



High Cost Credit Providers Newsletter

The purpose of this update is to keep you informed on important topics as the sector transitions from annual to five-year licence renewals and to more focused supervision by the Central Bank of Ireland (Central Bank).

As we leave annual licence renewals behind and look towards the future for the sector, we set out some key information you need to be aware of and our plans for engaging with the sector in the coming years. As such, this update contains information on many important and interesting topics, including:

- The Central Bank's multi-year supervisory strategy for the sector and new annual reporting requirements;
- A revised pre-approval process when seeking to add or amend loan products, and recent changes to the Central Bank Portal including a new section for F&P applications;
- Reminders to firms of their ongoing obligations under the 2022 Regulations, Anti-Money Laundering legislation and the Central Credit Register Act; and
- Regulatory updates relating to Scams and Advanced Fee Fraud, and the Individual Accountability Framework.

As you will be aware, the email address to contact the authorisation and supervision team is highcostcredit@centralbank.ie, and the team can also be contacted at 01 224 4510. Other relevant Central Bank contact details are set out in the Contact Us section.



Wesley Murphy

Head of Consumer Protection:
Credit and Lending

Contents

Transition from annual renewals	2
Looking Forward	3
Individual Accountability	4
Interest Rate Caps	5
AML Dear CEO Letter	5
CCR Reporting	5
Central Bank Portal	6
Advanced Fee Fraud	7
Contact Us	8

Transition From Annual Licence Renewals

All existing high cost credit provider (HCCP) licences have now been renewed to five-year licences. We have set out below some common issues that came up in the most recent round of renewals, along with reminders for future submissions now that the annual licence renewal process no longer applies:

- Terms and conditions contained on the high cost credit agreement must match the conditions contained in Schedule A of the high cost credit provider’s licence. If terms and conditions are updated, please let us know in advance by email, so an updated licence can be issued.
- Firms should also notify us of other changes such as changes of legal name/trading name and changes of address. These changes can be made using our Portal so an amended licence can be issued and to ensure our public register is accurate. The firm’s contact details can also be updated on the Portal. (Please refer to the section below on our Portal)
- Newly hired Directors or other members of senior management fulfilling ‘[Pre-Approval Controlled Functions](#)’ must seek approval from the Central Bank. (Please refer to the section below in relation to our new F&P Portal).
- Firms must have robust policies and procedures in place that align with how the firm operates in practice. Policies and procedures may be subject to review upon inspection by the Central Bank.
- Content of consumer loan documentation must comply with all relevant requirements. Firms are reminded of the additional requirements introduced by the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Licensed Moneylenders) Regulations 2020 including:
 - An enhanced “high cost loan” warning statement (Regulation 9).
 - An ‘Information Notice’ to be included on application forms, websites and business premises (Regulation 14).
 - An ‘Information Notice’ to be included at or near the beginning of all application forms or processes (Regulation 10).

Contact
highcostcredit
@centralbank.ie
to change T&Cs

Guidance on
Fitness and
Probity Standards
is available [here](#)

The 2020
Regulations can
be viewed in full
[here](#)

Looking Forward – Supervision Strategy for the HCCP Sector

Annual Regulatory Return for the HCCP Sector

The annual licence renewal was our primary way of collecting data from the sector and needs to be replaced to inform effective supervision of the sector.

A new Annual Return will seek to collect data that is similar to the data already collected in the Renewal Application Form, but will also seek to collect more in-depth data on loans issued by firms. For example, for fixed term loans, we may request data related to the number of loans issued per product during the year. We are currently in the process of designing this Annual Return and will engage with the industry representative body CCARI during this process, and will also give firms sufficient notice to prepare for the annual submission.

Annual Returns will be submitted via our Portal, so we would encourage firms to ensure they are set up on the Portal. Further information and Guidance on the Portal is set out on our website [here](#).

Supervision Strategy for the HCCP sector

The annual licence renewal process provided a regular touch-point with each firm, which was a key element of our supervisory engagement with the sector. In line with the Central Bank's risk-based approach to supervision, we have developed a new multi-year supervision strategy for the HCCP sector that aims to treat the key drivers of consumer risk in the sector in order to deliver positive outcomes for both borrowers and firms in the sector.

Key drivers of consumer risk are set out in our [Consumer Protection Outlook Report](#), and summarised in the box on the right. In addition to these cross-sectoral risks that we expect regulated firms to take action to identify, mitigate and manage, key risk areas identified for the HCCP sector include responsible lending and the overall viability of the sector.

As part of the overall strategy, we intend to carry out more intrusive supervision of the sector going forward, including carrying out on-site inspections to monitor compliance with various regulatory requirements such as the 2020 Moneylending Regulations. Planned work in relation to responsible lending will seek to ensure that firms have policies and procedures in place that encourage responsible lending, robust affordability assessments take place and records are maintained. Regarding the viability of the sector, data collected via the annual return and from other sources will feed into a report we are required to prepare

The 2023
Consumer
Protection
Outlook Report
was published in
March 2023

The five key drivers of consumer risk are:

1. Poor / weak business practices;
2. Ineffective disclosures;
3. Changing operational landscape;
4. Technology driven risks; and
5. Shifting business models.

Key risk areas identified for the HCCP sector include:

- Responsible lending
- Overall viability of the sector

for the Minister for Finance on the impact of the interest rate cap introduced by the Consumer Credit (Amendment) Act 2022.

As regulated firms, HCCPs play an important role in providing credit to consumers who do not use other regulated credit providers. This role must be balanced with the duty to lend responsibly. While we acknowledge that the home collection credit industry in particular may lend itself to building on-going relationships with consumers, such on-going relationships should not be solely relied upon, when assessing consumers' creditworthiness.

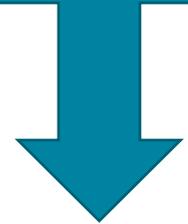
Key areas and expectations we will assess related to responsible lending include:

- Policies and procedures are in place (including lending procedures) that are specific to the firm and whether these are followed in practice.
- Robust creditworthiness assessments are in place to ensure that the firm has satisfied itself that the consumer has an ability to repay the loan, including consideration of existing/other loans, any arrears the customer may have, and appropriate evidence of the consumer's income and expenditure and ability to repay.
- Responsibilities for loan application assessment and approval are clearly documented and maintained.
- Appropriate oversight of / compliance monitoring of collection agents / call centre staff.
- Aggregated loan repayment information is provided to consumers with more than one loan.
- Warning statements and Information Notices are clearly visible on lending documentation.

Individual Accountability Framework

The Individual Accountability Framework was signed into law on 9 March 2023. Amongst other changes, the Framework introduces 'Common Conduct Standards', which are basic standards expected of persons in regulated entities such as acting with honesty and integrity, with due skill, care and diligence, and in the best interest of customers, and will apply to individuals in all regulated firms, including HCCPs. Senior executives will also have Additional Conduct Standards related to running the part of the business for which they are responsible. The Central Bank has published a consultation paper, draft regulations and guidance on the Framework. HCCPs should familiarise themselves with the Framework and should take time to review the [draft guidance](#) on the Common Conduct Standards prior to the IAF coming into effect on 29 December 2023.

Regulation 26 (6) of the 2020 Moneylending Regulations prescribes the minimum information to be contained in lending policies and procedures



A Q&A on the 2020 Regulations is published [here](#)

Read more about the Individual Accountability Framework [here](#)

Interest Rate Cap – Product Amendments

The Consumer Credit (Amendment) Act 2022 was enacted on 14 November 2022 by the Minister for Finance. It introduced an interest rate cap on high cost credit agreements along with a maximum loan term of 52 weeks (other than running accounts). We had very positive engagement with the sector in advance of the commencement of the interest rate cap as new interest rates and loan terms received regulatory approval.

Product Amendments

If you wish to add or amend any loan products in the future, you must contact us by email in advance. Please use the new Product Amendment Submission Form on our [website](#) and ensure that the rationale for introducing the new loans is explained.

Maximum rate of 1% per week up to 48% per annum (fixed term loans)

Anti-Money Laundering Dear CEO Letter

In June 2023, our Anti-Money Laundering Division issued a Dear CEO letter on foot of findings from recent engagements with the sector. Firms are reminded of some of the key findings, including (but not limited to):

- The requirement to have documented business risk assessments and robust AML/CFT policies and procedures in place including policies and procedures for PEP & FS screening.
- The requirement to have an appropriate governance framework in place to ensure ongoing oversight of compliance by firms with AML/CFT legislation.
- Obtaining appropriate customer due diligence documentation.
- Appropriately identifying suspicious transactions.
- Timely submission of the annual Risk Evaluation Questionnaire (REQ).

Firms are encouraged to review the contents of the Dear CEO letter, their AML/CFT frameworks and processes against the findings, and make any amendments/changes as appropriate. Breaches of AML/CFT legislation may result in significant criminal or civil penalties, so it is important that firms take all necessary steps to ensure compliance.

A copy of the AML Dear CEO letter can be found [here](#)

CCR Reporting Obligations

Firms are reminded of their reporting obligations under the Credit Reporting Act 2013. It is important that the Central Credit Register (CCR) shows an accurate representation of a consumer's credit record. While some firms may utilise the services of an outsourced service provider to update the CCR, the ultimate responsibility for updating the CCR and compliance with regulatory obligations rests with the firm.

A comprehensive guidance to the CCR can be found [here](#)

Central Bank of Ireland Portal

The Central Bank of Ireland Portal allows authorised users to view and request changes to specific firm details and to access and submit returns. We would encourage firms to ensure they are set up on the Portal. Further information and Guidance on the Portal is set out on our website [here](#).

New F&P Section on the Portal

The Portal has been enhanced to facilitate the submission of applications to become a holder of a PCF. From 24 April 2023, IQs must be submitted via a new dedicated F&P section on the Portal.

The new F&P section on the Portal provides applicants with an enhanced process for submitting applications. A new IQ has been developed and must be used for PCF applications submitted from 24 April 2023. A copy of the new IQ is available on the Central Bank's website. The new process for the population and submission of IQ applications consists of three parts, which are described below:

1. Account Settings

Firstly, the applicant registers as a Portal User and enters their name and address in the Account Settings section of the Portal. The point of contact and the proposer must also register as Portal Users.

2. F&P Profile

Secondly, the applicant creates their F&P profile which contains information that would typically be in a curriculum vitae. It must be entered before completing Part 3 of the IQ and is retained on the Portal so that it can be updated and re-used for subsequent PCF applications in the same entity. The F&P profile comprises various sub sections including personal details, experience, qualifications, professional memberships, training, regulatory approvals and positions currently held in nonregulated firms and in financial service providers in other jurisdictions. Personal details such as date of birth and other demographic information, which is requested on a consent basis, will be published on an anonymised basis in the Central Bank's annual Demographics of the Financial Sector Report.

3. PCF Application

Finally, the applicant and proposer populate the IQ application itself which is similar to the existing IQ application. The main difference is that information that the applicant has already entered in the F&P profile is prepopulated into the IQ Application. The preliminary questions are divided between the proposer and the applicant. The IQ application is then tailored to the applicant based on these answers. Supporting documentation may be uploaded in each of the 10 sub-sections. Once all three parts have been completed, the proposer submits the application to

Guidance on how individuals can register to become a Portal user is available [here](#)

Further information on the new F&P application process has been published [here](#) on the Central Bank website

A copy of the new IQ is available on the Central Bank website [here](#)

the Central Bank for assessment. Any communication with the F&P team, who process IQ applications in the Central Bank, regarding the PCF application will be via Portal messaging and not by email. In addition, the status of the application can be tracked on the Portal. For example if an IQ is on hold, the reason why will be displayed.

Scams and Advance Fee Fraud

We have become aware of an increase in fraudulent websites purporting to offer cash loans. Many of these websites carry out a type of fraud known as 'advance fee fraud' in which they offer to issue a loan if the consumer pays an up-front fee. When the up-front fee is paid, the consumer never hears from the fraudulent entity again. We are also aware of recent instances where such websites have cloned details of legitimate regulated entities, including some HCCPs, to add an air of legitimacy to their fraud. They may quote authorisation numbers and links to seemingly legitimate websites and even provide the real address of an authorised firm. We would recommend that firms ensure their websites are updated at all times with the most up to date contact information. If firms have dormant websites that are no longer in use, these should be removed as they may be at risk of cloning. The Unauthorised Providers Unit in the Central Bank investigates alleged instances of unauthorised activity carried out by entities (individuals or firms) that are not authorised by the Central Bank. Reports of alleged instances of unauthorised activity can be submitted through our website or directly by telephone. Details for making reports are contained [here](#).

The Central Bank has the power to conduct investigations in relation to alleged moneylending offences. However, it is An Garda Síochána and the Director of Public Prosecutions who has responsibility for the prosecution on indictment of alleged illegal moneylending in Ireland. As a consequence, we would encourage firms to report any instances of suspected illegal moneylending or fraudulent activity to both the Central Bank and [An Garda Síochána](#).

We have recently published a message to consumers via the media to warn them about these scams. You can read it on our website [here](#) and see our additional financial scam awareness campaign [here](#). The message aims to prompt consumers to look out for the warning signs of scams and to check the Central Bank's register. It also advises consumers that regulated HCCPs will never look for cash payments up front prior to issuing a loan.

Warning notices published by the Central Bank can be found [here](#)

Firms and members of the public can report an unauthorised firm directly to the Central Bank [here](#)

Contact Us

Central Bank Query	Central Bank Contact
Credit Authorisations and Supervision Team: High Cost Credit Providers queries	highcostcredit@centralbank.ie
Portal Support	portalsupport@centralbank.ie
Anti-Money Laundering/Countering Terrorist Financing	AMLpolicy@centralbank.ie
Fitness and Probity: Individual Questionnaire queries	fitnessandprobity@centralbank.ie
CCR queries	Enquiry form
Funding Levy	billing@centralbank.ie
ONR / Returns queries	onlinereturns@centralbank.ie