Revolut

Revolut response to Consumer Protection Code Review Discussion Paper

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Summary Observations:

Revolut warmly welcomes the CBI decision to update the Consumer Protection Code, and in particular appreciates the extensive consultation being undertaken. This Code review is a once-in-a-generation opportunity to ensure Irish consumers reap the true benefits of innovation, enhanced financial literacy, greater inclusion of minorities and people with disabilities, and wider choice - while enjoying the highest possible degree of protection from market failures such as those cited by the CBI in its discussion paper.

In creating a forward-looking, dynamic Code fit for the future, it is vital that changes are made based on evidence and data. This should include the fact of the widespread adoption by Irish consumers of new technologies, as well as the huge amounts of detailed financial and consumer behaviour data which are now available thanks to technological innovation.

Revolut is clear in its belief that innovation and digitalisation in finance have been of enormous net benefit to consumers. Thanks to innovation, Irish consumers can now:

- Manage their finances in person 24/7, 7 days a week, 365 days a year - as opposed to being able to to do so only in person between 10am and 4pm on weekdays

- Send and receive peer-to-peer payments instantly
- Have real-time control of all their account transactions
- Analyse their spending patterns and understand in simple terms where and how they are utilising their money
- Apply for credit speedily, but with the reassurance of an affordability test using Open Banking to ensure that they only borrow what they can demonstrably repay
- Donate instantly to charity, without fees or charges
- Avail of lower fees for basic transfers, foreign exchange and account maintenance
- Instantly create savings vaults, encouraging them to save (including using features such as spare change round-up)
- Make their own investment decisions
- In general, have far greater control of their own money, as opposed to handing that control to institutions which they must trust to do so on their behalf
- Create accounts for their children which teach them digital financial literacy (but at all times under the guidance of a parent)

Digitalisation has also made huge strides to tackling exclusion in financial services. For example, digital financial services can offer inclusion to many groups which have often been excluded from traditional finance. These can include:

- Minority groups who have been socially excluded in the past
- People with literacy difficulties
- People with visual impairments
- Refugees and those seeking asylum
- People for whom English is not a first language

By way of example, more than 300,000 refugees from Ukraine have now opened special Revolut refugee accounts, which were created within a week of the Russian invasion in 2022. These accounts allow refugees to send and receive money wherever they are in Europe or the world - without the danger of carrying large amounts of cash.

Digitalisation has also enormously advanced the ability of young people to engage with financial services and learn directly about how to handle money - under the supervision and oversight of a responsible adult.

This can all be stated unequivocally while accepting that there are certain cohorts who still prefer a non-digital approach: and recognising that attention should be paid to ensuring that providers who cater for those requirements are supported as well. And of course all innovation - be it vaccination, mass transportation, air travel or home computing - has the *potential* to create new risks: however, as with all these innovations, we should recognise that these potential risks are far outweighed by the benefits of innovation for individuals and society as a whole.

Revolut also believes that a fundamental protection for consumers lies in empowering them: ensuring they have all the resources, information and financial literacy required to make well-informed choices.

This protection is enhanced by allowing consumers genuine ability to switch providers easily and efficiently, ensuring they are always in a position to secure the best service and price; and the backup of a clear, straightforward Consumer Protection Code which explains in plain language the basic standards they are entitled to expect.

Therefore a fundamental element of Revolut’s submission is the need for a new National Financial Literacy Strategy, involving all regulated firms in collaboration with all relevant government departments and agencies, schools, colleges, universities and organisations which help reach those potentially excluded from traditional finance.

Such a strategy would have as its fundamental goal ensuring that all citizens and residents of Ireland are informed enough to make sound, considered, well-informed decisions about how they wish to manage their own money or to borrow responsibly; a clear understanding of what they can and cannot expect firms to do; a clear understanding of how to protect themselves from theft and fraud in the digital era; and the confidence to ensure that at all times they are able to assert their greatest power as consumers - to switch providers in search of the best price and/or the best service.

National financial literacy will not, however, be served by an unwieldy Consumer Protection Code which restates (or even contradicts) the numerous and detailed legislative provisions which already govern the conduct of firms. Legislation is necessarily complex: the Consumer Protection Code, by contrast, should be accessible, both in its formats and in the language deployed.

The Retail Banking Review arrived at a similar conclusion, stating that, as regards consumer protection, “legislative complexities have the potential to act as a barrier to entry to the retail banking market. The Review Team recommends that the consumer protection legislative framework be rationalised and streamlined. This would provide potential new entrants with greater transparency and certainty. Simplification would also support the best interests of consumers, as they will be better enabled to confirm and understand their rights.”

This is in addition to the specific recommendation in the Retail Banking Review regarding the CBI and the CPC, which states: “In line with its statutory mandate, the Central Bank should continue to prioritise the interests of consumers in terms of enhancements to the regulatory framework (supported with evidence-based findings and research, as appropriate) and through the execution of its supervisory role. As part of the review of the Consumer Protection Code, the Central Bank should assess how its integrated mandate across financial stability, prudential and conduct regulation can be further utilised to ensure the ultimate goal of protecting consumers."

It is vital therefore that in revising the CPC, the CBI acts at all times with a view to shortening and simplifying the Code, rather than making it longer and more complex.

Efforts should be made to ensure that it can be accessed digitally, and in a variety of formats - especially those preferred by younger cohorts, the unbanked, those from minority communities, those with disabilities and those who have not previously engaged with traditional financial institutions.

In considering revision to the Code, the CBI should also adhere to the principles agreed by the OECD as regards consumer protection:
"The OECD sees **limits to state intervention**, requiring:

- **A clear purpose -** designed to address an identified **market failure affecting consumers**
- **Cost/benefit assessment**

A consideration of **alternative solutions** and **unintended consequences"**

For each suggested change, therefore, the Central Bank should seek to establish what evidence there is (if any) that deficiencies in the current Code have led to an identified market failure affecting customers; that suggested amendments would actually address those deficiencies, and prevent such market failures in the future; that a cost-/benefit assessment of the new provisions has been carried out, along with a consideration of both alternative solutions and potential unintended consequences.

It should be noted that the key market failures identified by the CBI during recent years would appear to have been in *prima facie* breach of the existing duty to act in customers' best interests. The problem was not necessarily with the provisions in the Code, but with adherence. We should therefore resist the notion that the past actions cited by the CBI require the response of creating additional complexity for an entire industry, of whom the vast majority **did** adhere to the Code.

We would also have serious concerns about any “one-size-fits-all” approach, which could impose a suite of onerous obligations on innovative new providers operating in the digital space.

Broad Theme A – Availability and Choice

Q.1 What are your views on availability and choice of financial services and products for consumers?

A: The departure of Ulster Bank and KBC - two out of the five main legacy banks in Ireland - has been a severe blow to availability and choice of financial services and products for consumers in the retail banking sector, including mortgages, credit and payments.

The Governor of the Central Bank of Ireland told the Oireachtas Finance Committee on January 25th: “The withdrawal of Ulster Bank and KBC is obviously concerning in the context of a competitive market.”

While the arrival of Revolut into the market has helped alleviate the worst effects of this over-concentration, it is clear that such a lack of competition is not in the best interests of consumers.

Given the general acceptance that it is not the role of the Central Bank of Ireland to set prices, consumers’ single best protection against such behaviour is competition - which depends on choice in the market.

Moreover, a lack of competition is also detrimental to customers who are not being offered the full benefits of innovation and lower prices across the payments ecosystem.

For example, only one major bank in the State (Revolut) offers its customers Open Banking connections to external bank accounts; only one major bank in the State (Revolut) uses Open Banking to support lending decisions; and only one major bank in the State (Revolut) offers its customers free SEPA Instant payments across the Euro area.

Since the late 1960s, numerous overseas banks have attempted to enter the Irish retail market: until the arrival of Revolut, all ultimately failed to establish a significant market presence and ended up exiting - even though many are major international banks with strong underlying businesses and a powerful ability to resource Irish operations. In the same timeframe, however, we have seen the successful establishment of international firms alongside domestic firms in numerous other consumer markets including grocery, pharmacy, apparel and FMCG - to the enormous benefit of Irish consumers. This is clearly suggestive of a financial services environment in which barriers to new entrants remain - even though new entrants are a vital cornerstone of customer choice.

It is vital, therefore, that in this Code as well as more widely, the CBI - even in the absence of a specific competition mandate - recognises the need to ensure the highest possible levels of competition as a foundation-stone of consumer protection; and accepts that it should always seek to act in ways which will not prevent or discourage competition.

Q.2 How important are new providers and new delivery channels to serving consumers' financial needs?

A: New providers and new delivery channels are critical to serving consumers' financial needs. Increasingly, the legacy delivery model for financial services is insufficient to meet the needs of a growing cohort of the population who have adapted to a digital, hybrid-working world. They expect to be able to avail of services 24/7, 365 - not between 10 and 4 on weekdays. They expect to be able to access and utilise their money instantly, have total visibility of their financial positions, to receive information via their preferred channels and in a language they can understand and relate to. Ultimately, they need to be given access to financial services on their terms.

It is of course accepted that there are cohorts who wish to continue to interact with their finances - and indeed society - in more traditional ways. What is critical therefore is a plurality of services, many aimed at meeting the needs of specific population cohorts who are not best served by legacy approaches.

It is important to note that included in such cohorts are the unbanked, who have never engaged with traditional financial institutions, and who are likely to suffer poverty and deprivation as a result; marginalised communities, who have traditionally also resisted engagement with what may be seen as paternalistic financial institutions; people with literacy problems, who may be intimidated by the complexity of written forms and paper-based verification processes; and those with disabilities which may make availing of traditional banking services challenging. (On this subject, it is worth noting that Revolut has been praised by charities working to support people with visual impairment because our App was designed from the ground up to be fully compatible with accessibility technologies which make banking easier for people with sight loss).

We should therefore adopt a forward-looking approach of attempting to utilise as many channels as possible, through as many providers as possible, to address the vast array of different needs which exist across Irish society. We cannot expect firms to be all things to all people: therefore it is vital that we support and encourage such diversity of provision.

Equally, a one-size-fits all regulatory approach will only exacerbate existing problems of exclusion and under-developed financial literacy.

Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach?

In the guidance material provided by the CBI, the OECD highlights "competition" as a key principle of consumer protection: yet it is not mentioned at all in the CBI's own guidance on consumers' best interests. Ensuring fair competition is not just an academic goal: it is a fundamental means of promoting innovation to best serve consumers' interests and protection - and should be a fundamental element of the CBI's approach.

According to the OECD's paper The Interface between Competition and Consumer Policies, "The two policies [competition policy and Consumer Protection policy] share a common goal: the enhancement of consumer welfare. In this way they are highly complementary. Applied properly, they reinforce one another".

The paper adds that modern competition policy "is widely understood to have a single purpose: the enhancement of consumer welfare", stating: "Competition policy and consumer policy now speak the same language; they have a common, overarching goal."

The paper also states clearly that "ensuring that a market is effectively competitive can help meet one of the central concerns of consumer policy."

And it highlights the risk "that the instruments of consumer policy, rather than serving the interests of consumers, will be used to restrict otherwise desirable competition. As world markets become ever more integrated, this danger also becomes more pressing. Paternalistic justifications can be deployed for many purposes, and not all of them are socially desirable."

It is clearly accepted, therefore, that ensuring effective competition is a foundation-stone of ensuring consumer protection.

In its supporting material for this consultation, the CBI says that "The CCPC is Ireland's competition authority and is responsible for the promotion of competition and financial education". However the CCPC's role is primarily to enforce existing competition legislation: it has stated repeatedly that it does not have a role in promoting competition in financial services provision.

Moreover, through powers such as the CPC, the authorisation and supervision processes and its overall status in financial services, the CBI has significant power to impact the level of competition being seen in the State. Indeed, this power is reflected in the CCPC's submission to the Retail Banking Review, in which the CCPC specifically recommended that *"the revised Consumer Protection Code should set out the Central Bank's approach to promoting fair competition in financial services."*
This does not equate to a competition mandate for the CBI. Rather it is a question of simply ensuring that any measures proposed a) are not likely to reduce competition and b) would, if implemented, encourage competition as a driver of consumer protection.

One important area relating to competition relates to switching. A central pillar of true competition - and of consumers' ability to protect themselves - is the ability of consumers to switch effortlessly from one product or service to another. The CBI itself highlighted the importance of switching in its 2022 Review on engagement and switching in the insurance market, which stated: "Active consumer engagement and readiness to switch is a core component of any healthy and well-functioning market."

However the CBI has long recognised the extremely low levels of switching in the Irish market; and the challenges faced in switching millions of customer accounts. While this process may have encouraged some consumers to consider switching financial services providers more readily, it remains Revolut's view that as long as switching remains difficult, true competition will not prevail and a key pillar of consumer protection - the ability to move to a provider which serves the consumer's interests - is undermined. For all its successes, the Switching Code did not historically encourage high levels of switching in the market. Switching financial services providers is still seen by consumers as difficult, scary and risky.

Therefore as part of this consultation process, the CBI should examine active supports to make it easier for consumers to move their bank accounts. Separate from any specific revisions to the Switching Code, the Consumer Protection Code should contain an explicit commitment to making the process of switching easy, simple, fast and effective for all consumers; and should require all regulated firms to make it as easy as possible to allow consumers to switch.

Another example of a barrier to competition which falls under the CBI's remit is the cost of conducting a search on the Central Credit Register, which is significantly higher than in other European jurisdictions. This additional cost burden places upward pressure on the pricing of loans to Irish consumers, and may make it less likely that new entrants will seek to enter the market. Simple cost barriers such as this can reduce competition and increase prices.

Overall, therefore, the CBI should explicitly state in the Code the importance of competition as a fundamental pillar of consumer protection, as recognised by the OECD: this point of fact is not stated anywhere in the current Code or the consultation materials. And it should contain a clear commitment to ensuring that it will seek to remove barriers to competition in order to do so.

Broad Theme B – Firms Acting in Consumers' Best Interests

Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers?

A: We would reiterate here the OECD guidance (set out by the Central Bank) as regards consumer protection:
"The OECD sees **limits to state intervention**, requiring:

- **A clear purpose -** designed to address an identified **market failure affecting consumers**
- **Cost/benefit assessment**
- A consideration of **alternative solutions** and **unintended consequences"**

As with other aspects of this consultation, we should therefore start by asking: what identified market failure is this suggestion trying to solve? What evidence is there of market failures caused by a lack of additional guidance - or that additional guidance would have prevented them? What consideration has there been of alternative solutions to any such problems? And what consideration has there been of the unintended consequences of a layer of additional regulation?

The key market failures identified by the CBI during recent years did not accord with the principle of acting in the customers' best interests, as set out in the existing Code. We should therefore resist the notion that such market failures necessarily require a response of creating additional complexity for an entire industry, of whom the vast majority **did** adhere to the Code.

For these reasons, any suggestion of a need to introduce new guidance should be accompanied in each case by clear evidence of a market failure which the new guidance is designed to address; an illustration of the alternative solutions that were considered; and evidence of what consideration has been given to the unintended consequence of adding such additional complexity to a clear and simple provision.

One potential unintended consequence of introducing substantial additional guidance is that in practice it is seen by industry to take on the role of the relevant statutory provisions, and therefore has to be continually updated to take account of new developments in the sector. In effect it becomes a parallel version of the legislation, rather than an overview of the standards of conduct expected by the Central Bank from regulated firms.

Another potential unintended consequence of being too prescriptive instead of being aligned with already existing supra-national standards, is creating barriers of entry to new providers by creating unnecessary complexity at a national level.

Q.5 Does the suggested outline of 'customer best interest' guidance capture the essence of the obligation to act in customers' best interests? What other guidance would you suggest?

A: Where evidence is presented of a specific lack of clarity in the original "best interests" provision, specific guidance may offer a possible solution to address such uncertainty.

However, the suggested outline from the Central Bank contains a number of suggestions that do not appear to be supported by evidence, including assessments of risk which are not supported in the document with data or other evidential proof points; or which risk creating ambiguity. Specific examples include:

1. The Guidance references “Expected outcomes” - “*(are these what would be expected when firms are acting in customers’ best interests?)”*

   Naturally all regulated firms want the best possible outcomes for consumers; and they want customers to understand the decisions they are making, and the likely consequences. That is the basis on which any firm builds a long-term sustainable business.
   However many different people, entities and firms would have a very different view at different times during a process of what the “expected outcomes” from any interaction might be. For example, the effective liquidation of shares in Anglo Irish Bank was not the “expected outcome” of investing in Irish bank shares in 2006: would that make such an outcome a breach of the Code? Would firms which sold bank shares at such a time be liable for such losses under the “expected outcomes” provision suggested for this Code?

2. The proposed CBI guidance states: *“Targeting a sustainable, reasonable (risk-adjusted) return over an appropriate time horizon has greatest likelihood of complying with best interests obligation”*

   No evidence has been provided to suggest that profit objectives are in any way correlated to adherence - far less that they have a causal relationship. To take the most obvious example: the firms responsible for the market failures highlighted by the CBI had ‘reasonable return’ profit targets over the past decade: these targets did not prevent those market failures. Indeed, it could be argued that the most high-profile examples of non-adherence could be said to be correlated not to excess profit-making at all, but to attempts to avoid a loss: the two are materially different.

   Another question posed by this statement is this: what is the definition of a “reasonable return”? Is it 2%? 5% 10%? 15%? What about the cost of investment? Such suggested guidance risks politicising the issue of profitability, and making certain firms in the financial services sector targets for political criticism simply because, by innovating and creating brilliant new products, they have the potential to make higher profits than less innovative competitors.

It is widely agreed that the potential to make a profit is a key driver of innovation, which is itself a key driver of economic growth. The ECB has explicitly recognised the importance of innovation in helping to meet financial stability goals by driving economic growth. Guidance worded in this way could act as a serious brake on innovation and lead to firms which achieve profits by offering customers a better service and innovative features being held back in favour of firms with a poor track record of innovation.

3. “*Firms must appropriately* ***balance the interests of shareholders and interests of customers”***

   Nobody would argue against this concept: but shareholder relations is already the subject of extremely detailed legislation and jurisprudence. There is a risk that such broadly-based concepts could create conflicts with the detailed provisions of statute and with the significant legal duties on companies and their directors.
   Moreover, this is another provision which could also ultimately be politicised and used to justify attacks on firms who reward shareholders - overlooking the fact that shareholders take a financial risk by investing in firms, often creating the capital that allows for innovation and development. Shareholder legislation is a highly complex area of corporate law and the Code should not attempt to impose requirements which will not serve the intended purpose of ensuring fair treatment of customers.

4. ***"Firms must not take undue advantage of customer behaviour or habits** to the benefit of the firm and/or at the cost of the customer"*

   Again, nobody would argue with this concept. However this formulation lacks clarity. What some might see as "analysing customer behaviour to offer better products and services" could be portrayed by competitors as "taking advantage of customer behaviour… to the benefit of the firm". Again, specific market failures should be referenced in seeking to address this issue.

   The concepts of Open Data and Open Finance rely fundamentally on firms' ability to use financial data - with a customer's consent - to offer them better products and services.

Overall, rather than allowing the Code to become bogged down in unnecessary additional guidance, the objective of consumer protection might be better served by ensuring that the requirement to act in customers' best interests is defined in terms of treating customers fairly. The OECD has recognised this: the OECD principles of customer protection refer to "equitable and fair treatment of customers". Yet the CBI guidance on customers' best interests does not mention "fairness". By referencing the "equitable and fair treatment of customers" the Central Bank could avoid adding unnecessarily prescriptive, potentially contradictory guidelines which (as set out above) could conflict with existing legislation.

Ultimately, Revolut believes the best interests of customers are served by enabling well-informed choice, and by ensuring that people are treated fairly. Had these fundamental concepts been adhered to in the past, the market failures identified could not have occurred.

Theme 1 – Innovation and Disruption

Q.6 Do you agree with our proposed approach to enhancing our Innovation Hub?

Ireland should be highly ambitious for the potential of the Innovation Hub. It should be the national go-to centre for new or existing firms with a new idea, or a vision for a new product. It should lead a direct path to a sandbox where innovative products and services can be tested.

These principles, rather than prescriptive formulations, should guide the work of the Innovation Hub.

Like much of industry, Revolut supports the proposal to develop "*productive exchange between innovators and the financial regulatory system*" as outlined in the Discussion Paper. The broad nature of the support that we understand would be offered, in particular where firms may be making material changes to the manner in which an existing product is constructed or delivered, has significant potential to benefit firms.

However the detail behind the Innovation Hub is important in understanding the extent to which members might actively engage and benefit from it. Industry needs clarity around the purpose, scope and participants. Having a clear Terms of Reference will help ensure industry can work with the CBI to ensure that the Innovation Hub ultimately ensures better services for consumers.

Q.7 What more should be done to support innovation while ensuring consumers' best interests are protected?

We should start by promoting innovation.

“Innovation” has to some extent - perhaps through the actions of a very few high-profile individuals - come to be associated by some with reckless or unregulated technological development. The first objective is to reclaim the concept of innovation as a force for good in society.

What is “innovation”? It simply means *the use of new ideas or methods*.

Electricity
Running water
Antibiotics
Vaccines
Powered flight
Automobiles
Computing

These are all innovations which have improved the health, life expectancy and living conditions of billions of human beings.

Money itself is an innovation!

And ever since Schumpeter in the 1930s, economists have accepted that innovation is the critical dimension of economic change.

Recent academic studies have again shown that innovation is critical to economic growth[1].

[1] 2017 study by Rana P. Maradana, *Journal of Innovation and Entrepreneurship*: “in order to promote per capita economic growth, attention must be paid to policy strategies that promote innovation”

“innovation tends to make significant contributions to growth, and there are also significant spillover effects of innovative activities” (Hassan and Tucci 2010)

“Financial development and innovation are both causative factors of economic growth in the long run. Thus, a policy focus on financial development and innovation is appropriate as an approach to boost the economic performance of these countries. (Pradhan, Arvin & Bahmani, 2018)

This in turn helps central banks meet their key objectives of financial stability. The ECB has stated clearly: "One of the major benefits of innovation is its contribution to economic growth…. However, *the long-term growth potential of the economy, which depends on innovation, also affects the ECB's ability to achieve its mandate*."

In Ireland, innovation has helped us go from one of the poorest to one of the richest countries in Europe; from below-average life expectancy to the highest. And innovation attracts more innovation. By innovating on policy - eg the corporate tax rate - we attracted some of the biggest innovators in the world.

Of course not all innovation is beneficial: we need to be able to distinguish between positive and negative innovation. But this should be done based on evidence, not resistance to change.

So our first step should be to agree that we believe in innovation - and that we will do all we can to foster and encourage it.

As regards protecting consumers: in the biggest adverse customer events of recent decades, technological innovation did not cause the harm: the harm was caused by the decisions of businesses and their employees.

In some areas of Financial Services, Ireland has been extremely innovative. In others we are far behind. If, for example, we look at banking and payments:

- Only one mainstream bank in Ireland (Revolut) offers EU-wide instant payments (SCT Inst) or any form of instant peer-to-peer payments.
- Only one mainstream bank in Ireland (Revolut) offers Open Banking for payments, or loans
- Consumers cannot use card payments (far less instant payments) across our public transport network
- Consumers cannot pay for government services via direct instant payment reference (and in the case of applications for irish citizenship, not even by card!)

- Account switching is still a largely manual process of moving Direct Debits and other regular payments one by one

We should be asking ourselves: *why, when the most innovative tech firms in the world have EU bases here, are we not at the cutting edge of innovation in day-to-day financial services for our citizens? How can we make sure that this new Code ensures our citizens reap the full benefits of innovation - while also giving us the flexibility to act in those rare instances where we see evidence that a specific innovation is causing demonstrable harm?*

> **Innovation as a social good: Toy Show case study**
> Revolut has developed an innovative way to donate money to charity - faster and more easily than using credit cards. That innovation saw over €7.5m donated to charity in the past year by Irish customers alone.
> On the night of the RTE Toy Show Appeal in November 2022, over 60% of total funds raised came via Revolut. This shows that Irish consumers have embraced a new, faster and easier way of making a transaction: and that offering them such an innovation has had a clear social benefit.
>
> **Innovation as a social good: Open Banking**
> Revolut has rolled out credit products which use Open Banking to assess affordability. This gives a better insight into a consumer's ability to pay, meaning more targeted, affordable lending with lower risks of default. Our Pay Later product similarly uses Open Banking to ensure affordability and responsibility.

The Central Bank of Ireland should therefore support and encourage further innovation by making it clear in the new Code how much innovation is valued, and its importance to consumer protection. It should equally ensure that new Code provisions do not, however unintentionally, discourage innovation or create barriers for innovative products.

Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition?

The most effective way to ensure fair competition is to remove barriers. The more complex the rules, the more challenging it becomes to ensure equity.

One critical area for competition is the potential for new technologies to emerge which might require national infrastructure or a universal approach. It is vital that if collaboration on new technologies is required in the national interest, it should be led at a policy level by the Central Bank of Ireland or the government and be open to all providers on an equal and proportional basis. (A good example is the New Payments Platform created in Australia: an industry-wide collaboration, open to all, but to an overall strategy and principles devised by the Reserve Bank of Australia).

It is also critical that we do not create an expectation that regulated firms can serve all segments or sectors of a geographical market. The key to successful competition is plurality, and allowing firms to offer varying amounts or levels of services. A “one-size-fits-all” regulatory approach will reduce innovation and competition, especially from smaller indigenous firms.

There must be flexibility around business models, and in particular around changes to business models. Firms in the modern era need to be able to pivot, to adapt to new circumstances, new channels or new markets: this should be encouraged, not resisted.

Overall, with every new regulation or regulatory proposal, the CBI should conduct a simple test: will this make it easier or harder for a new entrant to enter the market?

Theme 2 – Digitalisation

Q.9 Do you agree with our analysis of the benefits, challenges and risks around digitalisation in the area of financial services? What are the key issues for you?

Revolut concurs with many of the sentiments expressed in the analysis provided. However while some of the benefits of digitalisation are explicitly recognised, some are not: meanwhile many of the apparent “risks” cited appear to be anecdotal in nature, without supporting evidence cited.

For example, the consultation document states as fact that, as a result of digitalisation: “The availability of and ease of access to credit can increase the risks posed by irresponsible lending”. No data or other evidence has been provided in support of this contention. Indeed, the greatest example of irresponsible lending in Irish history was carried out during the period 2006-2008: this was not in any way as a result of digitalisation of credit, but was all undertaken face-to-face.

Digitalisation does indeed increase the availability and ease of access to credit for consumers: however, it can do so based on data-driven analysis and objective creditworthiness assessments (such as Open Banking) which actually help to avoid irresponsible lending. Moreover, digitalisation decreases operational costs for firms and thus reduces the cost of credit for consumers.

It is critical, therefore, that the CPC response to digitalisation is approached on an evidence-led basis; and that regulatory responses are adopted in line with the OECD principles set out above in responding to identified market failures where harm has been (or is being) caused to consumers.

In this light, we note that the Central Bank consultation document states: “We are looking at possible proposals to improve the online decision making environment”. It is impossible to comment without understanding what these proposals might be; what evidence there is of specific problems in the online decision making environment; how we know that these proposals will “improve” the situation, and for whom.

The Central Bank of Ireland should certainly not start from the unproven hypothesis that the “online decision making environment” is causing harms without identifying those apparent harms, and positing suggestions as to potential solutions in order to allow for assessment of their efficacy and the potential for unintended consequences - as per the OECD principles.

In general terms, as well as the array of improvements to services, digitalisation also offers substantial benefits in terms of information provision. Thanks to digitalisation, consumers can now quickly and easily compare financial services products such as loans. Digitalisation allows consumers to instantly access independent advice from switching websites, finance journalists, the Central Bank, the CCPC, the Revenue Commissioners or other relevant services from their smartphone. They can access this information at any time of night or day - not just in office hours. As a consequence, consumers are far less reliant on advice or information from one source.

Efforts to empower consumers in the digital age should therefore not focus on placing artificial restrictions on their ability to utilise financial services in the way that is most convenient to them: they should focus instead on ensuring that consumers have access to as **much** information as possible ahead of making decisions.

As previously noted, the key foundation for ensuring such consumer protection in the digital era is financial literacy. This empowers consumers to use digital technologies, and the increased amounts of information available to them, to make sound decisions about their finances. Therefore the new National Financial Literacy Strategy being proposed by Revolut is the key to successful navigation of the digital finance era.

It is also critical, as the consultation paper recognises, that sufficient attention is paid to the design of digital financial platforms. Revolut fully agrees with these sentiments: “We expect that digital platforms are designed with the consumer’s interest in mind. We expect firms to ensure that digital platforms are easy to navigate, to use and to understand, ensuring that consumers do not need specialist knowledge in the use of such technology. It is important to ensure that certain cohorts of consumers, including those with poor digital literacy, are not excluded through poor design.”

In terms of the specific references to the provision of credit and insurance, Revolut is firmly of the view that digitalisation offers significant advances for consumers. In particular, Open Banking will allow financial services providers to be offered better deals on insurance or credit. It is critical for consumers, therefore, that nothing in the revised Code can be used by existing financial services providers to block Open Banking requests for data (based on the consumer’s explicit permission).

With reference to gamification, Revolut welcomes the consultation paper’s recognition that “the use of gamification techniques can improve the consumer’s experience and help to convey complex information in a simple and rewarding way.” One example here is Revolut’s forthcoming car insurance offering. This will use in-vehicle telematics to monitor driver behaviour, offering safer drivers the potential to reduce premiums. By giving drivers a regularly updated ‘Driver score” visible in their app, and encouraging them to improve that score, this product can not only reduce costs - it can actually encourage safer driving, which carries a huge range of societal benefits.

Moreover, given current low levels of financial literacy, it is critical that any new strategy to empower consumers utilises any techniques which help to convey complex information in a simple and rewarding way. Therefore while we note the CBI's concern that "the inappropriate use of these techniques can push investors to make poor decisions based on emotions rather than through rational decision-making", we would welcome evidence of any specific harms identified by the CBI so that potential responses can be targeted and properly evaluated - and so we ensure that the array of potential benefits from this customer-centric approach are not lost.

Q.10 How do you think the personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers?

Firms operating in the EU are already required to adhere to the General Data Protection Regulation, which governs "the gathering, retention or use of personal data".

For individual-targeted communications such as emails, text messages or in-app messages directly from a financial services provider, governance requirements and consumer protection regulation already exist to ensure that the customer knows they are being communicated with and why.

The key principle of the GDPR is of consent, and ensuring that consumers decide for themselves what level of privacy they want. Privacy settings should be clear and allow consumers to make informed choices.

When used in the right way and with a customer's consent, personalisation can aid and benefit consumers e.g. by not displaying information that they already know or that is not relevant to them. If used correctly, personalisation can also lead to a cleaner and a smoother web journey for the consumer giving them a more tailored and focused experience.

Personalisation is also critical in ensuring consumers are able to exercise their power to switch, by highlighting potential savings from products or services. As stated previously, Revolut believes that the best interests of consumers lie in being well-informed and having the power to exercise choice by switching. Personalised content increases the ability for consumers to be made aware of alternative financial service offerings so that they can best exercise its power.

Once again, ensuring high standards of financial literacy are the key to underpinning these requirements.

Q.11 The Code requires regulated firms to provide a statement indicating that they are 'regulated by the Central Bank'. Do you think this is useful for consumers?
Q.12 How can the difference between regulated and unregulated activities be made clearer for consumers?
Q.13 Should there be additional obligations on regulated firms when they undertake unregulated activities?

We believe these closely related questions over the approach to regulated and unregulated entities are best addressed in a single holistic response.

To begin with, Revolut has no clear evidence as to the impact of statements that a firm is regulated by the Central Bank of Ireland for consumers. Nevertheless, Revolut agrees fully that for regulated firms offering unregulated services, at the decision-making point for consumers - i.e. at the beginning of the engagement with an unregulated service - the distinctions between that service and one which is regulated should be made clear.

However, it should be borne in mind that those consumers who *do* wish to invest in or interact with unregulated products stand to benefit significantly when those unregulated services are offered by an already regulated firm -

as opposed to a situation where consumers wishing to use those services are forced to deal with wholly unregulated entities.

In the field of crypto, which the CBI cites as an example, it should first and foremost be noted that the provision of crypto services will in due course be regulated under MiCA. The provisions and safeguards of MiCA will extend to all EU citizens, including in Ireland.

As for the current position: among its many products, Revolut also offers certain crypto services in response to consumer demand. In such a scenario, would consumers be better off buying and selling crypto with Revolut, or with an unregulated firm? We would strongly argue the former.

With Revolut, consumers using crypto have gone through a process of onboarding and Know Your Customer, verifying their identities and (where required) putting in place Enhanced Due Diligence. All Revolut accounts are also continuously monitored by our Anti-Money Laundering teams and in accordance with our processes which comply with applicable legislation in the UK.
Revolut customers have to go through an additional onboarding flow if they wish to sign up to buy or sell crypto and use any of the ancillary services offered, where key information regarding the potential volatility of the product and other risks is spelled out in clear and unambiguous manner.
Revolut has voluntarily chosen to ensure its crypto advertising meets the standards set for regulated products by UK regulators.
In addition, Revolut crypto services, when being developed and launched, go through standard and robust Revolut product governance processes.

Customers choosing to transact in crypto with Revolut also have the benefit of dedicated support teams, and a business headquartered in the UK, where it is subject to all the usual rules of law. In broad terms, those customers are therefore operating within an extremely safe environment.

Alternatively, these consumers could transact with entirely unregulated firms. Many of these unregulated firms are based in jurisdictions where the rule of law does not apply to the same extent and where customers would find it difficult to pursue contractual or other rights and remedies. Customers of such firms may not go through Due Diligence and KYC process and the firms may not adhere to AML standards or any standards may not be as robust as the ones applicable in the UK. Therefore it is likely that such platforms could be used to perpetrate fraud and expose customers to greater risk.

The consequence of applying substantial additional burdens on regulated firms offering some unregulated activities is likely to be that they cease to offer those services - meaning that customers must then use firms which are wholly unregulated. We should avoid driving customers to unregulated providers - or those entirely outside the rule of law - by creating barriers to accessing such products once consumers have been duly informed and have made a conscious decision to avail of them.

Theme 4 – Pricing Matters

Q.14 What can firms do to improve transparency of pricing for consumers? What evidence is there of a lack of transparency?

In all services, prices and fees should be conveyed clearly to consumers. Revolut is not aware of any specific issues relating to a lack of transparency as regards pricing.

Revolut endorses the view put forward by industry: namely that at present, legislation such as S. 149 of the Consumer Credit Act 1995 and the European Union (Payment Accounts) Regulations 2016, apply widespread requirements regarding pricing transparency. In addition, the Competition and Consumer Protection Commission (CCPC) comparison website adds to the comparability of products for consumers.

We agree that these requirements, where applicable, address transparency and comparability of pricing as long as they are equally applied across all relevant providers.

Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities?

Revolut is not aware of any such practices in relation to pricing.

Theme 5 – Informing Effectively

Q.16 How can regulation improve effectiveness of information disclosure to consumers?

Revolut is not aware of any specific concerns relating to the effectiveness of information disclosure in the sector. We support the industry view that it is widely accepted that consumers are presented with too much information when entering into agreements with financial services providers. Most of the information is provided in line with legal and regulatory requirements, and the extent to which the information is read and of value to the customer is questionable. Recent legislative requirements have introduced the need for a summary document to be provided to the consumer, highlighting key aspects of the agreement. This is typically required in addition to all other documentation, as opposed to having the objective of reducing the amount of information provided.

Therefore we agree that as part of its review, the CBI needs to consider the information requirements under the Code and how these relate to those already required under existing legislation/regulation. If possible, information requirements should be scaled back, where addressed under existing requirements. Any requirements introduced to provide summary information should do so in a way that consolidates existing information requirements rather than adding another layer on top of what already exists.

Q.17 How can firms better support consumers' understanding – can technology play a role?

Technology can do more than "play a role" in supporting customers' understanding: technology is absolutely fundamental to achieving this goal.

The way many cohorts learn, including but not limited to younger cohorts, is materially different from many more traditional cohorts. The consultation documents references "gamifying". In practical terms this concept means presenting education or learning in a medium in which certain cohorts are comfortable, and which allows them to interact with the content in an effort to secure status or rewards - rather than just expecting them to consume it passively. Thus learning is made fun and memorable, but also measurable.

It is vital, therefore, that the Code does not place limits on firms' ability to use new technologies to inform customers - other than in a scenario where evidence emerged of market failures in this regard causing specific harms to consumers. Examples include ensuring that digital firms are not required to produce paper documents, but rather to demonstrate that customers have read and understood relevant documentation, and that it is available to them going forward.

Q.18 Does the way in which firms approach disclosure in respect of mortgage products need enhancing? If so, how? - taking account of the wide variety of features of mortgage products, and borrowers' different circumstances and needs.

As Revolut does not yet offer mortgage products, we are not aware of any concerns regarding disclosure in this regard. However we would emphasise the broad principles of using technology to help ensure that consumers are fully aware of options, and the actual likely costs of different mortgage products.

Theme 6 – Vulnerability

Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms' duty to act in their customers' best interests reflect this?

Q.20 What other specific measures might be adopted to protect consumers in vulnerable circumstances while respecting their privacy and autonomy?

We believe the questions relating to the approach to vulnerability are best addressed in a single, holistic response.

Revolut has from its inception created and adhered to specific policies relating to vulnerable customers.

For any organisation, understanding and identifying vulnerable customers is crucial for customer retention as well as preventing any risk of damage to these customers or the organisation's own reputation. However, we know that customer vulnerabilities can be difficult to define, and even harder to identify. Revolut staff are provided with extensive and detailed guidance on how to identify and support vulnerable customers.

In February 2021 the FCA published the finalised Guidance for firms on the fair treatment of vulnerable customers which highlights strong expectations from the regulated firms to provide consistently fair treatment to vulnerable customers.

The FCA defines a Vulnerable Customer as "*someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care*." This definition applies to all "natural persons". Per the FCA's view, "natural persons include all *individuals (retail customers) but may also include some businesses or charities which are not incorporated."* For Revolut this means that both individual retail clients, and non-incorporated businesses, are in scope.

This means:

- Any person who is going through a difficult moment or has gone through a traumatic experience
- Any person who fits the criteria of at least **one** vulnerability type: Capability, Health, Life Events, Resilience (whether temporarily or permanently)
- Any person who is a carer for a vulnerable person

Revolut applies the same definition of a Vulnerable Customer.

Revolut continually performs a "Vulnerability Analysis" on customers, which contains details on:

- **Manually recorded vulnerabilities** - vulnerabilities that were disclosed to us by a customer (via chat, email or phone) and recorded manually by an agent.
- **Potential vulnerabilities** - vulnerabilities that were identified by the model which looks for the signs of potential vulnerabilities (e.g. transactional data, account behaviour patterns and chat analysis).

At Revolut we strive to identify, recognise and support vulnerable customers effectively to reduce the risk of potential harms. Customers who are in vulnerable positions are more likely to succumb to potential customer harms due to the nature of their situation.

FCA have identified **7 potential harms** that vulnerable consumers may be more likely to experience: **Financial exclusion, Difficulty in accessing**

services, Disengagement with the market, Inability to manage a product or service, Over-indebtedness, Buying inappropriate products or service and exposure to mis-selling, Scams and financial abuse.

In each instance Revolut has a series of policies and procedures in place to protect vulnerable customers from such harms.

In migrating users in Ireland to Irish IBANs, for example, Revolut again created a specific policy to ensure that the needs of customers identified as vulnerable were considered. We believe that technology can play a pivotal role in ensuring that those customers identified as vulnerable receive the support they require at all times.

Theme 7 – Financial Literacy

Q.21 What can the responsible authorities do to improve financial education?

In 2022, National Adult Literacy Ireland published its report "Financial literacy in Ireland: Challenges and solutions". This included numerous recommendations for providers, policy-makers and the State.

NALA offered the following definition of "financial literacy":
"Financial literacy is the ability to understand how money works: how you make, manage and spend it. The term is evolving to reference not just financial knowledge and skills but also financial behaviours and attitudes, for instance:

- day-to-day money management: living within your means and keeping track of spending on a regular basis
- planning future needs and active saving
- choosing and using appropriate financial products
- making informed financial decisions

• being comfortable with online and digital banking tools”

Revolut supports this definition of financial literacy.

The report clearly identified certain challenges in helping some of today’s adults adjust to an increasingly digital environment.

At the same time, however, we must ensure that upcoming generations who operate almost entirely in the digital sphere, and have the technological skills to do so, also have the financial skills to make well-informed and positive choices.

The NALA report has as its main recommendation for policy-makers: “Implement a cross-sectoral and departmental financial literacy strategy led by the Department of Finance, with stakeholder engagement, that adopts or adapts the EU/OECD Financial Competency Framework to the Irish context and consolidates the current financial inclusion and regulatory activity.”

Revolut wholly endorses this recommendation. A new National Financial Literacy Taskforce should be created, with specific, measurable targets for increasing financial literacy across a variety of cohorts.

Having specific targets of this type is critical to the success of any such strategy.

Such a taskforce should naturally include providers, especially those with a track record of success in the digital financial environment. (It is notable that in this regard, the NALA report repeatedly highlights comments by consumers about Revolut’s easy-to-use spending diagnostics, simple logins and general utility).

It is critical that this strategy aims to teach children the key foundations of financial literacy from a young age. Such teaching must be suitable for the relevant ages, and allow children to learn hands-on about using money in a digital world, as opposed to standard book learning. Again, policymakers should consider radical measures to drive this interaction in ways which genuinely encourage children both to interact with money but also to appreciate and recognise its value. Such work should also aim to include providers such as Revolut which have transformed the way young people in Ireland handle money in the digital era.

Q.22 How can consumers be empowered to better protect their own interests when dealing with financial matters?

Revolut's belief is that financial literacy, as described in Q21 above, is the best way to empower consumers to better protect their own interests when dealing with financial matters. This is why setting targets for a new national literacy strategy - also outlined above - is so crucial to its success.

Such an objective will also be supported by a commitment in the Code - and from the Regulator generally - to promote plain language around financial products.

Theme 8 – Climate Matters

Q.23 How should the financial system best fulfil its role in supporting the transition to a climate neutral economy?
Q.24 How will climate change impact on availability, choice and pricing for financial products and services?
.25 Does the impact of climate change require additional specific consumer protections?

We believe the questions over the approach to climate matters are best addressed in a single, unified response.

Revolut fully supports the aims of the Green New Deal and is committed to a net-zero future. We are proud to have joined Tech Zero in 2021, an initiative gathering global tech companies ready to fight the climate crisis through technology, data and science.

In Revolut's view, the key element from a Consumer Protection perspective is choice - allowing consumers to support choices and use products which best suit their approach to tackling Climate Change.

However as a global business, Revolut also believes that approaching these issues on a supra-national level is critical. Given the significant volume of EU regulation either in force or in train (eg the Corporate Sustainability Reporting Directive) which address this subject comprehensively, in seeking to achieve these goals the CPC should focus primarily on ensuring financial literacy and empowering consumer choice within the wider international regulatory framework.