

Kilmallock Credit Union Limited
Submission on CP93
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Kilmallock Credit Union is a medium sized Credit Union located in south County Limerick. We have approximately 7,500 members, over a large common bond. We appreciate the opportunity to comment on this matter.

We note that the key objectives of the CCR and the Central Bank are as follows:

- To create a comprehensive credit register through mandatory reporting requirements;
- To provide an accurate Single Borrower View of loans;
- To provide consistent and comprehensive reporting of credit agreements;
- To provide controlled access to CIPs at key points throughout the credit lifecycle, and to CISs upon request;
- To ensure that data is collected, stored and used properly and securely;
- To facilitate the Central Bank in the performance of its functions through access to credit information;
- To support consumer protection; and
- To support broader economic development.

5.1 The Central Bank is seeking views on the following:

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

The phased approach to the implementation of the CCR would seem reasonable, certainly if the alternative is to delay the introduction of the CCR until all areas are ready to be reported on.

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.*

We do not feel there are any specific areas that should be deferred or excluded from either phase.

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?*

We would expect to be in a position to provide all the information to cover all CISs immediately, pending confirmation from our IT providers. It may well suit to gather all of the information as a single project but we do not see a particular advantage to doing so. We would simply separate the data as required.

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?*

The Practical difficulties of lending to groups of individuals without specific legal personality is challenging and it may not be possible immediately to provide all the detail required. It

would involve an individual review of all paper files, which would be labour intensive and time consuming. Any loans we issue to clubs or societies are not guaranteed by specific individuals any loan would be fully assessed on the capacity of the club or society to repay the loan in its own right. We would have a historic relationship built over the years with a number of clubs in the area.

- 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?*

For the CCR to be effective it would need to have as much information as possible. However we feel that it would not be fair if an individual was disadvantaged by voluntary involvement in any organisation.

- 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?*
See above

- 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?*

It is more acceptable to let the process begin without the reporting of such groups than to delay just for that reason.

It is worth considering that there may be differing levels of responsibility for example a partnership would be likely to put greater pressure on the individual as they are jointly and severally liable for the debts of the partnership than perhaps a club or association where there may be a feeling collective responsibility in a larger group of people. The trustees would sign on behalf of a club – as the club can't sign a credit agreement itself. The whole point about being a trustee is you're acting in trust for the club.

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

We do not have particular suggestions in addressing this challenge, it is extra work and a strain on resources and nationally will discourage volunteer involvement across the country as a whole.

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

5.2 The Central Bank is seeking views on the following:

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

It appears reasonable that, given the workload involved, a phased approach should be used to the implementation.

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.*

By way of comment in general it was not the individual borrowing for prudent purposes from the Credit Union that caused the financial difficulties experienced in Ireland and globally over the past few years, yet this process is starting with the individual, rather than companies or commercial entities. A large number of limited companies nationwide have gone bust owing debts to all types of financial institutions. The directors seem to evade any form of consequence and as a result are able to restart new companies without any difficulty or restriction. Lending to groups is only being included by way of a breakdown of an individual's total borrowing. It would seem to be better overall to have started with more systemic entities.

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.*

The exclusion of Licensed Moneylenders from the first phase.

Credit Unions in particular are competing with Moneylenders at the small loan level and it is unfortunate that such lenders are not being focussed on in the initial phase. Credit Unions are bearing the burden of increased regulation and expectation while moneylenders are not.

While it appears reasonable to accommodate the fact that they may not have the financial and technical capacity to become members of the CCR our members or potential members remain targeted by them, and their extortionate, albeit legal interest rates, while their borrowings from such lenders will remain outside the remit of the CCR.

This is likely to drive people to borrowing from such lenders and leave other institutions without information on those borrowings.

It is regrettable that instead of pressurising such lenders, in the way that small credit unions are being pressurised to upskill and improve, they have unfortunately instead been left out of the initial phase.

5.3 Collection of Credit Application Data

5.3 The Central Bank is seeking views on the following:

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.*

As a rule we as a Credit Union would have completed our Anti Money Laundering Due Diligence upon the member joining and a loan application is a trigger to update that information. We would therefore be able to stand over the information given at that point in time. If it means completing two returns ie one when the application was made and one if and when the loan was drawn down it would seem to make more sense to do one, probably at the time of drawdown.

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?*

No because it would put a member off joining, if they were questioned about their personal debt at the membership application stage.

5.4 The Central Bank is seeking views on the following:

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.*

We are of the opinion that it would be best to report monthly on all unsecured loans issued from drawdown stage onwards.

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, as set out above we believe that we could meet such a requirement but feel that the drawdown stage would be more appropriate.

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.*

We do not believe that it should be compulsory to report what may in essence be an enquiry about credit facilities. There is no liability until the agreement is entered into and the monies drawn down and that should be the trigger for reporting.

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 do not have a comment to make in this regard.

5.5 The Central Bank is seeking views on the following:

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?

We feel option (b) which will provide 18 months of data by the time the search becomes mandatory is sufficient information. We do not feel that retrospective data is reasonably achievable.

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

No particular difficulties.

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

4. There may be difficulties in collecting data retrospectively for 3 years, in practical terms from a data collection point of view but also given the historically turbulent times we have had over the past few years it may actually skew the information given on borrowers that are now participating and performing who made have had some difficulties in the past few years. The information is relevant but a distinction should be made as suggested in the Report of the Inter Agency Working Groups 2010 to define or highlight those who are working with their institutions to get through difficulties. Historical data may work against such people.

5.5 The Central Bank is seeking views on the following:

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

Consultation with the Data Protection Commissioner the contents of the Privacy Impact Assessment will be extremely important here. We would hope that information and advice from the DPC, and the contents of the Privacy Impact Assessment would be shared in due course.

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

We currently store such information on our member files on our IT system. The loan application process is a trigger for obtaining the information and as such we should be in a position to fulfil the requirements.

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

The collection of PPSN may be challenging. It has been in the past, particularly with older members. Will the PPSN be compulsory for this reporting as at the moment while we try to obtain it, the member is not obliged to provide it?

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

Using Anti Money Laundering Procedures should be helpful in the collection of information for this purpose, although procedures may need to be amended to cover all requirements.

5.6 The Central Bank is seeking views on the following:

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?

We do believe that there is a benefit in capturing foreign data to allow as full a picture as possible to be obtained however there are likely to be huge practical challenges to doing so which may outweigh any benefit.

2. Please outline any comments you may have in relation to the possible exclusion of this information?

Collection of Guarantor Data

5.7 The Central Bank is seeking views on the following:

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

We are very conscious of obtaining guarantor data at present and part of our underwriting involves assessment of the guarantor's ability to meet the obligation.

We would hope that this kind of information would be included in the CCR

2. *Please outline any comments you may have in relation to the possible scope or timing of inclusion of this information?*

Presumably this information would form part of Phase 1 if the guarantor is an individual and would be as extensive as the information available for a borrower.

5.8 The Central Bank is seeking views on the following:

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?

A Credit Union of €100million in total assets should be charged more than a Credit Union of €10 million in total assets. So a fair way should be devised in setting the fee.

Any other comments.

If you have any other comments or suggestions in relation to the implementation of the CCR, please include in your response together with your supporting rationale

We believe the implementation of the CCR is a welcome tool to aid in thorough underwriting of loans. The information stored on the CCR will also be available to the Central Bank to support it in carrying out its existing functions, for example, prudential supervision or statistical analysis. To what extent will the Central Bank be using this for prudential supervision. Will it get to the stage that the Central Bank will be dictating to us what loans to approve