

Ballinasloe Credit Union (Our Lady of Lourdes) Limited

SUBMISSION

TO THE CENTRAL BANK OF IRELAND

ON

CP62 FITNESS AND PROBITY REGIME FOR  
CREDIT UNIONS

27.02.2013

## **General Overview**

Ballinasloe Credit Union (Our Lady of Lourdes) Limited (BCU) welcomes the introduction of a Fitness and Probity (F&P) regime for credit unions and notes that it enhances the structure of BCU and should give greater confidence to the membership of the credit union in the abilities of its Directors, Supervisors and management team.

The Board notes that this F&P regime is being introduced after the banking debacle and warns that an overemphasis on F&P in the immediate term might impact negatively on existing Boards where good people have over many years given of their time and talents in the promotion of the credit union ethos and philosophy. The discarding of any of this “institutional memory” at this particular time may have a negative impact on credit unions generally and as such the implications of any F&P regime needs careful consideration.

BCU notes that a F&P regime has existed since 2011 and that credit unions were excluded from same until now – but that it is now proposed to extend the *existing* F&P regime to all credit unions by 07.2015. BCU sells Repayment Protection Insurance (and this is the only insurance it sells) to its members. Imposing the existing F&P regime on a credit union for selling one insurance product is excessive. The *existing* regime was created for other financial institutions and it should not be applied to credit unions. A bespoke F&P regime for credit unions – recognising the credit union difference – is what is required now and in the future.

In applying F&P to officers of credit unions the proposed regime gives no consideration to the impact of the Personal Insolvency Act 2012 on prospective candidates for nomination as directors, supervisors or employees. So in effect, a member who has taken refuge in the Personal Insolvency process could be disenfranchised in respect of being an officer in the credit union. The proposed regime needs to have regard to this legislation and its impact on members - particularly if they are being assessed by the nominating committee for an officership in the credit union.

In addition the requirement of 4.1 (l) relative to arrears is particularly odious if the loan has been repaid in the past 5 years. This requirement gives little scope to a person who may have been ill and on sick pay or indeed no pay (for self employed) and may have inadvertently become delinquent on their loan.

The Board notes that an RIA was conducted – but it was of limited use in that it seems to have concluded that to do nothing was not credible but to do *something* (maybe for the sake of being seen to do something) was necessary - without any rationale or reasoning for the imposition of a F&P regime being provided in this consultation paper – except the Central Bank's view that it is appropriate that a F&P regime should apply to credit unions.

The Board also notes the CCU recommendation on implementing a F&P regime for credit unions and notes its non-specific (general) recommendation.

The F&P consultation document is silent on its impact on existing employees and indeed its implications into the future. Presumably it is accepted that this F&P regime cannot interfere with an existing contract of employment.

The absence of a draft questionnaire from the consultation paper is unfortunate in that it would have contributed to a more informed response to the CP62.

In responding to your questions BCU notes that the questions are specific to the implementation of the F&P regime as distinct from seeking views as to the appropriateness of same and the above should be considered when reviewing the answers to the questions below.

# Response to Consultation Questions

(i) Do you agree with the tailored approach to the designation of CFs and PCFs for credit unions in the draft Regulations?

**Yes**

Do you think any additional CFs or PCFs should be designated?

**No**

(ii) Do you agree with the phased approach for the implementation of the Fitness and Probity regime for credit unions?

**Yes, with the exception of credit unions acting as restricted retail intermediaries (see above relative to the sale of RPI).**

(iii) Do you think the draft Standards cover all relevant matters for credit unions? If you have other suggestions, please provide them along with the supporting rationale.

**Yes, with reference to the concerns expressed above.**

(iv) Do you think that the Central Bank should issue guidance on the Fitness and Probity regime for credit unions?

**Yes.**

(v) Are there any additional areas of the Fitness and Probity regime for credit unions which the guidance should cover? If you have other suggestions please provide details along with the supporting rationale.

**Guidance should be clear and prescriptive otherwise there is a danger of misinterpretation which will lead to disputes.**

(vi) Do you agree with the implementation timeframe for the application of the existing Fitness and Probity regime to those credit unions also authorised as retail intermediaries? If you have other suggestions please provide them along with supporting rationale.

**No, see above.**

