

**Re: CP158 Submission**

7<sup>th</sup> June 2024

To whom it may concern,

Volkswagen Financial Services Ireland Limited (**VWFSIL**) welcomes the comprehensive consultation paper on the Consumer Protection Code (the **Code**). While the Code has served Irish financial services well since its introduction, it is clear that market factors have emerged over time, that are not addressed in the Code, and which could lead to the conduct risks or customer detriment.

In a fast moving environment where technology plays a significant role in business practices and customer services, the introduction of a guiding core principle like '*Securing Customers' Interests*' in the revised structure of the Code under CP158 (the **Revised Code**) is an important step in setting the tone of the proposed changes. It should also be noted that the comprehensive guidance supporting this principle is very welcome and will protect against significant variances in interpretation.

Through this submission, VWFSIL seeks to provide constructive and positive feedback on the Revised Code. While we have comprehensively reviewed all publications, including the draft regulations and the consultation paper, our submission is intended to provide a perspective from a captive finance market participant. Therefore, we are focused on providing our feedback under the questions posed in the consultation paper and have only provided feedback where we believe our input can be of value or where it is relevant to our market.

We look forward to the publication of the Revised Code and remain available for any future engagement with the Central Bank of Ireland (**CBI**) on this topic.

Yours sincerely,



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Carl zu Dohna  
CEO  
Volkswagen Financial Services Ireland Limited

Volkswagen Financial Services Ireland Ltd  
Registered Address: Block C,  
Liffey Valley Office Campus, Dublin 22,  
Ireland (D22 CF60)  
Phone: +353 (0) 1 211 8391

Vat Number: 3473131LH  
Registered Number: 602602  
Private company limited by shares  
Company Directors:  
Jens Legenbauer (German)  
Tony McPoland  
Carl zu Dohna (German)  
Caragh Madden  
Marcus Graefe (German)  
Sinead Curry

Account: Volkswagen Financial  
Services Ireland LTD  
Bank Address: Bank of Ireland  
2 College Green, Dublin 2  
BIC: BOFIE2D  
IBAN: IE47 BOFI90001736329342

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## **2.1 Securing Customer Interests**

*Do you have any comments on the Securing Customers' Interests Standard for Business, Supporting Standards for Business or the draft Guidance on Securing Customers' Interests set out in Annex 5?*

VWFSIL welcomes the introduction of the aforementioned standards and principles, and believes they have the potential to positively impact financial services in Ireland.

## **2.2 Digitisation**

*Do you have any comments on the proposed Code enhancements with regard to digitalisation?*

One significant area that should be addressed under the Revised Code is digitisation. This area has developed rapidly in recent years, with an absence of regulatory guidance on standards. VWFSIL welcomes the clarity from the CBI on the implementation of digital solutions and the key features of digital offerings as outlined in Chapter 4 of the Revised Code.

## **2.4 Mortgage Credit and Switching**

*Do you have any comments on the proposed enhanced disclosure requirements for mortgages?*

While not a provider of mortgage credit, VWFSIL notes that the proposals regarding incentives within the revised code are focused mainly on mortgages and mortgage switching. While this is a prominent area for incentive activity in recent years, financial service providers have historically utilised incentives to drive competition in the market across other products, for example the offer of cash incentives for opening a current account in the mid to late 2000's. Consideration should be given to broadening the scope of the guidance on incentives to ensure that businesses beyond those solely offering mortgage related incentives, are appropriately transparent with consumers.

## **2.6 Frauds and Scams**

*Are there any other circumstances that we should consider within the proposed definition of financial abuse?*

As a captive finance provider, VWFSIL must be conscious of potential financial abuse through the coercion of a vulnerable individual to enter into a credit agreement so that a third party may benefit from the asset. While this may be a market specific risk, VWFSIL recommend that part B of the definition of financial abuse within the revised code is expanded to consider such an instance.

## **3.1 Consumer Credit**

*Are there specific elements of the revised Code that should be tailored to BNPL, PCP, HP and consumer hire providers?*

Under Section 76 the Consumer Credit Act 1995 (as amended), the lessor under a hire purchase agreement, there is an implied condition that the goods

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are of merchantable quality (pre Consumer Rights Act 2022) or in conformity with the sale of goods contract. In practice, where issues arise in this regard, resolutions may be dependent on third parties such as manufacturers or technical experts.

While VWFSIL make all efforts to resolve complaints to a customer's satisfaction as soon as possible, merchantability issues may result in complaint resolutions exceeding 40 days. Given that this is a nuance which is largely only applicable to PCP and HP providers, it is suggested that Chapter 12 of the revised code could be reviewed to account for this anomaly.

### **3.5 Miscellaneous Enhancements**

*Do you have any comments on the proposed revised requirements for handling of errors or complaints?*

See response to **3.1 above**.

### **4.0 Benefits and Costs**

*Do you have any views on our analysis of the overall benefits associated with the proposals set out in this consultation paper?*

VWFSIL agrees that the revised code can deliver the key benefits as outlined in Chapter 4 of the consultation.

### **5.0 Implementation**

*What are your views on the proposal for a 12-month implementation period? Should some proposals be implemented sooner?*

In general, a 12 month implementation timeframe is considered to be fair, however there can be an inherent inequity for smaller firms seeking to implement these changes, compared to large credit institutions. With less staff and less resources, there can be significant impacts on in flight strategic initiatives, and delivery of new products, for small providers including Retail Credit Firms and Insurance Intermediaries.

This can disadvantage these firms who are seeking to compete with pillar banks and provide more competition to consumers in general. Smaller firms may not have the ability to achieve efficiencies at scale in comparison to large credit institutions.

This can be more acute in certain sectors, such as captive PCP & HP providers who currently are only in scope of a smaller number of chapters under the existing code. Such providers may have more changes to make in comparison to established credit institutions who would largely have the necessary systems and processes in place.

Consequently, we would welcome further engagement on the 12 month implementation period, or potential consideration of a tiered approach.

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