



MABS Response
to
The Discussion Paper
on
Code of Conduct on Switching Current Accounts
with
Credit Institutions

Submission to:
Central Bank of Ireland

September 2012

Introduction:

The Money Advice and Budgeting Service (MABS) was established in 1992 to help people on a low income to cope with debts and take control of their own finances. It is a free, confidential and independent service. It currently comprises 53 MABS companies, located in over 60 offices nationwide. MABS is funded and supported by the Citizens Information Board.

MABS National Development Limited (MABSndI) was established in 2004 to further develop the MABS Service in Ireland. It provides training and technical support to MABS staff nationally. MABSndI also assists the MABS service in providing educational and informational supports as well as assisting in highlighting policy issues that arise in the course of the money advice work on behalf of clients. MABSndI has responsibility for the on-going development of the MABS website, www.mabs.ie and for providing the MABS national helpline service.

Questions for Consideration/Response:

Submission:

The importance of 'shopping around' for goods and services, although always prudent, is increasingly essential for consumers in these challenging economic times. The ability to easily and safely switch current accounts from one credit institution to another is essential given the importance of such accounts to consumers' everyday money management arrangements. The ability to easily switch accounts from one credit institution to another is also important in maintaining competition in the sector.

Question 1: *To what extent do you consider that we have identified the potential barriers to switching? Are there other barriers that we should take into consideration in reviewing the Switching Code? Are you aware of any other research or evidence of barriers to switching that we should consider?*

Answer 1: Most of the potential barriers have been identified in the consultation document. The issue of staff training is fundamental to consumer confidence in the switching process. If bank staff do not have a full understanding of the switching processes or do not have total confidence in the processes in place within the bank, this will impact negatively on the consumer.

Question 2: *Should enhancements be made to the Switching Code in the area of requirements for training for credit institution staff on the Switching Code and the switching process?*

Answer 2: As stated in response to Q1. above, the importance of training all staff that interface with customers is fundamental to enhancing consumer confidence in the switching process.

Question 3: *Should the banks be required to raise awareness of the switching process among their customers in view of the low level of switching in the Irish banking system? If so, what steps should they be required to take, individually and/or collectively? Could this be done effectively via conduct of business rules?*

Answer 3: As well as individual banks taking steps to raise customer awareness there should be a national information campaign on the issue. In view of its remit, and other relevant campaigns undertaken in the recent past this could, perhaps, be undertaken by the National Consumer Agency. Consideration should be given to requiring banks to provide an FAQ type publication to deal with some of the difficulties that are commonly encountered on switching, e.g. transferring direct payments/standing orders which are also dependant on 3rd parties, overdrafts, poor banking history.

Question 4: *Are there other measures that we should consider in reviewing the Switching Code to increase switching levels and reduce consumer inertia? Are you aware of any research or evidence/experience of measures taken elsewhere to increase consumer awareness and encouragement with regard to switching?*

Answer 4: Switching has become relatively easy for consumers in the energy and communications markets. While the costs may be prohibitive at present, any changes to the switching process should examine the potential to emulate aspects of those models.

Question 5: *Do the banks (old and/or new) keep consumers well informed during the switching process? How could banks (old and/or new) communicate better during the switching process?*

Answer 5: Banks should undertake to communicate with customers on an on-going basis during the switching process and have a dedicated contact person available to the customer so that issues that arise can be quickly addressed.

Question 6: *Do you consider that the current timeframes in the Switching Code for completing the switching process of 10 days and 7 days for the new and old bank respectively remain reasonable for both banks and consumers alike? If not, what timeframe would you deem to be reasonable and why? What issues might arise if the timeframes were changed?*

Answer 6: The timeframe is appropriate if it is sufficient to allow for a seamless switching process. If, in the future, the switching process can be conducted in a tighter timeframe then consideration should be given to shortening the time allowed for the process.

Question 7: *At the time of actual switching, should the obligation or onus be placed on the bank (old and/or new) to ensure that the switching process works successfully for the consumer, particularly with regard to direct debit and/or credit transfers? If not, where should the obligation be placed?*

Answer 7: The obligation has to be with the banks unless a specialist service is given responsibility for the switching process.

Question 8: *Should the consumer be made aware that an impaired credit rating has been recorded against them as a result of a declined direct debit arising from the switching process?*

Answer 8: The consumer must be made aware at the first opportunity that an impaired credit rating has been registered against them and immediate action taken to correct it.

Question 9: *Should the provisions of the Switching Code be extended beyond current accounts and include demand deposit and/or savings accounts*

Answer 9: In order to give consumers choice in how they wish to organise their financial affairs, the Switching Code should be extended to demand deposit and savings accounts.

Conclusion

As with any change to the terms and conditions of a consumer's primary banking facilities, it is crucial that a comprehensive information strategy is developed and rolled before the implementation of any changes to ensure that consumers are fully briefed as to the details and, most importantly, the impact of those changes on the consumer's individual circumstances.