



*Consultation On Regulations For Credit Unions On  
Commencement Of The Remaining Sections Of The 2012 Act*

*A submission by*

*Waterford Credit Union*

## **Introduction**

Waterford Credit Union has considered the consultation paper CP88 and have prepared the following as its submission to the Central Bank Of Ireland.

Overall, we agree to many of the proposed changes and strongly believe that the approach will result in a stronger movement that will provide financial services for the people of Ireland long into the future.

The current Credit Union business model is simple in that it is effective provided there are adequate risk based approaches to the key components of the said model. A strong risk based credit management process for the provision and collection of credit coupled with a grounded prudent risk aware approach to investments should enable a functioning asset and liability management process to prosper and deliver any additional financial services that members require from their Credit Union. The Credit Union is built on principles that provide choice to its own particular community within an appropriate price range that will in turn reward the many members who provided the capital to enable the choice in the first instance.

Whilst the consultation paper exists to create legislation to control Credit Union's operations, the legislation should not be created so as to negatively impact the current model where many Credit Unions are acutely aware of their members' needs and the required mix to make them successful within their own risk tolerances. With this in mind, our Credit Union believes that the principles of co-operation, social responsibility, open and voluntary membership, democratic control, non discrimination, education and the provision of services and returns to members should be at the forefront of all legislation and that at no point should any of the principles be diluted or have their importance minimised.

Below, we have outlined by section the areas where we believe further consideration needs to be given to the proposals outlined in CP88.

## **Section 6**

We believe the short term liquidity ratio of 10% to be excessive. This will reduce earning potential for all Credit Unions. What analysis has taken place to arrive at 10%? We believe it to be a prudent requirement but a figure of 5% would be more relevant. In our case 5% would mean almost €4.5m, which is equivalent to almost 1.5 months "normal" outgoing shares and we would this to be sufficient and prudent.

## **Section 9**

Imposing a maximum limit on savings breaches competition laws in our opinion. However whilst we do not disagree with the limit, it should be at the discretion of the Credit Union and not the RCU because in our opinion it should be member's decision as to where they invest their funds and not

be limited by the RCU. Long term members may also wish to lodge payments such as redundancy, inheritance, insurance policies, house sale on a temporary basis and should not be denied this service. Should this limit be imposed as outlined in the Consultation Paper, please reconsider the transitional arrangements in their entirety. In Waterford Credit Union, we have 16 members with an average age of 75 with savings greater than €100,000. In recent times, we have requested that the members or their carers withdraw the funds (to €100,000) but they are unwilling to do so, despite being told of the guarantee limits etc. We have never imposed our wish upon them because of the upset that it causes.

We recommend to you that any member who is 70 years or older should be permitted to retain the funds in the Credit Union until they wish to move them elsewhere or they pass away. This would be easily monitored by the RCU through the Prudential Return and be fair to members who wish to retain their existing funds in the Credit Union and the limit will prohibit all other members exceeding the €100,000 limit.

## **Section 12**

Waterford Credit Union believe that a Safety Deposit Box service should be included in the draft legislation for exempt services. We currently have 307 safety deposit boxes that our members rent from us for a nominal annual fee. This service is fully subscribed on an annual basis and is greatly appreciated by our members who avail of it. We have detailed internal procedures and terms & conditions for the service currently in place. The safety deposit boxes are in a secure vault with restricted access to officers only in our Upper Grange building basement.

## **Conclusion**

These legislation changes will bring about a stronger Credit Union movement. It is important that the RCU takes on board all submissions because the documents are undoubtedly submitted in good faith with the future of the Credit Union movement ingrained within. This consultation paper is a hugely important document that will frame the future of the Credit Union movement so it is critical that the movement build solid foundations for all stakeholders because the Credit Union movement's place in the Irish culture is both unique and critical as the Credit Union is the officers, the members and therefore the community of Ireland. It must be preserved and permitted to grow and flourish in a controlled responsible manner without negatively impacting on its place in our society.

***The Board and Officers of Waterford Credit Union.***