

Central Bank of Ireland,
PO Box 559, Dublin 1.
By email only

7th June 2024

Re: CP158 Consultation Paper on Consumer Protection

Dear Central Bank of Ireland,

We appreciate the opportunity to respond to the recent proposal regarding the enhancement of the consumer protection framework as outlined in CP158. In our previous submission to the Central Bank of Ireland's (CBI) discussion paper on the revision of the Consumer Protection Code, we emphasised the unique nature of credit unions as not-for-profit organisations. Unlike other financial institutions, credit unions do not operate to maximise shareholder profit but are formed to serve their members by facilitating savings and providing loans at fair and reasonable interest rates. Each credit union operates as a separate legal entity under specific credit union legislation and has its own statutory regulator.

It is important to reiterate these points, particularly because CP158 frequently suggests that firms exist primarily to pursue commercial objectives. We appreciate there may be some differences in accommodating financial service providers that do not seek to maximise profit. Credit unions are unique in that the providers of funds (savers) and the users of funds (borrowers) are the same group of people: the members. These members both own and transact exclusively within these membership organisations.

That said, in our March 2023 submission, we stated that "CUDA member credit unions welcome the forthcoming introduction of a Consumer Protection Code Consultation Paper and an opportunity to embrace the revised code if it is truly for the benefit of credit union members". We are therefore, disappointed to read in CP158 that credit unions are excluded, and the CBI intends "in due course to undertake further engagement with the credit union sector on the extension of the scope of the Code to all credit union activities when the revised Code is close to finalisation."

Given this, we are somewhat concerned that the Central Bank has overlooked the position of large credit unions and their desire to adopt a more sophisticated business model which we believe in any consumer-focused environment would include compliance with primary consumer protection related regulatory requirements.

Compliance with the Central Bank's primary consumer protection regulations are parallel with revisions to the lending framework for credit unions and other prudential requirements including, liquidity. Large credit unions do not want to be held back. A mortgage arrears support platform, which fully complies with the principles of CCMA and MARP, is currently being developed by CUDA to support credit union mortgage lending. We were disappointed that the Central Bank excluded representation on behalf of credit unions in 2021 when devising the revised version of the SFS, and again, no immediate vision to bring credit unions

within the scope of CCMA/MARP in CP158. We trust this exclusion will not impact the ongoing lending review being undertaken by the Registry of Credit Unions, for which we welcome and support.

We must therefore, express our disappointment with the CBI's decision to continue excluding core credit union business from the revised Code without a provided rationale. Moreover, the implication that credit union members are disadvantaged by dealing with credit unions, as suggested by the statement "to ensure their members are afforded the same protections as other consumers," is troubling given that fact that the Central Bank has not moved to include credit unions within the scope of CPC - a position mooted by the Central Bank as far back as 2019 (see Feedback Statement on CP125 – Consultation on Potential Changes to the Lending Framework for Credit Unions). For large credit unions, we believe there is an urgency needed in regulatory transformation. In this regard, we have been working on the questions posed in CP158 and considering the contents of the two draft regulations and the two draft guidance to determine with respect to their appropriateness, proportionate nature, and compatibility with credit union legislation. We welcome early engagement with the Central Bank on next steps to consider the advancement of large credit unions.

Whilst CUDA considers how credit unions can appropriately and proportionately fall within the scope of the Central Bank's primary consumer protection regulations, we will also be keen to see the experiences of other firms implementing the revised framework, especially regarding issues like barriers to mortgage switching, revisions to CCMA, and the introduction of 'trusted contact' provisions. It will also be valuable to assess whether the aspirational goals of some proposals, while admirable, are practical and beneficial to consumers.

Excluding credit unions, especially large credit unions core activities from the CPC should not be construed as a hindrance to their prudent growth and development. CUDA has always advocated for a tiered approach to regulation – allowing large well managed credit unions to prudently evolve and provide a more sophisticated business model. Credit unions will continue to operate under a distinct set of principles focused on member service and community support. This often necessitates tailored regulatory considerations but inclusion in the relevant elements of CPC is a natural extension of this. Traditionally their exclusion from this particular code was, in part, a recognition of these unique operational frameworks and has contributed to ensure that credit unions are not subject to regulations that may be designed with different financial institutions in mind. Therefore, the ongoing exclusion should not serve as a restriction but rather an acknowledgment of the need for a regulatory environment that supports their sustainable development and community-focused objectives.

We thank you again, and look forward to engagement with the CBI, and a subsequent consultation paper that has considered the scope of the primary consumer protection regulations and can include credit unions in a proportionate and appropriate manner.

Yours sincerely,

CUDA