

Central Credit Register – Consultation Response

Further to the Consultation Paper on the Central Credit Register (“CCR”) recently published by the Central Bank of Ireland, the following comprises the submission of the Irish League of Credit Unions in relation to same which contains responses to the questions relevant to the position of credit unions.

Section 5.1 - Reporting of CISs to the CCR

The Central Bank is proposing that the CCR captures lending to individuals and groups of individuals in the initial phase followed by lending to other entities with separate legal personality in a later phase.

1. With respect to the reporting of different categories of CISs to the CCR, do you favour a phased approach to the implementation?

Since Credit Unions are seeking the same data from companies as well as for individuals and groups of individuals, a phased approach in this regard is not necessary.

2. Are there any specific areas that based on your current practice or experience you would suggest should be excluded or deferred from either phase? If so, please set out your rationale.

No.

3. If the CCR were to cover all CISs immediately, what impact would this have on your organisation and would you be in a position to supply this information i.e. have you the capacity to deliver both on the scope of Phase 1 & Phase 2 as suggested at the same time? Do you see any advantage to the CCR, to CIPs or other parties of being able to cater for those who might wish to implement all the requirements as a single project?

The impact on credit unions to provide this information at the same time is unlikely to create great disruption. A phased approach may in fact be more difficult to implement.

4. In terms of lending to groups of individuals without specific legal personality e.g. partnerships, clubs and associations, there may be challenges to capturing personal details of liable partners, trustees or members and adding these obligations to individual records. The Central Bank is aware that this will be especially challenging where the liability of any one individual is limited in some way.

a. Could you currently provide all the personal information of individuals who are liable in these circumstances? How do you manage these types of liabilities within your organisation as a total group or as individual liabilities?

It would be difficult for credit unions to capture all this information at the moment because persons signing on behalf of a group/club/society account are merely signatories of the account and their own liabilities are rarely accounted for in determining whether the group/club/society should receive the loan. It is the creditworthiness of the account holder which is considered in determination of loan approval.

b. Would you expect to see or like to see these loans on the reports of individuals from the CCR if you were considering a credit application from such an individual?

Again, since the liability of the signatory is not considered in the determination of the account holder's loan application, it would not be expected that such data would be available.

c. Is the incremental value to you of seeing this information (and having a comprehensive view of the total liability) worth any incremental effort you might have in providing this detail?

While it is valuable to the credit union to have as much information as possible, the provision of such information will depend on the capacity of the various IT systems in credit unions.

d. Would you be satisfied to report groups of individuals at a 'group' level for a period of time and supplement this with the individual detail at a later point i.e. defer the obligation to report the individual detail and therefore not see these liabilities on an individual CCR record? Do you have a different view with respect to different types of groups of individuals e.g. partnerships as compared to clubs or associations?

Given the difficulty in reporting on individuals at this point, it would be more practical to report at the group level initially to enable the IT systems to be updated with regard with the collection of individuals' personal information.

e. If you have suggestions in relation to addressing this challenge, please provide them along with supporting rationale.

5. Please outline any further comments or suggestions you have in relation to any phasing of CISs along with supporting rationale.

Section 5.2 - Reporting by CIPs to the CCR

The Act permits phasing regarding when CIPs must report to the CCR; in particular different classes of CIPs may be obliged to report to the CCR at different points in time.

1. With respect to any phasing of different CIPs, do you favour a phased approach to the implementation?

No specific objection to phasing of reporting obligations on CIPs.

2. Can you please outline any further comments you have in relation to the phased approach outlined above? If you have any suggestions please provide them along with supporting rationale.

3. It is suggested that licensed moneylenders and Local Authorities are omitted from Phase 1. Please outline any comments you have in relation to this approach? Are there any other categories or classes of CIP that you consider should be deferred or excluded? If so please provide your rationale.

Section 5.3 – Collection of Credit Application Data

The Act permits credit information be collected by the CCR in relation to a credit application or credit agreement. It is for the Central Bank to consider the extent of credit application data to be collected by the CCR.

- CIPs provide personal information only when checking an application;
- CIPs provide personal and some credit information (such as product type, application amount etc.); or
- CIPs provide application detail as a monthly batch file, but lose the benefits associated with real time collection.

1. Can you please provide your opinions on the extent of application data that should be collected? Please outline any rationale you have for your proposal.

The preferred option would be for CIPs to provide personal and some credit information to give a clearer picture of the debt exposure.

2. If additional credit data was collected at this point, would there be significant benefits from a CIP perspective in seeing and understanding credit applications on a real time basis?

Yes, as it would provide a more timely illustration of the debt exposure.

Section 5.4 – First Point of Reporting of Credit Agreements to the CCR

The exact timing of the first point of reporting of data to the CCR is not set out in the Act. In the course of the development of regulations, the Central Bank must decide when a CIP must report to the CCR; specifically what is the first point in the credit life cycle of a qualifying credit agreement at which CIPs will be required to submit data to the CCR. Options might include when an agreement is approved or when a loan is drawdown or facility used. The Central Bank is considering using the point of drawdown as the first reporting point for a credit agreement.

1. Please outline any comments you may have in relation to the timing of the first point of reporting of data to the CCR? Please outline any rationale you have for your suggested proposal.

The most practical approach would be to record the information upon drawdown of the loan, since until this point the contract has not been properly executed.

2. As a CIP, would you support reporting to the CCR at some point before drawdown and could your organisation currently meet any such requirement?

See answer above.

3. Please provide any comments or suggestions you may have in relation to the reporting of undrawn committed credit facilities to the CCR? You may wish to cross refer to your response to questions on section 5.3.

If data is recorded prior to drawdown and then the individual does not drawdown the funds, the financial institution has to make two reports - one to report on the initial agreement, and then a second report to clarify that the contract is no longer in place. As such, it would be most practical to record only after drawdown.

4. As stated above, the Central Bank believes there may be some concern to recording credit card approvals on a CIS record when they have not yet utilised the facility. Please provide any comments you may have.

We believe the credit card limits should be shown. Hardcore debt on credit cards is a major cause of financial problems for borrowers.

Section 5.5 - Extent of Historic Data to be collected

The Central Bank must set out in regulation, the extent of any historic data to be supplied at the point of commencement of CCR operations. The legislation is not prescriptive on this matter but the CCR will require sufficient data such that the CCR is useful to all CCR users. All data stored in the CCR must be supplied by the CIPs and the extent of data supplied needs to be weighed against the capacity of the CIPs to deliver this consistently and accurately. A number of options could be considered:

a. Collect no historic data and build the CCR up gradually e.g. collect opening balances and limited status of credit agreements at a set date (for illustration, 30 June 2016). The Central Bank believes that this approach will not provide sufficient data for the CCR to operate and therefore does not see it as a viable option;

b. Collect data (including monthly performance data) prospectively from a set date in advance of the CCR becoming operational (for illustration, an obligation to provide monthly updates, with performance data for the 12 months from 30 June 2015 to 30 June 2016);
and/or

c. Collect data retrospectively for a set period of time e.g. collect monthly performance data for a set retrospective period (for illustration for 3 years prior to 30 June 2015).

1. Do you have any comments on the suggested approach? Do you believe the extent of data suggested is sufficient? If not, what additional information can you provide?

2. Do you envisage any difficulties in collecting the data for periods suggested? Please outline any concerns you may have?

3. If required, what difficulties if any are associated with collecting data, including monthly performance data, retrospectively, for example, for 3 years?

In response to these questions, it would appear that the option most likely to suit credit unions is option b. Not having any data to which the credit union may refer on the launch date would leave the CCR as a blank canvas, and may take some time to become efficient; erstwhile the

obligation provide up to 3 years' worth of historic data before the launch date could prove an administrative burden, especially for credit unions depending on staffing levels or the IT system already in place.

For some credit unions who already use credit reporting services, the obligations may not be too burdensome, but bear in mind the size and capacity of credit unions when deciding on the extent of data being required.

Section 5.6 - Single Borrower View - Accurately Identifying CISs

Section 6 of the Act sets out the personal information which may be held by the CCR in relation to CISs, including information such as name, date of birth, address, PPSN, telephone number etc. (the full text of Section 6 is reproduced in Appendix 1). The Central Bank must make regulations setting out the specific personal information to be provided by CIPs and any steps that will be required to be undertaken by CIPs to verify the identity of CISs.

Personal information collected by the CCR will be used to accurately match individual credit applications and agreements to a CIS record to create an accurate picture of that CIS's total credit position i.e. a Single Borrower View.

The Central Bank considers that comprehensive and accurate personal data is essential in delivering a reliable Single Borrower View. The Central Bank intends to undertake a Privacy Impact Assessment on the processing of all personal data to be collected.

This will inform decisions on the specific data to be collected and appropriate controls to be applied. The Central Bank must consult with the Data Protection Commissioner and seek the consent of the Minister for Finance before making the final regulations addressing these matters.

1. Do you have any comments or views on the value or scope of personal information to be collected?

If the credit union is required to seek the PPSN of the member for the CCR, much of the other personal information being sought would appear to be superfluous for data protection and administrative purposes.

2. Please advise the extent to which you currently store or process the personal fields identified in the legislation (reproduced in Appendix 1)? If you do not currently store what operational challenges you would face in collecting these from CISs?

Most of the information in section 6 is already confirmed by the credit union prior to credit agreement stage, except PPSN which is currently only obtained by credit unions under tax reporting obligations, as mentioned in the Consultation Paper.

Furthermore, the PPSN is stored in a restricted field to ensure its security, and as such, it would be imperative that the same confidentiality is applied in respect of CCR obligations. IT systems may therefore be required to update systems accordingly.

3. Do you have any specific comments in respect of operational challenges you may face regarding the collection and reporting of PPSN?

While the obligations on credit unions currently are to request the PPSN for tax reporting purposes, some members may be reluctant to impart such personal information. Such reluctance may make it a challenge for credit unions to obtain such information for CCR purposes.

4. Do you have any comments on using, to the extent possible, existing Anti-Money Laundering procedures as the basis for CIS verification regulations?

There are no specific objections in this regard.

5.7 - Collection of Foreign Credit Data

The Act permits the Central Bank to place an obligation on CIPs to collect declarations from CISs in respect of outstanding foreign credit. The Central Bank is considering whether to introduce such a requirement and if so whether to phase its introduction.

1. Do you believe there is any benefit for capturing foreign credit data and that these outweigh the practical challenges embedded in the current requirements? Please outline any comments you may have in relation to the possible exclusion of this information?

Whilst it would be of benefit to the credit union to be made aware of all debt to which the loan applicant is exposed, the collection and verification of such information may be challenging.

Furthermore, since the debt is outside the jurisdiction, it would be difficult for the credit union to obtain up-to-date status of such foreign debt.

Another challenge is updating the IT systems to include such information.

5.8 - Collection of Guarantor Data

The Act includes a guarantor within the meaning of CIS. In this context CIPs will be obliged to collect and supply information in respect of guarantors to the CCR. The Central Bank is considering whether to phase the introduction of this requirement.

1. Do you believe there is significant benefit to capturing guarantor data? Please outline any comments you may have in relation to the possible scope or timing of inclusion of this information?

Whilst it would be beneficial for credit unions to access information relating to guarantors, in order to be appraised of their creditworthiness, currently the level of data on guarantors being proposed is not necessarily sought by all credit unions, and as such it may take some time for credit unions to capture this information. The IT systems will require updating in this regard also. A phased approach to this requirement would be preferred.

5.9 - Levies and Fees

The CCR is intended to be self-financing; the Act allows the Central Bank to develop regulations so that it can set levies and fees for users of the CCR to ensure that costs are fully recouped. The

Central Bank may decide to make different charges for levies and fees for different classes of CIPs and users of reports. The balance between levies and fees and the extent of any of differentiation between classes of CIPs and users has yet to be decided. The Act provides that individuals may upon request, access their credit report once a year free of charge.

1. With respect to different classes of credit information providers and users, please outline any comments you may have in relation to the possible introduction of any levies or fees? If you have suggestions, please provide them along with supporting rationale.

2. Do you have views as to whether all CCR costs should be recouped entirely through either a levy or a fee, but not both? For example, should all costs be recouped only through access fees (i.e. user pays principle) with no levies imposed?

3. Is there another more equitable basis for recouping the costs of the CCR such as based on size of CIP, product specific charges or any other basis?

Owing to their business model and their social remit, credit unions tend to lend small amounts on a frequent basis, and as such the credit reporting service may be used more frequently by credit unions than by other financial institutions. On this basis, a financing model based on access fees alone would appear to be disproportionate to credit unions.

Furthermore, credit unions are not-for-profit entities who do not boast the capital held by banks or other large such financial institutions, and may struggle if faced with the same levies as larger financial institutions. A more equitable finance model may be an annual levy based on pro-rata contribution.

Potentially a combination of a pro-rata levy and a nominal access fee (or a fee that takes account of the size of the loan) would be the most proportionate approach.