



**Settlement Agreement between the Central Bank of Ireland
and Provident Personal Credit Limited (t/a Provident)**

**Central Bank of Ireland imposes fine on Provident Personal Credit Limited t/a Provident of
€105,000 in respect of consumer protection failures relating to moneylending loans**

The Central Bank of Ireland (the “Central Bank”) has fined a licensed moneylender, Provident Personal Credit Limited t/a Provident (the “Firm”) €105,000, and reprimanded it for breaches of legislation relating to certain moneylending practices. The Central Bank’s investigations found serious breaches with regulatory requirements aimed at protecting consumers. These findings have been accepted by the Firm as part of the settlement agreement between the Central Bank and the Firm.

The Central Bank’s investigations found that over the period from 2009 – 2012, that in relation to 117 loans provided out of the Firm’s Letterkenny office, the Firm failed to advance the full amount of the loan to those consumers that they had entered into moneylending agreements with; some of the new loan being deducted and used to repay outstanding amounts on loans which had previously been provided to those consumers. As a consequence, the Firm breached its obligation to act in the best interests of its consumers and did not have in place adequate systems and controls to ensure compliance with its regulatory requirements.

The Central Bank also found that the Firm had in place internal procedures and controls that could have denied certain consumers their entitlement to pay off their outstanding loans early under their moneylending agreements.

The Central Bank’s Director of Enforcement, Derville Rowland, has commented as follows:

“There are around 360,000 consumers of licensed moneylenders in Ireland. Loans from licensed moneylenders are being increasingly accessed by consumers and can be significantly more costly than those provided by other lenders such as banks and credit unions. Research conducted by the Central Bank in 2013 found that a quarter of consumers experience difficulties in meeting repayments to their moneylender.

“The Central Bank views compliance with all requirements imposed on licensed moneylenders as being fundamental to the protection of their consumers, particularly given they may be of limited means. The failure to provide these consumers with the full protections afforded to them by the requirements is unacceptable and viewed as being of the utmost seriousness by the Central Bank.

“The Central Bank does not have a tolerance for licensed moneylenders failing to comply with their legal obligations to “act in the best interests of its consumers” and to put in place the appropriate resources and procedures to ensure compliance with this and all other legal obligations.

“Where licensed moneylenders fail to ensure full compliance with their legal obligations, they should expect vigorous investigation and follow up by the Central Bank, and for the Central Bank to exercise its sanctioning powers where appropriate”

Background

The Firm is a wholly owned subsidiary of Provident Financial plc and part of the Provident Financial group, a public limited company listed on the London Stock Exchange. The principal activity of the Firm is the provision of unsecured home credit loans to consumers in the Republic of Ireland where the Firm has operated as a licensed moneylender, under the Consumer Credit Act, 1995 (the “Act”) since 1 August 1996. The Firm’s business model is based upon the supply of low value loans, in situations whereby the majority of those loans are arranged by a large number of agents acting on behalf of the Firm.

The Act specifically envisages that a licensed moneylender can appoint agents to act on its behalf. Where the Central Bank becomes aware of non-compliance with regulatory requirements by an agent of a licensed moneylender, as far as the Act and the Central Bank are concerned, those actions constitute the actions of the Firm.

As the statutory body responsible for the regulation of the licensed moneylending sector, the Central Bank is responsible for, amongst other things, the on-going licensing and supervision of activities of licensed moneylenders including the monitoring of their compliance with legislative and regulatory requirements.

In late 2012 the Consumer Protection Directorate of the Central Bank conducted a themed inspection into licensed moneylenders, the results of which were published on 6 March 2013. The Central Bank highlighted in its publicity release, announcing the results of this themed inspection, that a number of issues outside of the scope of the themed inspection had been identified following a review of consumer files relating to concerns around compliance within industry with the requirements of Section 99 of the Act and Regulation 19 of Regulation 19(1) of the European Communities (Consumer Credit Agreements) Regulations, 2010 (S.I. 281 of 2010) (the “Regulations”). The matters that are the subject of the present settlement agreement relate to these areas of concern.

During the course of its investigations, the Central Bank became aware of a number of issues in the Firm’s Letterkenny office in Co. Donegal. As part of the investigation of practices at this office, the Central Bank conducted a review of policies and procedures provided by the Firm, reviewed a sample of consumer loan agreements and interviewed a number of current and former agents of the Firm. Interviews with a sample of affected consumers were also conducted.

The contraventions

The Central Bank’s investigations found that, during the period from January 2009 to December 2012, in respect of 117 loans provided out of the Firm’s Letterkenny office, the Firm failed to advance the full amount of the loan to those consumers that they had entered into moneylending

agreements with; some of the new loan being deducted and used to repay outstanding amounts on loans which had previously been provided to those consumers. This is in breach of Section 99 of the Act, which requires that a moneylender must ensure that *“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 charges related thereto, and that 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 payment instalment”*.

The Central Bank has concluded that these breaches constitute a failure by the Firm to comply with its basic obligation to ensure that in all its dealings with its consumers it acted in their best interests. This amounted to a breach of General Principle 2 of the Consumer Protection Code for Licensed Moneylenders (the “Code”) which requires that *“A moneylender must ensure that in all its dealings with consumers and within the context of its licence, it: acts with due skill, care and diligence in the best interests of its consumers”*.

The Central Bank has also concluded that these breaches arose due to the Firm’s failure to have in place adequate and effective resources and procedures, systems and controls to ensure compliance with its regulatory requirements. In particular, the Central Bank concluded that the Firm breached General Principle 4 of the Code which requires that *“A moneylender must ensure that in all its dealings with consumers and within the context of its licence, it: 4) Has and employs effectively the resources and procedures, systems and control checks that are necessary for compliance with this Code”*.

The investigations also found that, during the period January 2010 to date, the Firm had internal credit control policies in place which may have prevented the early repayment of outstanding loans in certain circumstances. This is in breach of Regulation 19(1) of the Regulations, which provides that *“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”*.

Penalty decision factors

The size of the penalty that has been imposed in this case reflects the importance the Central Bank places on compliance by licensed moneylenders with their regulatory requirements particularly where breaches are found to have denied consumers certain rights and protections provided by the relevant legislation.

In deciding the appropriate penalty to impose, the Central Bank considered the following matters:

- The extended period of time over which these breaches occurred;
- The serious nature of a breach of Section 99 of the Act and the fact that a breach of this legislative requirement also constitutes a summary criminal offence;
- The previous compliance record of the Firm;

- The co-operation of the Firm during the investigation and in settling at an early stage in the Central Bank's Administrative Sanctions Procedure.

The Central Bank confirms that the matters referred to herein are now closed.

ENDS

Notes to Editors:

- (1) The findings of the Central Bank of Ireland's themed inspection of licensed moneylenders is available on the Central Bank's [website](#).
- (2) The Central Bank of Ireland published its report on the licensed moneylending industry in Ireland on 8 November 2013. A summary of the report's main findings and a copy of the report are available on the Central Bank's [website](#).