

29/01/2009

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

Re: Credit Union Code  
“Savings & Loans  
Our Voluntary Standards”

Dear Sirs,

Further to your publication of the “*Savings & Loans, Our Voluntary Standards*” document issued by your office, and your invitation to make submissions in relation to the Consultation Paper, the following are the observations and comments from Ballyphehane Credit Union Limited.

We note with interest the change in name from “*Voluntary Consumer Protection Code for Credit Unions (in respect of their core services)*” to “*Savings & Loans, Our Voluntary Standards*”.

Not alone have you renamed your document, but there is a very subtle change in language whereby it would appear, that you have gone from presenting a general document, to an almost personalised one, but once again ‘the devil is in the detail’ as they say.

You have deleted your “*Introduction*” from the previous Consultation paper which interestingly enough claimed that “*The Code for Credit Unions will take into consideration the special structure and voluntary ethos of the Credit Union Movement.*”

Are we to infer from this, that what we would consider to be of paramount importance, i.e. the *Special Structure and Voluntary Ethos* of our Movement, is no longer a consideration for your office?

It is also interesting to note that the second draft of your Consultation document was only sent to those Credit Unions (and other bodies) who made a submission first time round, despite the fact that it will effect ALL Credit Unions.

You have deleted the page entitled “*Scope*” in your previous Consultation Paper CP32, in which you stated “*This code is being adopted by Credit Unions on a Voluntary basis*”. You replaced that section with a “*Declaration*” where you state: “*While these Standards are voluntary in nature, we have chosen to adopt them to demonstrate to you that we hold you, our members, to be at the core of our credit*

*union and that our core services are driven by your needs.”* You outline that the intent of this document is to:

- *“reinforce the unique and close relationship between our credit union and our members; and*
- *To set out Standards that will ensure a consistent and high level of service for all credit union members.”*

We are also informed that the *“Financial Regulator will maintain a register of credit unions that have agreed to adopt and to be bound by these Standards, which will be available at [www.financialregulator.ie](http://www.financialregulator.ie)”*

There will unfortunately be an assumption that only those who have signed up, as it were have high standards, which of course would not be the case.

Will the Financial Regulator maintain a legal caveat to the effect that should a Credit Union decide not to adopt or be bound by this *“Voluntary Standards”* document, no inference may be incurred to suggest that such a Credit Union is not already operating to the highest standards in the interest of its member/owners?

We note that under your section entitled *“Definitions”*, you have deleted the terms; *“advertised product or service”*, *“certified person”*, *“protection policies”*, *“soft commission agreement”* and you shortened the definition of *“inducement”*, while adding the term *“service”* to mean *“core service”*. We would respectfully suggest that you also include a definition of the term *“Voluntary”* to mean *“of one’s own free will, performed without compulsion”*.

We would contend that by maintaining a register of credit unions that have agreed to adopt and be bound by these Standards, which would be freely available for all to see on the internet, you are in fact interfering with the concept of such adherence being *“Voluntary”*.

Allow us to reiterate that from day one, our members have been and continue to be, at the heart of our organisation. Being a non-profit making organisation, we have one purpose only, to be of service to our members. That is primarily and fundamentally what sets us apart from other financial institutions.

It is almost as if your office is now making some gallant attempt to re-invent the wheel. In many ways, the standards we uphold regarding our interactions with our member-owners surpass what you have included in your prescriptive document. We don’t have a problem, nor have we ever had a problem in adhering to the highest standards possible. Our member-owners deserve no less. The fact that we as an organisation have always been Rules-based has ensured that we are ever conscious of our member-owners. We have always focussed, not on profit, but on service with the utmost integrity and respect for those whom we serve.

So you might ask what exactly is our difficulty with your document?

We wholeheartedly abhor any measure, document, initiative or requirement which would dilute the great service we already provide. Having to document in detail every aspect of our service in a bureaucratic stream of red tape, would choke the life-blood from this great Movement of ours.

You don't have to write about a service, to perform one to the highest standards; in fact the very documenting of every facet of our operation, as you so propose, would merely undermine it.

We feel the need to stress once again that any participation or "buy-in" by Credit Unions with this "*Standards*" document will be on a Voluntary basis only, as it is still the case that "*there is no legal basis to support the imposition of a Statutory Consumer Protection Code for Credit Unions in respect of their core services*" ***irrespective of what title you attach to it.***

We must restate our considered view, that this Voluntary Standards Document in respect of our core services would be a very great imposition indeed, imposing severe demands, duties and requirements on Credit Unions vis-a vis their interaction with their member-owners, which ironically rather than improving our service to members, would in fact have the completely opposite effect.

Unlike the many press reports on other financial institutions, no allegations have ever been made against Credit Unions in respect of overcharging, exerting undue pressure on members to avail of a service or of trying to deliberately mislead our members.

In your original consultation paper CP32, you list on Page 7, Eleven General Principles. However in this consultation paper you only list eight, inclusive of two new General Principles: namely;

(“3). *We will ensure that all of our advertisements are fair and not misleading*”, and  
(“8). *We will take reasonable steps to ensure that neither we, nor any of our officers or voluntary assistants, offer, give, solicit or accept, any inducement likely to conflict with any duties of the recipient or of the recipient's employer.*”

This, of course, caused us to wonder, what was wrong with the five General Principles, you chose to disregard in your second Consultation paper, where you state that a Credit Union must ensure that in all its dealings with members it:

- (1) *“acts honestly, fairly and professionally in the best interest of its members;”*
- (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;”*
- (8) *“corrects errors and handles complaints speedily, efficiently and fairly;” and*
- (11) *“complies with the letter and spirit of this Code.”*

We find it extraordinary that in a document purporting to protect the rights of credit union members, that you have deleted the sections in Chapter 2 of your original consultation paper entitled “*preservation of a member's rights*”, “*member records*”, “*fees commissions and other rewards*”, “*conflicts of interest*” and “*compliance with this code*”.

### *CHAPTER 3 : Responsible Lending*

Responsible lending is the bedrock of our organization.

Contrary to foisting unwanted loans on our members, an important part of our service is advising members not to over-stretch themselves financially. We pride ourselves in facilitating **responsible lending**.

Debt Consolidation: *“Where a loan is offered to you for the purpose of consolidating other loans or credit facilities , we will provide you 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. Where this information is not publicly available, we will calculate this comparison based on information supplied by you. ”*

This section is completely unworkable. Most loans issued by credit unions include the consolidation of existing loans owed by the member to their Credit Union. To operate debt consolidation under these terms and conditions would strangle our operation and would not bring any added value. To suggest that this way of operating meets the highest standards for Credit Unions in connection with their core service of lending is tantamount to an admittance that the Financial Regulator has no appreciation or understanding of the Credit Union Movement or what we are about.

Ultimately, Credit Unions already apply your General Principles, but the amount of time and personnel that would be required to document everything would have a very negative impact on the quality of our service to our member-owners. We would have situations where every time a member borrows or tops up a loan, we would need to do a Fact-Find and establish why the product they request is the most suitable product for them, write reason-why letters etc., all of which rather than facilitating the protection of our member-owners would merely succeed in frustrating them with longer queues etc.

We believe that this requirement should not apply. It would create substantial paperwork and additional expense. It may make it uneconomic to issue small loans, which would potentially militate against those who are the most vulnerable in our society.

It is highly significant that the word **MUST** which appeared **104 times** in your last Consultation Document, only features a total of 29 times in this document, appearing a total of 25 times in the section relating to advertising, and substituted by “will” in the rest of the document.

In fact the section on “Advertising” is the only section that you rigidly adhered to from Consultation Paper 32! What does that say !!!!

Has any Credit Union ever been accused of false advertising, tried to hoodwink its member-owners re the benefits of a product or service or breached advertising standards, causing you to remain so emphatic in relation to this section? As a matter of fact, in the last 50 years Credit Unions hardly had any need to advertise, they certainly did not have large advertising budgets so common in other financial institutions.

Our members are not mere consumers. They are member-owners, and they have far more power and say in how their Credit Union is run, than any customer or client of other financial institutions, and we are not in the business of trying to deceive them in any way.

We feel the need to ask again:

- What added value (if any) will this proposed Voluntary Standards document have for our Credit Union member-owners?

- Where specifically is the special structure and Voluntary ethos of the Credit Union Movement outlined in this proposed Voluntary Standards document?
- As there is no legal basis for the adoption of this Voluntary Standards document, what are the implications for a Credit Union who chose not to adopt it?

We firmly believe that by adopting this Voluntary Standards document, we won't be offering our members a better service, but we will become swamped in bureaucratic red tape and unnecessary recording exercises to the detriment of the great service we offer at present.

Credit unions are member centred and are in business solely for the betterment of our members. The concept of providing member protection is not something that needs to be forced on credit unions. We do so as a matter of course.

We believe that as long as Credit Unions abide by the legal requirements of the Credit Union Act 1997 (as amended) and adhere to their own Rules-based system, they should not have to become tangled in lengthy bureaucratic ticking of boxes and report-writing, but should rather be commended for the great service they give.

On behalf of Ballyphehane Credit Union Limited

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Blanche Ronayne  
Chairman