



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

T +353 1 224 6000 F +353 1 671 6561

Bosca OP 559, Sráid an Dáma, Baile Átha Cliath 2, Éire.  
*PO Box No. 559, Dame Street, Dublin 2, Ireland.*

[www.centralbank.ie](http://www.centralbank.ie)

19 March 2013

Dear

As you are aware the Consumer Protection Code contains key provisions for the mitigation and resolution of errors. It is in everyone's interests that errors are avoided and the incidence of errors is kept to a minimum. Errors impact directly on consumers and also adversely affect confidence of consumers in financial service providers. They can also be very costly and time consuming to resolve.

The purpose of this letter is to provide feedback on an overview of errors reported to the Central Bank over the past few years in the banking sector, so that all firms can learn and take whatever actions are needed to deal appropriately with errors and to consider the issues in your ongoing development of systems and products, Internal Audit and compliance monitoring and staff training.

**1. Terms and Conditions**

A number of incidences were noted where Terms and Conditions did not operate as intended. These included ambiguity in Terms and Conditions, the customer not receiving the benefits as per the Terms and Condition, accounts not operating in line with the Terms and Conditions and Terms and Conditions of tracker mortgages not applied correctly. Firms need to ensure that the product as provided per the Terms and Conditions is ultimately delivered to the customer for the life of the product. Examples are set out in Appendix 1-1.1.

**2. Fees/Charges/Interest/Refunds**

There were instances where charges were incorrect or incorrectly applied and fees charged were not in line with approval limits. There were also incidences of interest rates and surcharge interest that were incorrect or incorrectly applied. Issues were also identified with regard to refunds, which included incorrect classification as not requiring a refund, refunds calculated incorrectly, refunds not issued where they should have been, refunds not processed in a timely manner and the population of accounts for restitution not complete. Firms must ensure that they have processes and procedures in place to ensure that correct fees and interest are applied to customers. They must ensure also that refunds, where they are to be made to customers, are calculated correctly and applied to customers in a timely manner. Procedures must reflect the importance of these processes. Examples are set out in Appendix 1-1.2.



**3. Account Application**

Incidences were identified whereby changes to accounts were not applied correctly, changes not communicated to customers and/or the incorrect classification of internal codes on accounts. Firms must ensure that there are robust procedures and controls around changes to accounts and that staff fully understand the processes and the implications of any such changes. Examples are set out in Appendix 1-1.3.

It should be noted that errors have been reported with regard to the reconciliations of accounts, including suspense accounts, with regard to how and when these are reconciled. Firms must ensure that reconciliations on accounts are carried out regularly and correctly and that processes and controls are in place to ensure that this occurs.

**4. Customer Documentation**

Instances were identified where documentation was not issued to customers and also where incorrect information in offer letters, statements and documentation issued to customers. Firms must ensure that there are processes and procedures in place to ensure that customer documentation is provided to the customer containing the correct information.

**5. Common Factors Underlying Errors**

From reviewing the errors, there were a number of common factors that could be identified as underlying why errors occur. These included manual intervention not actioned as required, system changes not implemented correctly, system not operating as per Terms and Conditions and processes not operating as per procedures. Firms must ensure that there are regular quality assurance checks throughout a product process/life and that there are checks to ensure that the system and the product operates as it should. Procedures and processes should be laid out clearly and there should be adequate, relevant and refresher training for staff as necessary.

Examples are set out in Appendix 1-1.4.

**6. General Points to Consider**

I would take this opportunity also to make a number of general points for your institution to consider with regard to errors. These are as follows:

1. Institutions should regularly review their Errors Logs to identify any re-occurrence of previous errors, evidence of more widespread impact of errors or evidence of continuing maladministration within a particular area of the business.
2. Institutions should consider the clarity of communications provided to consumers with regard to errors and their impact. Communications should be reviewed for compliance with Provision 4.1 of the 2012 Code.

Appendix 1 sets out a sample of the errors notified to the Bank but it is not an exhaustive list. I appreciate that not all of the outlined issues will be applicable to your firm. Nonetheless, I hope that you find the information useful in your ongoing risk mitigation and compliance development.



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

## 7. Errors Template

As you are aware the Central Bank issued an Errors Template on 10 July 2012 to be completed by credit institutions when notifying of errors, as per the requirements of Provision 10.3 of the 2012 Code. This template is to aid in the reporting of errors and to ensure consistency in the information provided. The information submitted on the template is to be as complete as possible to avoid unnecessary correspondence. While it is noted that all of the information may not be available at the time that the error is being reported, there have been occasions where there have been time consuming and lengthy communications on errors to clarify the information that has been provided. In order to ensure that this process works more effectively and efficiently, we are using this opportunity to issue a revised Errors Template in Appendix 2 and set out guidance on the information that is required to be included in the responses to the questions posed. Please ensure that you both consider and use this amended Errors Template when notifying of errors, going forward.

If you have any queries regarding the contents of this letter, please contact Mary McEvoy on 2244512 or [mary.mcevoy@centralbank.ie](mailto:mary.mcevoy@centralbank.ie) or Eileen Bray on 2244514 or [eileen.bray@centralbank.ie](mailto:eileen.bray@centralbank.ie).

Yours sincerely

**Mick Stewart**  
**Deputy Head**  
**Consumer Protection: Banking & Policy**

## APPENDIX 1

### 1. Terms and Conditions

Examples are set out as follows:

- Ambiguity in Terms and Conditions with regard to definition of certain terms
- Benefits of free banking not received
- Rates/fees charged not in line with Terms and Conditions
- Full benefits of promotional rates not received
- Incorrect designation of accounts resulting in benefits not received
- Benefits received for less than period as per Terms and Conditions
- Additional interest rate premiums not applied
- Homeloans not receiving the correct interest rate for agreed period
- Charge applied not included in Terms and Conditions
- Options letter not providing options as per mortgage contract
- Customers due to revert to tracker rates did not do so
- Tracker mortgages on incorrect rates
- Tracker rates not as per mortgage loan offer
- Interest only mortgages not applied for the correct period

### 2. Fees/Charges/Interest/Refunds

Examples are set out as follows:

- Double charging of interest on Loans
- Overdraft facilities expiring early resulting in incorrect interest being applied
- Loans not reverting to correct rates
- Interest calculations incorrect
- Interest rate increases not applied to deposit account
- Incorrect expiry date impacting on interest rates applied
- Interest adjustments applied incorrectly
- Higher rates applying on loans than those contained in Terms and Conditions
- Verbal rates agreed but rates changed before agreement signed
- Incorrect/duplicate surcharge interest applied
- Rate of surcharge interest applied not as per Loan Agreement
- Inappropriate application of surcharge interest

### 3. Account Application

Examples are set out as follows:

- Migration/transferring of accounts not carried out correctly
- Amendments to accounts not carried out as agreed with customer/Terms and Conditions
- Issues regarding interest only repayments and how they were applied to accounts including incorrect application and for incorrect periods
- Benefits withdrawn from accounts without customers' knowledge or communication to customers
- Loan terms extended on accounts in error

- Incorrect codes applied to accounts resulting in incorrect charges/interest for customers
- Benefits not received by customers due to incorrect coding of accounts
- Incorrect application of Government Stamp Duty ("GSD") arising from cancelled cards, expired cards, duplication of GSD and coding issues
- Incorrect application of Tax Relief at Source ("TRS") and DIRT
- Client Premium Accounts were not reconciled regularly or correctly
- Suspense Accounts not reconciled regularly

**4. Common Factors Underlying Errors**

Examples are set out as follows:

- Duplication in processing resulting in errors
- Errors in inputting of information including codes
- Incorrect setting up of mortgage period
- Interest rates incorrectly amended/calculated
- Manual removal of fees not carried out
- Incorrect loan balance used to calculate interest
- Technology fixes that should have been in place were not in place which resulted in errors
- Linkages to systems that should have been established were not established which resulted in errors
- System fix overrides resulting in errors
- System's capability was not delivering on processes, that resulted in errors
- System errors in the calculation of days, dates, time periods, etc. resulting in errors impacting on customers
- Payments not applied on correct dates
- Reconciliations of accounts, including suspense accounts, not carried out as required