
Consumer Protection Code

Consultation
Recommendations

Financial Services Consultative
Consumer Panel, Ireland.
2011

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The Consultative Consumer Panel considered amendments and additions to improve and update the Consumer Protection Code and puts forward the following recommendations:

1. Chapter 1 – General Principles

New Principles:

- Regulated Entities should be obliged to produce yearly reports on what has been done to implement the Consumer Protection Code. The report should show in-house rules and procedures to show compliance.
- There should be fair contract terms and institutions should mitigate the losses of consumers in certain situations in order to keep legal costs down so as not to be prohibitively expensive (added near principle no. 9).
- We recommend that there be rules to respond to in each section of the CPC and the Financial Regulator should ensure they are complied with (targets for regulated entities).

Update Principles:

- **No. 7** – The Consumer Panel would like to see the wording of this principle tightened, in particular ‘seeks’ should be removed. Can consumer interests be properly protected if the bonus culture still exists? Structures in regulated entities would need to be changed so as to avoid conflicts of interests in this respect.
- **No. 11** – The Consumer Panel feels consumers should not be deprived of basic banking services and recommends that ‘legitimate commercial aims’ be defined in order to ensure clarity.

2. Chapter 2 – Common Rules for all Regulated Entities

Update to ‘Terms of Business’ section

- **No. 8(h)** – The Consumer Panel recommends the wording of this sentence is tightened up in relation to conflicts of interests.
- **No. 9** – The Consumer Panel recommends that guarantees on deposits should be disclosed and included with this requirement.

Update to ‘Provision of Information to the Consumer’ section

- **No. 15** – The Consumer Panel recommends that this requirement be amended to extend the length of notice given to consumers to at least 3 months, in particular in relation to SME’s. This would also facilitate borrowers with Credit Cards moving to another Financial Institution before the outstanding debt is converted into a credit product.

Update to ‘Knowing the Customer’ section

- The Consumer Panel recommends that regulated entities be required to tell consumers why they are being advised to take certain products so that they are aware it is as a result of the Consumer Protection Code and that products are not being pushed on them as a result of marketing.
- **No. 24(iii)** – The Consumer Panel recommends that the definition of ‘basic banking product or service’ be reviewed. We recommend that a new more precise definition be produced in conjunction with consumer representatives. Furthermore, we would recommend that unauthorised overdrafts need to be addressed as part of this definition.

Update to ‘Errors’ section

- **No. 45** - The Consumer Panel feels this requirement is badly written and recommends it be reviewed and appropriately amended.

Update to 'Handling Complaints' section

- The Consumer Panel recommends that all regulated entities should have a readily available information leaflet on its complaint procedures. We would suggest a one page document on how to complain and who to complain to if a consumer encounters a problem.
- We also recommend that a complainant be issued a complaint number so that progress may be easily tracked.

Update to 'Conflicts of Interest' section

- The Consumer Panel recommends that the CPC should include a requirement that soft commissions must be disclosed to consumers.

New Addition

- The Consumer Panel recommends the inclusion of a requirement on all regulated entities to provide consumers with a one-page summary document on the main aspects of a product. We have previously highlighted this issue in reports during 2009 and 2010. Furthermore, we would recommend that products be authorised by the Financial Regulator before they are released onto the market in order to better protect consumers from products that pose a risk to both them and the financial system.

3. Chapter 3 – Banking Products & Services

New Addition:

- The Consumer Panel would like the inclusion of a rule in relation to minimum payments on Credit Cards. There needs to be more definitive information provided in this area to ensure clarity for consumers.

Update:

- **No. 1(c)** – The Consumer Panel thinks the statement should end after 'tax deducted' with the second half of the sentence being deleted. Consumers should be provided with a statement on DIRT Tax.
- **No. 5** – The Consumer Panel recommends that the rule on Surcharge Interest should be amended to made clearer.

4. Chapter 4 - Loans

New Section:

- The Consumer Panel recommends the addition of a new section on Cost of Loan Facilities. Regulated Entities should provide consumers with the cost of a loan per month along with the cost of credit over the term of the entire loan.

Update:

- **No. 3** – The Consumer Panel recommends the inclusion of an explanation on the consequences of guaranteeing an unsecured loan.
- **No. 13 and 14** – The Consumer Panel is concerned as to the compliance with these requirements and questions whether they are effective. We would like to ask what actions the Financial Regulator has taken to investigate and sanction breaches in respect to the requirements on Mortgage Intermediaries.

New Requirement

- The Consumer Panel recommends the inclusion of a requirement relating to early repayment barriers to ensure consumers are fully aware of the implications.

5. Chapter 5 – Insurance Products & Services

- The Consumer Panel recommends a requirement for Insurance Providers to outline the percentage of premiums paid out in claims by them so that consumers can easily compare companies.
- The Consumer Panel recommends that insurance companies when providing renewal notices should include in the notice the change in the amount of the premium from the previous year and quantify the percentage change that this represents.
- The Consumer Panel recommends the inclusion of a requirement to provide more details on the exclusions in Serious Illness Policies.

6. Chapter 6 – Investment Products

- The Consumer Panel would like to see the Warnings in this Chapter reviewed in light of the current market conditions.
- The Consumer Panel recommends the introduction of a traffic light system for low, medium and high-risk investments, with the Financial Regulator deciding what type of investment product falls into each category.
- The Consumer Panel recommends the inclusion of a strong statement about introductory ‘teaser rates’.
- The Consumer Panel advocates that where a consumer purchases an investment product or individual pension product including an AVC, he/she shall be provided with an annual statement setting out movement in the value of the investment and the charges deducted by the product provider in such a form that will allow the consumer to verify that the charges are calculated in accordance with the rates or terms set out in the policy or product contract and be satisfied as to the integrity of the movement in value.

7. Chapter 7 - Advertising

- The Consumer Panel suggests that all advertisements should be pre-approved by the Financial Regulator before being published.
- The Consumer Panel would like to highlight Commercial Advertisements and whether these fall within the remit of the CPC.
- The Consumer Panel discussed ‘Advertising’ and concluded that it sounds out-of-date considering the increased number of communication mediums used. We would like to highlight the need to monitor the rise of online advertising to ensure compliance with the requirements. Furthermore, we would suggest that all advertising mediums be subject to themed inspections.

8. Sanctions and Additional Recommendations

The Consumer Panel considered the sanctions available to the Financial Regulator and puts forward a number of recommendations:

- The Consumer Panel recommends the publication of an Annual Report on inspections carried out on regulated entities.
- The Consumer Panel recommends that there be inspections of regulated entities on the overall implementation of the Consumer Protection Code every 2/3 years rather than carrying out specific themed inspections.
- The Consumer Panel recommends that where a regulated entity has been subjected to administrative sanctions on three occasions in a 5 year period, then the next sanction shall be of a criminal nature and the event given rise to the sanction will require the Financial Regulator to examine and determine the fitness and probity of officers and directors who have responsibilities for the pattern of breaches.
- The Consumer Panel recommends every regulated entity be required to have the Consumer Protection Code Principles mounted in every branch where consumers can see and read them.
- The Consumer Panel recommends that requirements on debt collection and consolidation should be included in the CPC.
- The Consumer Panel suggests that there should be a requirement in relation to affordability of credit so that borrowers are alerted if they are taking out too much credit in relation to earnings.
- The Consumer Panel would like to see the CPC extended to include Credit Unions.