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16 December 2011

Re: Review of Implementation of the Code of Conduct on the Switching of Current Accounts with Credit Institutions

Dear

I refer to the recently completed themed inspection and mystery shopping exercise undertaken to review the implementation of the statutory Code of Conduct on the Switching of Current Accounts with Credit Institutions (“the Switching Code”), which came into effect on 1 October 2010. The aim of the themed inspection was to assess how the switching process had worked in practice for consumers, with the mystery shopping exercise to determine the awareness and understanding of the Switching Code amongst frontline branch staff. Through both the themed inspection and mystery shopping approaches, compliance with the Switching Code was also to be assessed. The results of both the themed inspection and mystery shopping exercise will feed into a review of the Switching Code in 2012.

This letter sets out the findings of both the themed inspection and the mystery shopping exercise. In addition, findings that are specific to each institution will be the subject of separate correspondence with the institutions concerned. As a general comment arising from the themed inspection process and mystery shopping exercise, each credit institution should ensure that it has the necessary resources, policies, procedures and control checks, including compliance checks, and staff training in place for compliance with the Switching Code. We would expect all credit institutions to enhance the ways in which they communicate with consumers in order to ensure that the switching process works smoothly and efficiently. The Central Bank requires that you consider the issues raised in this letter in the context of your institution and incorporate them into your institution’s procedures as appropriate.

1. THEMED INSPECTION

1.1 Level of Switching

For the 9 month period reviewed (October 2010 to June 2011), the average rate of switches in all of the 4 banks reviewed was 0.16 per cent.

1.2 Compliance with the Code

It was found that, overall, when the consumer was in the switching process, it worked well and the timeframes as set out in the Switching Code were met.

1.3 Direct Debit Originators

It would appear that where issues arise in the switching process, these can be due to delays in relation to direct debit originators updating their records. We would recommend that credit institutions continue to work with the direct debit originators to make improvements in this area.

1.4 Engagement with Consumers

As stated previously, we expect all credit institutions to enhance the ways in which they communicate with consumers in order to ensure that the switching process works smoothly and efficiently. In this regard, we welcomed an initiative taken by one institution whereby they issue updates on the switching process via text message. It was also noted that in one credit institution a call back procedure to the consumer is in operation throughout the “switching in” process. We would consider this to be best practice as a control mechanism with regard to the switching process. In addition, it can ensure that the process operates smoothly and that the consumer is well informed with regard to the process, that details on direct debits/standing orders are checked with the consumer and that any issues can be identified and resolved within the required timeframes.

1.5 Complaints

It was noted that there is a low level of complaints by consumers that relate specifically to switching. It was identified that credit institutions are having difficulty identifying switching complaints. Complaints that relate to switching should be categorised as such and the institution should be in a position to identify them accordingly. In addition, credit institutions should engage in regular analysis of the volume and nature of such complaints, to assist in highlighting areas of concern.

1.6 Record Keeping

Credit institutions must be able to demonstrate compliance with the Switching Code, and, as such, retain all relevant documentation, including correspondence issued to consumers, other credit institutions, direct debit originators, etc.

1.7 Reviews by Banks of Switching

Work has been carried out by a number of the credit institutions with regard to reviewing the switching process. These included:

- Compliance Departments carrying out a review of the process; and
- Undertaking mystery shopping exercises to assess knowledge across the branch networks.

It is recommended that for best practice, credit institutions consider how compliance with the Switching Code and the switching process for consumers can be best tested and to include these in their compliance planning going forward.

2. MYSTERY SHOPPING EXERCISE

A third party was appointed by the Central Bank to carry out a mystery shopping exercise to determine the awareness and understanding of the Switching Code amongst frontline branch staff and to assess compliance with the Switching Code. This was carried out by mystery shoppers in September 2011 and comprised sixty branches of four credit institutions on a nationwide basis.

The mystery shopping exercise identified the following:

2.1 Provision of Information and Communication at Initial Stage of the Process

- In over one-fifth of branches visited, the mystery shopper was requested to make an appointment with a specific staff member, which impacted on the information provided to those mystery shoppers. The need for an appointment was not an issue identified in the previous mystery shopping exercise carried out in November 2008. However, issues were raised with regard to staff in some branches being unable to provide sufficient information on the switching process;
- A switching pack was provided in only 27 of the 60 branch visits, with only 13 mystery shoppers receiving complete switching packs. This issue was identified in the previous mystery shopping exercise carried out by the Central Bank in November 2008; and
- 31 of the 60 mystery shoppers felt encouraged to switch after the visit.

2.2 Awareness of Switching

- In 44 of the 60 branches the staff member was aware of the switching process once the mystery shopper stated they wished to move their account, 30 of which mentioned it spontaneously and 14 after prompting by the mystery shopper;
- Similarly, in 43 branches the staff member mentioned the Switching Code during the conversation, 29 spontaneously and 14 after prompting; and

- The staff member described the switching process to the mystery shopper in 38 of the 60 branches surveyed, with the mystery shopper perceiving the description to be clear on all but 2 of these occasions.

2.3 Information Provided on Switching

- An explanation of how standing orders and direct debits would be dealt with was provided on 36 and 39 occasions respectively out of 60 branches;
- An explanation of how salary payments would be dealt with was provided on 33 occasions; and
- An Account Transfer Form was provided to customers on 26 occasions, representing 43 per cent. of all branches visited.

2.4 Timeframe for Switching

- The staff member initiated a discussion around the most suitable time for switching in only 19 of the 60 branches surveyed;
- The mystery shopper was informed on 26 occasions how long the switching process would take and was told on 4 occasions that it would take longer than 10 days; and
- In 34 visits no mention was made of the timeframe.

2.5 Types of Current Accounts Offered

- The mystery shopper was told about the types of current accounts offered by that institution in 21 branches visited, with the staff member providing details on fees and charges on 16 of these occasions.

These results overall were unsatisfactory in terms of the customer having to make an appointment and the overall information provided to the customer. It was unsatisfactory, also, that issues identified in a previous mystery shopping exercise had not been addressed by credit institutions. Credit institutions must ensure that its branch staff are fully trained and in a position to provide complete and accurate information to customers who are making initial enquiries. In addition, complete switching packs must be provided to customers, as per the requirements of the Switching Code. Credit institutions should continually monitor compliance with the Switching Code, including how frontline staff deal with consumers who enquire about switching.

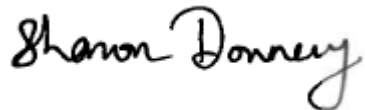
The results for one institution were particularly poor and the institution concerned has been required to submit a plan, including timelines, to address the issues raised by end-February 2012 and to revert to the Central Bank when completed.

As stated previously, individual feedback will be provided to credit institutions on the mystery shopping exercise, as it relates to their institution. However, institutions are required to consider all of the findings on the mystery shopping exercise as set out in this

letter and ensure that the issues identified are addressed. Confirmation is required from credit institutions by end Q1, 2012 that all of the issues raised have been considered and any issues arising have been addressed. The Central Bank will continue to use mystery shopping as a means to monitor the Switching Code and expects that the issues raised will have been addressed when the exercise is repeated.

If you have any queries regarding the contents of this letter, please contact Mary McEvoy on 224 4512 or Eileen Bray on 224 4514.

Yours sincerely

A handwritten signature in black ink that reads "Sharon Donnery". The signature is written in a cursive style with a large initial 'S' and a long, sweeping tail on the 'y'.

Sharon Donnery
Head of Consumer Protection: Banking & Policy Division