

Consumer Protection Code Department
Central Bank of Ireland
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Monday, 10 January 2011

Dear Sir / Madam,

Re: Consultation Paper 47 - Review of Consumer Protection Code

We write in respect of Consultation Paper 47 issued by the Central Bank in relation to changes to the Revised Consumer Protection Code.

In addition to the Irish Banking Federation's response to the Consultation Paper which we fully support, we would like to draw your attention to certain provisions in the proposed new Code which are of particular concern to our own institution.

As you will be aware, RaboDirect, as part of the Rabobank International's Dublin Branch, offers simple financial products online on an execution-only basis. We are committed to ensuring that consumers receive the highest customer care and we welcome improvements to the Code which will ultimately benefit the consumer.

Chapter 5 - Know Your Customer and Suitability Requirements

We are very concerned that the proposed Chapter 5 Suitability Requirements, as currently worded, will negatively impact the choice available to consumers and will place significant impediments on many consumers from carrying on their own financial business and from availing of straight-forward, simple financial products.

Our concern stems from the fact that the proposed Code only allows execution-only business to be conducted in very limited circumstances i.e. where a consumer specifies the product and product provider and has not 'engaged with' the institution. As a broad interpretation could be given as to what constitutes 'engaging with' a consumer it could be that all general enquiries for information regarding a product or service will be construed as an 'engagement'. The effect of this will mean that, in practice, institutions will be forced to apply the 'Know Your Customer and Suitability Requirements' under Chapter 5 even where a customer approaches an institution for a product about which they are already fully informed.

In our experience, a significant portion of Irish consumers are happy to make their own decisions in relation to financial products and services. The imposition of suitability

requirements as proposed, however, will not only be unwelcome by many consumers but it could very well mean that some are simply put off from availing of products and services which may be in their best interests because they do not want undergo the burden of answering what they might perceive to be intrusive questions from the bank.

We find under the existing regime that many consumers are happy to make their own arrangements in relation to seeking advice and to making decisions about financial products. We would ask the Central Bank to consider amending the proposed section in Chapter 5, Rule 20 to reflect the existing requirements in relation to advice under the current Code as otherwise to implement it will effectively remove 'the execution-only' option from the Irish market.

Chapter 10 - Advertising

RaboDirect welcomes any improvements to existing advertising requirements which simplifies matters for consumers and which leads to a more informed public in relation to financial products or services.

Whilst we understand the need for product warnings we question whether the proposed requirements will be of benefit to consumers in many circumstances. We feel that the ability to convey a regulatory message is often lost due to it being imposed on an inappropriate media format type. The effectiveness of a warning in printed material or on a website can often be much greater than one on a television or radio advertisement.

A particular example relevant to our own business from the proposed Code relates to the regulatory warning requirements under Chapter 4, Rule 13. Not only does this rule place an additional burden on the passporting institutions compared to the domestic institutions, it could significantly alter the decisions taken by an entity as to whether it should advertise using certain media, especially television and radio.

For example, our own institution would now have to state the following on a radio advert, under the proposed rule in Chapter 4, Rule 13 regardless of any other product specific warning which might precede it:

Coöperatieve Centrale Raiffeisen-Boerenleenbank BA, trading as RaboDirect, is licensed by the Dutch Central Bank in the Netherlands, and is regulated by the Central Bank of Ireland for conduct of business rules only

We would have to question whether the consumer would be able to identify a product's key features and benefits and any product warnings after hearing such a long message and to seriously question whether advertising by that medium would be worthwhile.

As an online bank, web based advertising and promotion is important for RaboDirect to communicate with customers. Often the aim of a campaign is not to provide customers with specific product information but to invite customers to visit our website to find out more about our products and services. We would echo previous submissions made in respect of advertising requirements made by the Irish Bank Federation, particularly those that call for a distinction to be made between an advertisement which invites consumers to find out more about a product and those that make specific claims about individual products. We feel such a distinction is important as otherwise regulated entities will not be able to communicate with customers via emerging media types as all product information will have to be provided at a very early stage up front which might not be possible given the particular the format.

If we can provide any additional information or clarification in relation to the above, please do not hesitate to contact us on 01 659 9732. We would welcome any opportunity to engage with the Central Bank as part of the consultation into the revised code.

Yours faithfully,


Roel Van Veggel
General Manager
RaboDirect


Ray McElhinney
Compliance Officer
RaboDirect