

27 August 2013

### **Consultation process on debt management firms.**

As a Qualified Accountant who would provide debt management in an incidental manner I would be an exempt person under the regulations, however I would like to make the following submissions.

I believe the Central Bank should have different legislation for those Debt Management Firms who actually handle Clients funds and provide a budgetary service including paying bills on behalf of their Customers as opposed to Debt Management Firms who negotiate and act as intermediaries between their Clients and Financial Institutions and other Creditors. Clearly there is a different risk factor involved as recently seen with the collapse of a number of money budgeting firms resulting in Clients losing money and also been left with debts that the Debt Management Company was due to pay. Accordingly the new legislation should deal with these two different types of Debt Management Firms separately rather than applying one solution for all.

#### Professional Indemnity Insurance

It is proposed that the Debt Management Firms should have Professional Indemnity Insurance for a sum equivalent to the total sum of debts owed by their Clients. I believe that this is a wrong measure to use as Clients presenting themselves to Debt Management Firms have already through poor decision making/advice have found themselves in debt. Why should Debt Management Firms need to carry insurance at this level for mistake already made by Clients. The Debt Management Firm will provide services to negotiate solutions to deal with this debt only which may or may not be successful. If the Debt Management Firm is unsuccessful in resolving the issue the proposed calculator for professional liability implies that by engaging with the Client that the Debt Management Firm could be liable potentially for the whole of a Clients Debt. I believe that the thinking behind this calculator is flawed and will potentially put such an overhead on Debt Management Firms that it will become a serious barrier to entry and will put a huge cost onto Clients who the Debt Management Firms will have to recharge in their fees. In the current market a Debt Management Firm could very easily have Clients with total Debts of €10million plus. PI cover for this level will be prohibitive. A new more equitable calculator for the level of PI cover needs to be set.

#### Qualifications

From my experience persons with the qualification proposed have caused a lot of Persons to get into Debt in the first place while earning lucrative commissions. I do not believe they will have the skills from these qualifications to do this work.

These are my submissions

Regards

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