



Press Release

6 March 2013

Central Bank publishes results of inspection of licensed moneylenders

The Central Bank of Ireland (“the Central Bank”) today (6 March 2013) published the results of a themed inspection of licensed moneylenders, which focused on whether consumers were being charged in accordance with moneylenders’ authorised Annual Percentage Rates (APR) and costs of credit as set out in the moneylenders’ licence. This is a key focus for the Central Bank, given that moneylenders’ loans can be significantly more expensive than other forms of credit.

Inspections were conducted in 9 of the 43 licensed moneylenders currently operating in Ireland. The aim of the inspection was to make sure moneylenders are meeting specific requirements of the Consumer Protection Code for Licensed Moneylenders (“Moneylenders’ Code”) and the Consumer Credit Act, 1995 (“the Act”).

Director of Consumer Protection, Bernard Sheridan said:

‘We continue to focus on the area of costs and charges in this sector due to the high cost nature of these loans. While the majority of firms inspected were broadly compliant we discovered some serious issues in a small number of firms which we are pursuing individually with the firms.

‘We also found cases where some consumers were provided with new loans before existing loans were repaid in full which is not necessarily in the consumers’ best interests. Using short-term, high cost loans for longer-term needs should be

avoided and I would encourage consumers in such a situation to contact MABS for help and advice.'

The results of the inspection have been summarised below:

- Overall, the inspections revealed that the vast majority of firms were in compliance with the provisions. This means that consumers were not charged over and above what they had agreed to pay and what the moneylender was allowed to charge.
- In all cases the firms had indicated the high-cost nature of loans on loan documentation issued to consumers, as required under the Moneylenders' Code.
- Some non-legislative and administrative errors were identified that are being followed up with firms on an individual basis. Examples include summing errors on the repayment schedules. The Central Bank will ensure that these firms put controls in place so that all consumer repayments are accounted for correctly and that refunds are given to consumers where necessary.
- A number of firms did not have both their licence and licence appendix on display at their business premises, as required under the Act. Firms have been reminded that they must display their licence and licence appendix.
- The Central Bank is currently considering possible enforcement actions in respect of a small number of firms based on concerns it has with the level of compliance with the relevant legislation arising out of these inspections. The firms concerned are being dealt with individually.

In addition to the above, a number of other issues outside of the scope of the themed inspection were identified on review of consumer files. These issues will be raised with the firms on a case by case basis and relate to both the Act and specific requirements of the European Communities (Consumer Credit Agreements) Regulation 2010 ("the Regulations"). The Central Bank has issued a letter to all licensed moneylenders to reiterate the importance of adhering to their consumer protection obligations, in particular the following requirements:

- When advancing any new loan, **moneylenders must give the full amount of a loan to a consumer**, especially where a consumer has an existing loan.

- **Consumers are entitled to a reduction in the total cost of credit, if they repay a loan early.** In all instances where a loan is repaid early, the consumer must receive a rebate of the interest and costs of the remaining duration of the agreement.
- The Central Bank also expressed concern on how firms are **assessing the creditworthiness** of consumers. While acknowledging that the home collection industry is predominately focused on engagement with consumers, the Central Bank expects that firms formally assess the creditworthiness of consumers on each new loan issued and to require documented evidence to verify information being provided by consumers.

ENDS

Further information: Press Office: (01) 224 6299; press@centralbank.ie

NOTES TO EDITORS:

Information on the inspection

- The nine firms inspected account for 21% of the all licensed moneylenders as at 31 January 2013.
- The nine firms were inspected throughout the months of October and November 2012 and 354 files were reviewed as part of the investigation.
- The inspection of nine selected moneylenders, focused in particular on whether consumers were being charged in accordance with moneylenders' authorised APRs (Annual Percentage Rates) and costs of credit as set out in the moneylender's licence. This was a key focus for the Central Bank, given that moneylenders' loans can be more expensive than other forms of credit. These inspections were carried out in order to determine compliance with certain provisions of the Consumer Protection Code for Licensed Moneylenders ("the ML Code") and the Consumer Credit Act, 1995 (as amended) ("the Act"). Firms' compliance with some aspects of

the European Communities (Consumer Credit Agreements) Regulations 2010 (“the Regulations”) was also considered throughout the inspections.

- A letter was issued to all licenced moneylenders following the themed inspection. This is available [here](#).

Information on related legislation

Section 99 of the Act – Loan or other credit to be advanced in full

Section 99 of the Act requires that a loan is advanced in full and should not be reduced by repayment of a previous credit.

“Section 99: Where credit is made available to a borrower by means of a moneylending agreement that credit shall not be reduced by the moneylender or a person acting on his behalf by any amount in respect of:

(a) repayment of the credit or any charges related thereto, or

(b) repayment of a previous credit or any charge related thereto,

and no payment in respect of the credit shall be required of the borrower by the moneylender or a person acting on his behalf before the due date of the first repayment instalment.”

Regulation 11 of the Regulations – Obligation to assess creditworthiness of consumers

“Before concluding a credit agreement with a consumer, a creditor shall assess the consumer’s creditworthiness on the basis of sufficient information, where appropriate obtained from the consumer and, where necessary, on the basis of a consultation of the relevant database.”

Regulation 19 of the Regulations – Early Repayment

“A consumer may at any time discharge fully or partially his or her obligations under a credit agreement. In such cases, he or she is entitled to a reduction in the total cost of the credit to the extent of the interest and the costs for the remaining duration of the agreement.”

Consumer Information On alternative sources of credit

National Consumer Agency website www.nca.ie/nca/loans-and-credit

Debt-related

Money Advice and Budgeting Services www.mabs.ie

Register of Moneylenders

To check if a moneylender is licenced, consumers can refer to the [Register of Moneylenders](#) on the Central Bank website. A [new search facility](#) has also been developed enabling consumers to search for a loan on the basis of APR, cost of credit and term of loan. All loans currently available from licensed moneylenders are listed, so consumers can compare the different types of moneylending loans on offer. The Central Bank hopes the recent enhancements will increase transparency of the cost of moneylending loans and encourages consumers and consumer representative bodies to go to our website to check if a moneylender is licensed and to compare loans.

A direct link to the searchable Register is as follows,
<http://registers.financialregulator.ie/LenderSearchPage.aspx>.