

Central Bank of Ireland's Consultation on the
Regulations for Credit Unions on the
commencement of the remaining sections of the
2012 Act
Consultation Paper 88

Cashel-Connemara Credit Union Ltd
Submission
26/02/2015

The Board of Directors of Cashel-Connemara Credit Union Ltd have read and studied the report on the Consultation on the Regulations for Credit Union on the commencement of the remaining sections of the 2012 Act (CP88), and we welcome the fact that the Central Bank has made revisions to the original proposals as set out in CP76.

We wish to state that we endorse the submissions of the Irish League of Credit Unions and the submission of DAVY, as our investment advisors.

We would also like to make the following further observations and objections to some of the proposals as outlined in your report (CP88).

Section 7: Lending

Do you have any comments on the draft lending regulations? If you have suggestions please provide them along with the supporting rationale.

We have a couple of queries and observations regarding the changes and further lending restrictions the bank is proposing to impose on credit unions.

We ask the Bank to explain the rationale behind the proposal to change from the current system of 1.5% of Assets to 10% of Regulatory Reserves when creating the Maximum Loan limits a credit union can lend. This current system has served credit unions for many decades. We would like to make the point that, being a relatively small Credit Union, this limit does not have a major impact on us at this point, but in light of the current trend towards mergers and the creation of bigger asset based credit unions, we feel that this change is unnecessary and restrictive.

We do not have an issue with the Bank's proposal to create categories of credit union loans and their proposed limits, but we would like to question the requirement of the credit union having to hold first legal charge on the property when it comes to the **category House Loans**.

We would like the Bank to clarify if credit unions will still be in a position to extend Home Improvement loans to their members under the Personal Loan Category, without having to hold first charge on the property.

We feel that if credit unions are not allowed to make home improvement loans to their members without holding a first legal charge, this will have a detrimental effect on both credit unions and the members.

7.2.5 Related party lending

We welcome the fact that the Bank has discontinued the use of the phrase "restricted persons" as used in the CP76 when referring to officers and members of their families.

We find it quite acceptable, and indeed imperative, that officers of a credit union or members of their families do not receive preferential treatment with regards to any aspect of their credit union membership.

Officers of credit unions have always been subject to strengthened regulations and requirements in relation to the process of loan approval.

We have great concern about the Banks proposal to extend those requirements to “related parties” (this being a member of the board, member of the oversight committee and management team and members of their families which reach to : father, mother, spouse or civil partner, cohabitant, son, daughter, brother or sister). We feel that this will put further and onerous pressures on credit unions in relation to the administration, governance and reporting requirements.

We also feel that such a regulation will have an enormous impact on the credit unions ability to recruit and retain volunteers to serve their credit union.

We feel that the situation where a member of the family of an officer should be subjected to the same rigorous requirements as the officer, is quite unacceptable, particularly since it is not in-keeping with the Credit Union Operating Principles, based on the fact that every member of a credit union is deemed to have equal rights and should be treated accordingly.

Section 9: Savings

Do you have any comments with the draft savings regulations? If you have suggestions please provide them along with the supporting rationale.

We reject the proposed introduction of a maximum of €100,000 limit a credit union member can hold in savings in any Credit Union, regardless of size.

This restriction has the potential of having a highly negative impact on the movement in general. It could have the potential of portraying Credit Unions as being at risk of failure, tied into the Deposit Guarantee Scheme which guarantees all deposits up to €100,000, rather than being a safe place for members to save.

Again we make the point that, being a relatively small Credit Union this limit does not have a major impact on us at this point, but in light of the current trend towards mergers and the creation of bigger asset based credit unions, we feel that this limit is way too restrictive for all credit unions.

We ask the Bank to explain their rationale for changing from the original Savings limits based on a % of Assets to a very restrictive limit for all credit unions.

Also, though it may not have a **major** impact on us, it does have an impact. We have a small number of members who have over this limit and also some members who are approaching this limit of savings. Requiring that they must withdraw their savings, or discontinue saving with their credit union, has the potential of portraying our Credit Union in a negative light in the local community.

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Board of Directors
Cashel-Connemara Credit Union Ltd

