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Review of Certain Aspects of Credit Card Compliance

In April and May 2007, the Financial Regulator conducted a themed inspection of a number of credit card providers. The purpose of this inspection was to assess whether the credit card providers were charging non-euro transaction charges (or currency conversion fees) in accordance with the limits notified to the Financial Regulator. The themed inspection also sought to establish what progress providers had made towards implementation of requirements of the Consumer Protection Code, which requires that a person's credit card limit can only be increased following a request from the consumer.

The Financial Regulator has recently written to all credit card providers with feedback from the themed inspection. This feedback covered the following issues:

Non-Euro Credit Card Transaction Charges:

From the sample of customer transactions examined, the currency conversion fees applied by the providers were in accordance with the limits notified to the Financial Regulator.

Credit Card Limit Increases:

All credit card providers inspected had ceased the practice of automatically increasing customers' credit card limits in advance of the inspections taking place. In the period

from August 2006 to April 2007, the average monthly number of limit increases processed automatically by those providers inspected was approximately 42,000. As a result of the new provision in the Code, this figure reduced to nil from April 2007 with regard to the providers inspected.

In order to demonstrate full compliance with this provision, providers must be able to show that the customer requested the increase. Therefore providers have been requested to examine their record keeping practices in this regard.

Responsibility of Providers in respect of outsourced activities

It was noted, amongst the providers inspected, that significant aspects of credit card operational activities are outsourced to third parties. The Financial Regulator has reminded providers of their responsibilities in relation to outsourced activities, that ultimately they are responsible for the provision of the financial service and for compliance with the Code and the Consumer Credit Act, regardless of whether aspects of it are outsourced.