

Submission to the Central Bank re:

Second Consultation on Review of Consumer Protection Code Consultation Paper CP 54

We wish to begin with an issue not addressed in the Consumer Protection Code:

Targeting of clients by watching current accounts (to tie in with proposed changes in S2 (iii) regarding unsolicited contact with consumers.

Banks market products to people who hold accounts there by watching balances in their accounts and by looking at the direct debits they have. This is known via personal experience and by speaking to clients of our firm.

The majority of people hold bank accounts in order to access the payments system, therefore they are not knowingly seeking targeted contact or marketing for other products and if the current account is used as a boon for this it constitutes unsolicited contact, were therefore hope that the Central Bank will support this view in order to promote a more open, fair and functioning market.

Allowing this to continue creates a barrier to independent financial advice for clients who feel pressurised or swayed by people who work at the bank that handles their day to day money (current account) to consider one of the bank specific products on offer – and thus not getting a wider market choice.

It is also anti-competitive, a reasonable level of research will show that by allowing banks to specifically target their customers because of information they hold on balances and direct debits ensures that those clients have diminished capacity to go elsewhere and in effect that results in fewer people exploring their options.

Failure to address this creates precisely the issues of being open to hard selling as described in the consultation paper.

It also means that competition is reduced in the marketplace because people never get beyond their own branch to explore the marketplace.

This practice also allows banks to access vulnerable customers without putting in place the necessary procedures until they are at a point of advice giving, the approach used is also often one based on fear – which we have witnessed first hand- whereby an elderly client is told ‘don’t keep too much in your current account in case of scammers’ and then they are told about a bank specific product next.

Contacting clients based upon information in their current accounts (outside of fraud queries/concerns) is also likely a contradiction of s32 of the CPC

“The regulated entity has, within the previous twelve months, provided that consumer with a product or service similar to the purpose of the unsolicited contact;”

If a deposit specific or investment product had not been provided in the past then using current account information to initiate contact on such products is contrary to the spirit of the code.

There is also the national issue of the moral hazard of allowing this practice to continue in banks that received tax payer funded bailouts while at the same time, practitioners in the non-bailed out sector are put at a *competitive disadvantage*.

The intermediary market has suffered devastating losses in both numbers and market share while trying to compete with banks that have received tax-payer monies, to seek a level playing field is not unrealistic.

Unsolicited Calls.

We would seek clarification to determine if ‘any circumstance’ in S2p(iii)

*“In addition, we are proposing that regulated firms **will not be allowed in any circumstances** to make an unsolicited personal visit or telephone call to a consumer who is not an existing customer.”*

is to include referrals which up to now have never been an issue.

Provision of credit to SME’s: Personal Liability Guarantees

Often when obtaining credit the directors of SME’s (or partners etc.) are told to sign a ‘personal liability guarantee’ which means that they can be affected outside of the credit agreement which is being set up on commercial terms.

Therefore we believe they should be treated as a consumer if a personal liability guarantee is required or it may mean that people who act in a commercial manner effectively waive vital consumer rights which are outside of the commercial transaction unbeknown to them at the time. Personal Liability Guarantees should – if used by banks – make the contract into a consumer one rather than a commercial one, if it was purely commercial they would not seek the assurance of the person outside of the commercial aspects of the deal.

S2p(vi) Advertising

The discontinuation of any deposit rates which span across a period of greater than one year would be a welcome addition to the market in terms of clarity, transparency and ease of interpretation.

Currently banks can advertise a deposit as paying '10%', then in the smaller print it turns out that the rate is actually 3.24% p.a. over 3 years. Giving a large headline number is misleading and makes it difficult for consumers to cross compare similar products.

Sincerely,

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