

Consumer Protection Codes Dept  
Financial Regulator  
PO Box 9138  
College Green  
Dublin 2



24 June 2008

**Submission to Financial Regulator  
Draft Credit Union Consumer Protection Code**

Dear Sir or Madam

Having attended one of your recent public meetings, we have read the draft consumer code with interest and we welcome the idea of such a code for Credit Unions.

We wish to make the following comments/ observations in relation to the draft code:

1. **Common Rules (page 8):** The draft provides that the sale of a product to a member must not be "contingent on the member purchasing another product... from the Credit Union". The basis of a Credit Union is that a member contributes to a common pool that is used to make loans. Despite your reassurances at the public meeting, we believe that this wording prevents the Credit Union from insisting that a member maintains their savings or indeed increases them during the term of a loan. We suggest that the wording be improved.
2. **Provision of Information to the Member (page 11):** The draft provides that a Credit Union must provide a receipt "for each negotiable instrument presented by the member ". It is not practical to give a separate receipt for each cheque that the member presents – there could be a number of cheques in a single lodgement.
3. **Knowing the Member (page 12) and Suitability Statement (page 13):** There is a draft requirement to conduct a fact-find and complete a suitability statement before loans are granted to a member. We are very concerned about this. It adds further unnecessary paper-work, particularly in the case of small loans. For a low income member to access credit of, say €700, they would need to complete a detailed fact-find, take possession of a suitability statement as well as completing

a loan application form and very detailed credit agreement. We suggest that loans less than €10,000 (increased by CPI each year) be exempt from fact-finding and suitability statements.

4. **Unsolicited Contact/ Cold Calling (page 14):** The draft code specifies that a Credit Union must abide by a request from a member not to make un-solicited contact. The code should make it clear that this does not apply to contact made in relation to credit control matters.
5. **Handling Complaints (page 16):** Credit Unions operate under very prescriptive legislation, which includes a detailed complaints process. This code must be consistent with the Credit Union Act and not unnecessarily complicate the complaints process.
6. **Member Records (page 17):** Copies of documents / applications to be retained for six years after the date the membership ends. We are extremely unhappy with this draft proposal. The vast bulk of our loans are for top-up loans, renewed regularly. If all the paper-work for these loans were to be maintained it would create an un-necessary mountain of old paper. Similarly, the need for maintaining paperwork almost indefinitely in relation to term deposits, bill payments etc seems very impractical. We suggest that paperwork be maintained for no less than three years after the product (e.g. loan) term has finished.
7. **Fees/ Commissions etc (page 17):** Code should make it clear that this section relates to the sale of products/ services only.
8. **Statements (page 20):** We suggest that the minimum account balance before a mandatory annual statement is needed be €40 (increased by CPI each year). The current figure of €20 would add too much cost to member based co-operatives operating in the social economy. Also, the option for a member to request a statement electronically regardless of the Credit Union's ability to provide one is unfair.
9. **Arrears & Guarantees (page 22):** The proposal that a Credit Union must advise a Member of credit counselling services (e.g. MABS) if payments have been missed is not reasonable. It is encouraging people to run for help very early, rather than making the effort to repay their loans like everybody else.
10. **Consolidation loans (page 23):** Credit Unions regularly give consolidation loans as a way to help people out of debt, particularly high-cost debt. The proposal that Credit Unions must provide a member with a written cost comparison of the Credit Union loan with the loans being re-financed is unwise. How can Credit Unions be expected to know how interest/ charges/ penalties apply to all the term loans, over-drafts, consumer credit arrangements, credit cards, legal money lending contracts etc that are available to members?

We look forward to your acknowledgement in relation to this submission. In the meantime, please do not hesitate to contact us if any of the points above are unclear.

Yours faithfully

pp Eua Conroy -

**SEAMUS McGRATH**  
Credit Union Secretary

Paul Ryan -

**PAUL RYAN**  
Credit Union Manager

Copy: Fiona Cullen, Irish League of Credit Unions