financial services union

STRONGER TOGETHER

# CONSUMER CODE SUBMISSION

Submission by the Financial Services Sector

to the Central Bank

review of the Consumer Code of Conduct

## Introduction

# Submission by the Financial Services Sector to the Central Bank review of the Consumer Code of Conduct

The Financial Servies Union welcome the review by the Central Bank of the consumer protection code. It is timely as the financial services sector is changing at an ever-increasing rate and continues to expand and grow. The last decade has seen enormous change and it is clear that the consumer protection that is currently in place is not sufficient to deal with an evolving sector where consumers can access numerous platforms for their banking requirements.

The Banking review undertaken by the Department of Finance recognised the limitations of the current code and it is positive that the Central Bank have now moved to update the code.

The Financial Services submitted a paper in March 2023 as part of the first consultation phase and are delighted to have the opportunity to contribute further.

In this submission we will concentrate primarily on the evolution of Artificial intelligence in the sector and the current vulnerability of consumers as bank branches continue to close and local banking services are withdrawn from local communities.

## Artificial Intelligence

The Financial Services Sector has historically been at the forefront of cutting-edge technology. There are obvious benefit for the consumer in better technology but when the technology fails it can have a catastrophic effect on consumers and business.

The protections in the Consumer Code needs to reflect this reality and ensure that proper oversight and regulations are in place. Firms cannot be left to self-regulate on this issue.

It is important to point out that workers in the financial services sector are particularly exposed to the effects of artificial intelligence because of the industry's focus on quantitative analysis, predictive modeling, and data processing.

The explosive growth of large language models, including ChatGPT, offers unprecedented degrees of data analysis and linguistic processing – capabilities that further expose finance workers to job disruption.

Some of the possible uses of AI in the Financial Services Sector would include

- Advice (products and services)
- Robotic process automation
- Risk alerts and compliance monitoring
- Automated speech and writing (for accessibility and content access)
- Descriptive analytics
- Diagnostic analytics
- Predictive analytics
- Smart contracts

## Credit sanctioning

Credit sanctioning is among the most discussed applications of AI in financial services. Traditionally, credit scoring processes have relied on the time-consuming, subjective, and error-prone human evaluation of creditworthiness. AI tools can leverage machine learning to automate credit evaluation, These predictive benefits do bring substantial downsides including potential opacity, errors, discrimination, unfair exclusion from credit, and lack of explainability. As a result, the EU identified credit scoring processes as "high risk" uses of AI in the EU AI Act.

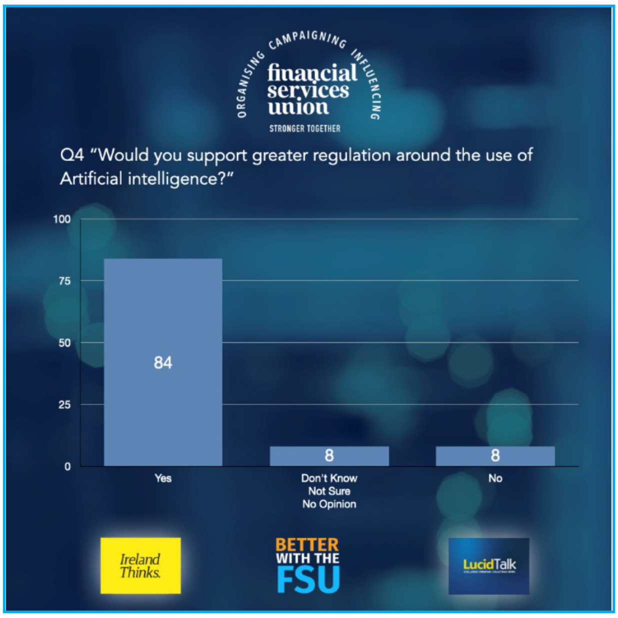
*These downsides need to be identified and proper regulation put in place to best protect consumers from automation of credit services.*

## The importance of staff training

As the evolution of AI continues at a pace it is clear the role and skillset of workers in the wider financial services sector will have to change and adapt.

To meet these changing needs, it is vital that proper training and upskilling of staff should be prioritised. This cannot be a tick box exercise where staff are given a manual and asked to train as they go about their normal business. Protected time should be made available by the employer and resources provided to ensure staff are adequately trained so they can provided the advice and support to consumers.

**Research**




The Financial Services Union recently conducted research in Northern Ireland asking the question. We would be confident that the results in Northern Ireland would be reflective of the view of consumers in the Republic of Ireland.

Would you support greater regulation around the use of Artificial Intelligence. The results were stark and clear, Greater regulation is needed to provide comfort for consumers that their best interests are protected and to ensure no organisation can manipulate AI for their own purposes.

Staffing issues persist in each of the banks which greatly impacts on customer services. Banks do not have a leave system because they reduce costs by not doing so. When an absence occurs planned or unplanned neighbouring branches are expected to supply staff thereby reducing service times in their branch. This is a consistent compliant of bank staff who then face the negative engagement with customers. Surveys of banking staff by the Irish Banking Culture Board has consistently shown staff suffering from work related stress, this is we believe related to staffing shortages and unrealistic sales targets.

## Vulnerability of consumers

This is an area where the outdated nature of the current code is evident. In our submission in March 2023 we covered this issue in some detail but it is important to repeat some of the more salient points.

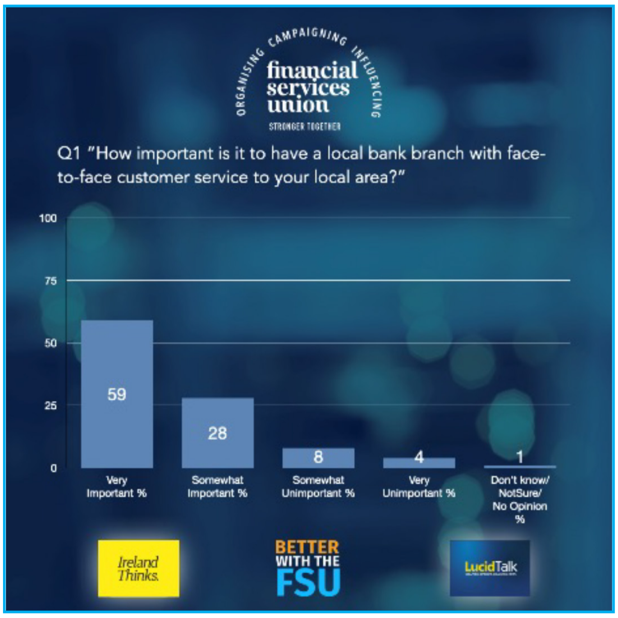
The future Code should clearly define different types of "assistance" a vulnerable consumer may require, and it should distinguish clearly between physical assistance to access information, such as a person's need for information in a different format or in simpler language, as opposed to a person's need for assistance with making a decision related to their finances. In particular, regulated entities should be required to provide whatever physical assistance is needed, so that consumers do not have to rely on third parties' involvement in what can be a confidential process. The Central Bank should also review the availability of assistance from the National Advocacy Service (NAS) to assist people with disabilities to access financial services.

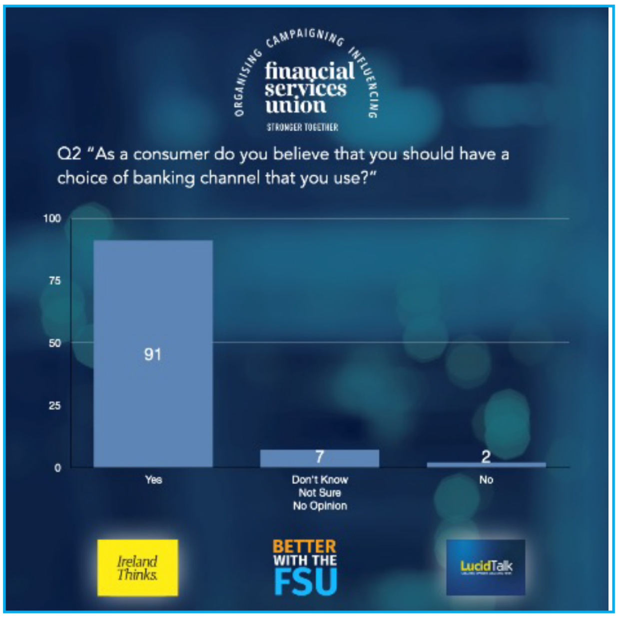
The future Code needs to be cognisant of the issue of financial abuse, not least where older people may be also experiencing symptoms of dementia.

## In Person Banking

The current provisions to protect consumers from branch closures are not sufficient and the failure of the Central Bank to stop or influence Banks to cease the withdrawal of local banking services from communities will have a long tern detrimental effect on consumers and business.

This part of the code needs significant improvements and needs to reflect the views of consumers and the reality that all research done, either by the Department of Finance or others independent operators points to the wish for consumers to retain their local bank branch. The FSU recently conducted research in Northern Ireland asking people how important it was to them to retain their local bank branch. The results were overwhelming in favour and all research in the Republic of Ireland has a similar outcome. It is clear that the footfall numbers issued by the Bank when closing a branch do not account for the full engagement by local people with that branch. If you attend a branch and are sent to use a machine in the branch you are not counted in footfall numbers.




Importantly we also asked people if they believe they should have a choice of banking channels to use. Again the results point to a dissatisfaction with the banking choices that consumer are being offered by Banks. It is not satisfactory for a financial institution to make a conscious decision to push people towards digital banking. Consumers are asking for a choice and the Central Bank consumer code should give sufficient protection so that choice for consumers is maintained.

The FSU are happy to contribute to any future stakeholder sessions and to meet and discuss next steps at anytime