

Gurrabraher Credit Union Ltd.

Submission on Voluntary Consumer Protection Code for Credit Unions (in respect of their core services)

Consultation Paper CP32

Chapter 1 – General Principles

Section 4

Has or employs effectively the resources and procedures, systems and control checks that are necessary for compliance with this code.

Comment

There is no benchmark of what the ‘necessary’ resources, procedures, systems and controls required are. Is this up to the CU to interpret the requirement?

Section 9

Does not exert undue pressure or undue influence on a member.

Comment

Credit control activities should be excluded here. This could potentially cause problems with credit control as a members could argue that committal proceedings are undue pressure on them.

Section 10

Ensures that any outsourced activity complies with the requirements of this Code.

Comment

In our view this is not workable as it places a requirement on the CU to ensure that any organisation carrying out work on behalf of GCU in an outsourced capacity complies with this code.

For example, GCU use Cashflow Services to complete some door to door collection on small loan balances. This Section will now require GCU to ensure that Cashflow Services comply with this code. In our view this is open to challenge and is not a reasonable requirement on the company providing the service.

Chapter 2 - Common Rules

Section 2

.....that the date of both the receipt and transmission of the instruction is recorded.

Comment

Can the recording and transmission of the instruction be electronic?

Section 3

.....it maintains a record of the condition to which the instruction is subject.

Comment

Can the recording and transmission of the instruction be electronic?

Section 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.

Comment

To make more clear and realistic change to provide terms of business to every new person admitted for membership, and available at request beyond this.

Section 9

A Credit Union must provide its terms of business to a member as a stand alone document.

Comment

Why does the terms of business have to provided to the member as a stand alone document? This increases expense and workload on the Credit Union.

Section 10

....it must provide each affected member with details of the change as soon as possible.

Comment

This is not practical. For example, if a CU were to change its credit control procedures is this considered a material change? If so, then every member who has a loan must be notified of this change. This not workable as there is no definition of what a material change is, and the expense and work involved in notifying all members affected is un-reasonable.

Section 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.

Comment

This does not make sense. To amend or alter the range of services could include for example introducing a new service. Does this then potentially affect all members as

they may take the service, or no members as none of them have yet taken the service? The word 'range' leads to very unclear interpretation of the Section.

Section 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

Comment

The Consultation Paper deals separately with the provision terms of business to a member before the provision of a first service. In our view it is excessive have to provide a separate terms and conditions for each separate core product or service. In addition, this Section is not workable in relation to the provision of and use of savings account as to when and what the contract in this situation is. There is also no definition included to explicitly state the definition of a product or service.

Section 22

...a credit union must gather and record sufficient information from a member to enable it to provide a recommendation or a product or service appropriate to that member.

Comment

There is no definition as to what level of information is sufficient

Section 25

A credit union must endeavour to have the member certify the accuracy of the information it has provided to the credit union. Where a member declines to do so, the credit union must note this on the members records.

Comment

There is a significant amount of information sought with each loan application for example, which could include, address details, employment and salary details, details of dependants, mortgage details, spouse details etc. This Section looks to the Credit Union to get certification for all this information each time a product or service is provided to the member. This is totally un-workable, would swamp both the Credit Union and the member in paper work and seriously negatively impact on the business of the Credit Union.

Section 27

Some of the comments in this submission relate to areas where CU's may be able to adjust to comply with the Code. However, out of the whole Consultation paper, in our view Section 27 represents the biggest issue for CU's. Not only is this provision un-workable and un-reasonable, but it could seriously impact on the operation of a CU's lending service to such an extent that the overall loan portfolio could be heavily negatively impacted and the expense involved in implementing this Section will significantly increase expenses.

In GCU, we would process on average approx 40 loan applications per day. Conservatively allowing 10 minutes per application for the completion of this statement, this converts to 400 minutes, or nearly 7 hours, work per day. This equates

to one additional staff member to facilitate this provision alone. In addition, approx 75% of GCU's loan application are made by phone, so in most circumstances the person assessing the loan application does not meet the member or have the member available to answer any questions that may arise.

This provision is over bureaucratic and totally unsuitable to the Credit Union lending model. The majority of GCU's loans are top up loans to regular members who borrow a number of times per year. To have to complete such a letter and provide a copy to the member each time they apply for a loan creates un-necessary paper work for both the CU and the member and seriously impacts on the efficiency and effectiveness of our lending service to our members.

Also, we would see providing a copy to the member as un-necessary and something that the member may use as a tool against the CU in the case of default.

The following questions also arise in relation to Section 27:

- Section a refers to a 'product or service offered to a member'. In most cases members request loans and the CU grants them. Can this interpretation therefore exclude most loan applications from this provision?
- Section c states 'the reasons why a recommended product...' Again, in most cases a CU does not recommend a loan product to a member, they simply apply for a standard loan. Can this interpretation be used to again exclude most loan applications from this provision?

Overall, this Section is un-clear, un-workable and unrealistic and will seriously negatively affect the service provided to CU members.

Sections 28 – 32 – Coldcalling

It should be clarified that the provisions in this Section do not apply to credit control activities.

Sections 35 – 37 – Handling Complaints

There are provisions laid down in the Credit Union Act and in the Standard Rules for Credit Unions for handling complaints. It would appear to us that putting in place an additional complaints handling procedure is firstly un-necessary and secondly only stands to create difficulties and conflicts as the procedures in the Consultation Document are different from those in the Act and in the Rules.

Chapter 3 – Share and Deposit Accounts

Section 1(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.

Comment

This would appear to be a lot of information to provide on a members statement. GCU have circularised all members on DIRT previously and will continue to do so in the future. This would appear to be a much more practical way of informing members about DIRT rather than being forced to squeeze information into a small space on a statement.

Section 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.

Comment

This Section needs to clarify whether electronically received funds are included under this Section, as electronically received funds may not be credited to the members account on the day they are sent by the member.

Chapter 4 – Loans

Section 4

A credit union must advise members who have defaulted on their repayments of relevant counselling services and the contact details for such advise.....

Comment

This provision is totally unpractical, unreasonable and unworkable. This provision means that if a member misses say two weekly payments (say the members are away on holidays) the Credit Union must then write to the member and provide contact details for a relevant counselling service.

The reality is that the referral of defaulting members to a financial counselling service will be used by defaulting members as an excuse to delay repayments to the credit union and as a way to force the credit union to accept small and unrealistic repayments.

Section 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.

Comment

On a direct comparison of straightforward term loan this comparison is possible to calculate. However, in reality this provision is not workable as a member may have a number of other loans etc to be consolidated and it may not be possible to calculate a

direct comparison. Different loan product from different providers can include different terms or features that may make a direct comparison virtually impossible. In addition, most consolidations comprise of a credit card balance. Again, it is not possible to prepare a direct comparison as there is no set repayment terms on a credit card.

A further uncertainty lies in whether an existing loan in a CU is considered to be an 'other loan'. If this is the case this comparison must be completed every time a member gets a top up loan. Top up loan account for a large proportion of loans and therefore this could again create an unsustainable and unreasonable work load.