Submission from

C.U.M.A.

The Credit Union Managers Association

In Response To

Central Credit Register
Consultation Paper CP93

12th June 2015

Introduction

The Credit Union Managers Association (CUMA) is the professional representative association for managers of credit unions in Ireland. CUMA provides professional development training and assistance to its members and engages with a wide range of stakeholders and industry bodies in its pursuit of excellence in professional standards in credit union management.

CUMA welcomes the introduction of a Central Credit Register (CCR) for all Credit Information Providers (CIP's) and believes that once fully operational the CCR will provide valuable information to CIP's in assessing credit worthiness.

CUMA welcomes the opportunity to respond to CP93. However, CUMA believe that further engagement is required between the Central Bank, credit unions and credit union system suppliers to ensure that credit unions are capable of inputting to the CCR as will be required.

CUMA points out that there is no homogenous member operating system in operation across the sector. This will present a number of challenges to ensure that all credit union systems are capable of participating in the CCR effectively and efficiently.

Section 5.2

1. ***With respect to any phasing of different CIP's, do you favour a phased approach to the implementation?***

The Central Bank proposes a phased implementation prioritising banks, credit unions, credit card providers, finance houses, retail credit firms, NAMA and loan book purchasers as Phase 1 entrants.

CUMA acknowledges that including CIP's with experience of handling and processing personal and granular credit data as Phase 1 entrants has obvious merits. We would point out however that some credit unions are not currently members of the Irish Credit Bureau (ICB) and therefore may have technical incapacities which must be taken into consideration.

CUMA notes that individual credit unions use a variety of different systems and that all credit unions will be required to make substantial investment in systems to ensure their capacity to comply. Consideration will need to be given to ensure that all credit unions regardless of size and resources are afforded sufficient time for transition and to be able to comply with the requirements.

CUMA assumes that the Central Bank will carry out a detailed Regulatory Impact Analysis for credit unions before the introduction of Regulation and that this will be made available to credit unions in a timely manner.

2. ***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.***

CUMA strongly objects to the exclusion of licensed moneylenders and Local Authorities from Phase 1.

All credit unions including those of very low asset size are included in Phase 1, regardless of size, financial capacity or resources. Some of these credit unions would not have heretofore processed granular credit data for ICB purposes and yet they will still be included in Phase 1.

The Central bank contends that Licensed Money Lenders should be excluded on the basis that "*the majority of licensed money-lenders in Ireland lack the financial and technical capacity to become members of the CCR".*

The purpose of the CCR "*to provide an accurate Single Borrower View….to support consumer protection*" is defeated if licensed moneylenders are not included in the CCR in Phase 1.

CUMA argues the fact that if moneylenders are excluded, it may well encourage consumers to increase the use of their services.

The most vulnerable and financially excluded use money lending services. Licensed moneylenders are particularly strongly active in certain areas of the country. The failure to include licensed moneylenders in Phase 1 contravenes Government Policy on Social Inclusion. It potentially exposes credit unions located in areas where there is a high activity of money lending activity. It does not enable those credit unions to prudently manage their loan books and to comprehensively assess risk before loan approval.

There is no reasonable argument made by the Central Bank as to why Local Authorities should not be included in Phase 1. Credit unions provide very much needed credit services to members using Local Authority schemes. The failure to include Local Authorities in Phase 1 contravenes Government Policy on Social Inclusion. It potentially exposes credit unions located in areas where there is a high level of local authority housing. It does not enable those credit unions to prudently manage their loan books and to comprehensively assess risk before loan approval.

Section 5.3

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.***

   CUMA does not see any merit in the CCR collecting data in relation to the credit application stage. Credit unions have never experienced problems with members applying to different institutions to access credit simultaneously.

The purpose of the CCR is "*to resolve weaknesses identified in various reports subsequent to the banking crises".* We have no evidence that this type of consumer activity in any significant way affected credit union loan books or indeed Bank loan books and would appreciate evidence of how this risk has been identified.

Credit union members may apply for a loan and subsequently decide to draw down only part of the loan, draw down the loan in stages or not draw the loan down at all. The recording of credit applications on the CCR would appear excessive, unnecessary and overly intrusive for the consumer.

CUMA queries the competitive risk of permitting all CIP's access to this information and has concerns about such information being used to sell loans to the consumer.

CUMA does not believe that there are any significant benefits from a CIP perspective in seeing credit applications on a real time basis.

Section 5.4

1. ***Please outline any comments that you may have in relation to the timing of the first point of reporting data to the CCR?***

CUMA recommends that the first point of reporting data to the CCR should be at the point of drawdown. The rationale for this opinion is explained in Section 5.3(1) above.

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?***

No and No.

3. ***Please provide any comments or suggestions you may have in relation to the reporting of undrawn committed credit facilities to the CCR.***

Please see response to Section 5.4(1) & (2).

4. ***As stated above, the Central Bank believes that there may be some concerns to recording credit card approvals on a CIS record when they have not yet utilised the facility.***

CUMA suggests that there should be a similar concern for CIS's who have applied for a credit facility (loan) in credit unions but subsequently decide not to draw down the facility.

Section 5.5

1. ***Do you believe the extent of data suggested is sufficient*?**

CUMA believes that for the CCR to be cost effective and efficient there will be a need for the transfer of legacy data. The most appropriate method for the compilation of legacy data (while not ideal) is that data is collected prospectively from a set date in advance of the CCR becoming operational. WE agree with the example given i.e. an obligation to provide monthly updates with performance data for at least 12 months.

2. Do you envisage any difficulties in collecting the data for periods suggested?

The Central Bank will need to provide credit unions with sufficient time to prepare their systems for such an approach and certainly the suggested commencement date of 30th June 2015 is not feasible. Credit unions do not have a single supplier and therefore may require an extended lead in time. CUMA understand that the Central Bank has liaised with system suppliers and assume that they will have discussed with them the feasibility of their preferred approach and whether such data can be collated.

Section 5.6

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

Credit unions undertake due diligence to identify and verify members' identities. Credit unions may however use different methods to store such information. Further discussion may need to take place with credit unions in order that the Central Bank confirms a level of uniformity across all credit union systems.

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 would you face in collecting these from CISs?

Please see response to Section 5.6(1).

In reference to Appendix 1 credit unions collect (a), (c), (d), (e), (f) and (g). It is not common practise in credit unions to collect the individual's mother's birth surname (b).

There are practical reasons for not doing so. Valid data protection arguments against storing the name of a person, namely, the mother of a borrower, when that person "the mother" may have relationship with either the loan in question or indeed the credit union.

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

Credit unions generally have no fundamental objection regarding the collection and reporting of PPSN. However serious issues have been raised by the Data Protection Commission around the collection of such data and there has been a failure on the part of the Central Bank to address the issues in question.

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

Yes. The Central Bank would need to clarify issues that have been raised by the Data Protection Commission with credit unions in relation to this process, and which in turn have been raised with the Central Bank, to no effect.

Section 5.7

1. ***Do you believe there is any benefit for capturing foreign data and that these outweigh the practical challenges embedded in the current requirements?***

While CUMA accepts that there is merit in CIP's being able to access and monitor loan performance in respect of outstanding foreign credit we note that credit unions do not retain information on foreign debt in any formal structured way. Any information held is not verifiable on an ongoing basis and therefore should not be used at this time.

Section 5.8

1. ***Do you believe that there is significant benefit to capturing guarantor data?***

CUMA accepts that there is benefit to capturing guarantor data. Credit unions do not have a standard approach in gathering and retaining guarantor data and such data may not be as comprehensive as the data gathered for the primary borrower. CUMA agrees with the option that data could be collected prospectively for new credit agreements from a specific date. The Central Bank will need to further engage with credit unions and system suppliers before such a date could be agreed.

Section 5.9

1. ***With respect to different classes of CIPs and users, please outline any comments you may have in relations to the possible introduction of any levies or fees.***

CUMA contends that the Central Bank takes into account the structure and nature of credit unions, their business model and the profile of those who access their services when regulating levies and fees. In this regard we make the following points:

- Credit unions are not-for-profit co-operatives run on a voluntary basis servicing communities throughout Ireland
- Credit unions do not charge administration fees to members
- The majority of credit union lending is for small loans on a repeat business basis.
- The application for a loan of €500 for Christmas should not be charged the same fee as an application for a once off mortgage loan of €500K
- Consideration should be given for structured charges depending on the size of the loan with no charge for small loans up to a limit of €2,000.

Finally, CUMA welcomes the opportunity to respond to this consultation paper and believe that further ongoing engagement is required between the Central Bank, credit unions and credit union system suppliers to ensure that credit unions are capable of inputting to the CCR as will be required.

CUMA are happy to engage further if required on any issues of clarification. Once fully operational the CCR will provide valuable information to CIP's in assessing credit worthiness and CUMA would welcome this development.