. As part of our marketing function, we endeavour to identify suitable services for members.



Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 4
Provision Number	4
Sub-provision	

This provision requires careful consideration. While the Regulator may believe that automatic advice to a 3<sup>rd</sup> party would be helpful, we believe that would not be the case in the majority of cases and that, in fact, those who need the referral most need to be individually identified by the credit union and not just lumped by issuing a general statement that doesn't actually achieve anything.

The Credit Union will always try to resolve a member's financial difficulty and any automatic referral to a 3<sup>rd</sup> party would unduly interfere with that relationship between the credit union and the member.

We would certainly support giving members who have not paid the credit union in over 52 weeks the contact details of services such as MABS. These members have clearly defaulted. We believe that a requirement for credit unions to give automatic advice to a 3<sup>rd</sup> party service for members less than 52 weeks in arrears would be very detrimental to the credit union. This would be interference in our core business and could have a major adverse effect.

Where a member is less than 52 weeks in arrears, we have a variety of options for dealing with such members. In the vast majority of cases, the member resumes repayment and the account is brought up to date in due course. This is normal and is part and parcel of the relationship with some members. As part of our relationship with the member, we may advise them to contact a service such as MABS, but we believe that any automatic advice could be counterproductive and could put an unnecessary hindrance in the way of a normal relationship between the member and the credit union.

In fact, we believe that many members would be offended to receive such advice in the normal course of contact, as it would be seen as implying that the member was unable to meet their financial requirements.

We work in close co-operation with MABS and believe it is a worthwhile service. We do not believe that MABS would welcome an influx of customers who are having minor financial difficulties, possibly due to seasonal reasons, and we believe MABS would be unable to cope with such an influx. In fact, at the moment, many MABS services already have waiting lists for clients.

As outlined above, we support the referral to MABS for members in serious arrears who have shown an inability to repay. Apart from such cases, we believe any automatic advice to members of such services could be counterproductive and interferes with the core relationship with our members.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 4
Provision Number	8
Sub-provision	

Credit unions pride themselves on their friendliness, approachability and flexibility. We have a unique relationship with our members and a trust with our members because of our difference to other financial institutions. Any requirement to specify what action the credit union will take in the event of a member missing any scheduled repayments would damage that trust and harm the relationship with the member. In many cases, it could discourage the member from contacting the credit union to discuss his/her situation.

We believe the warning notice contained in provision 8 is more than sufficient and it is not necessary to explain to members the effect of missing any repayments. We also believe it is impractical to explain to members the effect of missing any repayments, as the effect of missing a repayment could be different for different members for several reasons. This is a credit control function and is assessed on an individual basis.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 4
Provision Number	9
Sub-provision	

We believe this provision is detrimental, unnecessary, unhelpful and bureaucratic. This provision may be relevant where a consumer is consolidating a number of personal loans into a mortgage type product, but it seems irrelevant and impractical where a consumer is simply consolidating a number of personal loans into another personal loan.

We believe it may not be possible for the credit union to get the required information as the other loans may be with other financial institutions and we may not be able to get the information required by this provision.

What effect would this provision have on any member who wishes to top up their existing credit union loan? If it is intended that, in such cases, the member is to be provided with a written indicative comparison, we must stress emphatically that such a provision would have a very harmful and detrimental effect on the business of the credit union and would be seen by us as totally unfair when compared with credit cards and many other financial services.

It is our belief that many financial institutions abuse the re-mortgage type loan by encouraging customers to avail of such finance, which is putting the customer's home at risk and is deceptively cheap when financed over a long period. We believe the Regulator should concentrate on these types of loans instead of imposing unreasonable provisions on straightforward personal loans.



Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 5
Provision Number	3
Sub-provision	

Where a group of credit unions are advertising e.g. SWECU, we assume that the name of the group of credit unions is sufficient.

Voluntary Consumer Protection Code for Credit Unions – Response to Consultation Paper 32	
Name	Dundrum Credit Union
Address	Main Street, Dundrum, Dublin 14
Chapter of Code	Chapter 5
Provision Number	12
Sub-provision	

We provide new members with a leaflet which summarises the various services we provide. It would be impractical to include all the features of the different services in such a leaflet. We request that the Regulator state what parameters he would like to see on this provision.

## **Consumer Protection Code for Licensed Moneylenders in comparison to Consumer Protection Code for Credit Unions**

The Regulator has stated as fact that:

Moneylenders are already subject to detailed statutory obligations set out in the Consumer Credit Act, 1995 (as amended) ("the Act");

- the number of customer complaints in relation to moneylenders is very low;
- the loan amounts provided by moneylenders are generally small; and
- regulation can have a disproportionate impact on the cost to moneylenders of providing services.

We wish to make the following observations based on our initial review of CP33 and with regard to the approach taken by the Financial Regulator towards credit unions in CP32.

It would be our opinion that the reasons that the number of complaints in relation to moneylenders is very low would include:

- Fear of the consequences
- Illiteracy
- Lack of financial education
- Lack of knowledge of procedures

Furthermore, we note that the proposed Consumer Protection Code for Licensed Moneylenders contains a number of interesting omissions in comparison to the Consumer Protection Code for Credit unions, for example with regard to Chapter 2 – common rules. We note, for instance, that a credit union will be obliged to outline the actions which the credit union may take in the event of any default by the member and that this information must be given to all members regardless of whether they take out a loan or not.

In comparison, we cannot find any similar provision for moneylenders, despite the fact that their business is lending money.

A further simple example is where a credit union is expected to acknowledge in writing the receipt of a completed direct debit mandate, but no such requirement exists for moneylenders.

We note that the Regulator states in the last paragraph of the Introduction to Consultation Paper CP32 Voluntary Consumer Protection Code for Credit Unions that 'consumers are entitled to the same level of protection regardless of which provider they are dealing with'.

However, we note with concern that the Regulator, in drawing up Consultation Paper CP10 Consumer Protection Code, stated as fact that 'regulation can have a disproportionate impact on the cost to moneylenders of providing services'.

Unfortunately, we believe the same consideration has not been given to credit unions.

We also note that the Report on the Licensed Moneylending Industry concluded: "We will review the current Interim Code of Practice for licensed moneylenders, with a specific emphasis on increasing transparency, helping consumers make informed decisions and enhancing the consumer protection framework."

We fail to see where "helping consumers make informed decisions" is included in CP33.

In conclusion, we would ask that a more equitable treatment be given towards credit unions to ensure a fair deal for our members and for all consumers.

We believe it would be a very worthwhile exercise to have an independent survey of credit union members done before the Code is introduced to ascertain their opinion on the necessity and usefulness of the Code. It would also be very useful to have an independent survey of credit unions done after the introduction of the code to ascertain their opinions on the usefulness of the Code and to assess if they perceive any improvement in the level of protection.

We request that the Irish League of Credit Unions be consulted in drawing up the questions for these surveys.

A handwritten signature in cursive script, appearing to read 'Sheila Lewis'.

Yours sincerely

Sheila Lewis  
Honorary Secretary