



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Consumer Protection Code Review

CUMA - Credit Union Managers  
Association Response

## Response Information

**I am completing this form as:**

An organisation or representative body

**What is the name of your organisation or representative body?**

CUMA - Credit Union Managers Association

**Please specify your organisation/representative body type.**

Other

## Broad Theme A – Availability and Choice

### Q.1 What are your views on availability and choice of financial services and products for consumers?

Whereas the number of main street banks have declined in recent times, the range and variety of financial service providers and their market penetration has grown considerably.

Given that there were 5.4 million current accounts, 8.7 million insurance policies and that 2.64 billion transactions in 2021 to a total value of €9.26 trillion, there certainly seemed, in advance of the exit of 2 more significant banks, to be significant market penetration.

The range of products is extensive.

However, consumer protection could be seen as not having matched the pace of change.

### Q.2 How important are new providers and new delivery channels to serving consumers' financial needs?

Both are very important.

New Providers may be existing providers providing new products, and new market entrants.

Competition, on the positive side, promotes consumer value, and stimulates innovation.

Sustainable channels in future-challenging climatic situations will prove most valuable.

### Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach?

The Central Bank needs to actively encourage innovation and competition in the consumer interest and extend its protective and consumer mandate where competition from part regulated and non-regulated firms emerges.

It needs to act with considerably more agility, speed and responsiveness.

## Broad Theme B – Firms Acting in Consumers' Best Interests

### Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers?

Agree

**Q.5 Does the suggested outline of ‘customer best interest’ guidance capture the essence of the obligation to act in customers’ best interests? What other guidance would you suggest?**

Not Sure

There is a coincidence of interests in credit unions where the consumers are shareholders and are borrowers, and where capital is generated from surplus.

Customer best interest is somewhat more complex, but more readily attainable in such a situation.

It is important that this duality is captured in prospective future changes.

It is also important that consumers are guided as to what might constitute their best interests, such as perhaps affordability of services.

## **Theme 1 – Innovation and Disruption**

**Q.6 Do you agree with our proposed approach to enhancing our Innovation Hub?**

Yes

Early engagement is useful but it should not be prolonged or a cause for delay to the extent that firms disengage and decide not to enter the market.

**Q.7 What more should be done to support innovation while ensuring consumers’ best interests are protected?**

Government needs to reconsider the heavy burden of taxation that it places on development and innovation so that consumers benefit.

**Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition?**

Regulators and government must ensure greater transparency so that vested interests are clearly seen and not allowed to unduly influence developments for commercial purposes.

## **Theme 2 – Digitalisation**

**Q.9 Do you agree with our analysis of the benefits, challenges and risks around digitalisation in the area of financial services? What are the key issues for you?**

Digitalisation has made access to financial services easier. This access should not be tempered with additional bureaucracy or in any way negatively impact the

dignity of the consumer and the assumption that they are rational human beings. That having been said, having a requirement for digital interaction that would, on a transparent and step-by-step basis (small steps, in short sentences that explain each area), ensure that they are aware of their rights, of their risks and any credit score or other score basis and outcomes, would help.

**Q.10 How do you think the personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers?**

Consumers should, when targeted, be made aware, in a very transparent manner, as to why they were targeted and how they were targeted, and how the offered service is suitable to the consumer.

## Theme 3 – Unregulated Activities

**Q.11 The Code requires regulated firms to provide a statement indicating that they are ‘regulated by the Central Bank’. Do you think this is useful for consumers?**

Not Sure

Given that consumers are not a homogenous entity, it is useful for those who understand the Central Bank’s role, the relationship between regulation and consumer protection, the power of the Central Bank and the limitations thereon.

For the unquantified number who do not understand fully, the Code is less meaningful.

The Central Bank of Ireland really needs to bring the Code to life by educating the population, simply, iteratively and meaningfully, about it.

“Weaponising” the consumer as Code advocates would significantly improve outcomes.

**Q.12 How can the difference between regulated and unregulated activities be made clearer for consumers?**

There are a number of steps:

1. Explain the benefits and risks attaching to regulated activities.
2. Explain the benefits and risks attaching to unregulated activities.
3. Undertake rolling Consumer Education through all media on the foregoing on an ongoing basis.
4. Introduce an activities Code regulation mark (“EC” mark for consumers).

### **Q.13 Should there be additional obligations on regulated firms when they undertake unregulated activities?**

Yes

All firms undertaking any unregulated activities should have to declare that the specific unregulated activity is in fact “unregulated” and carry a warning on the possible impacts of same.

## **Theme 4 – Pricing Matters**

### **Q.14 What can firms do to improve transparency of pricing for consumers?**

Firms should be required to explain the basis of discounts and refunds such as cash-backs. Transparency around why exceptional incentives are utilized should be clearly explained.

### **Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities?**

Yes there are.

However, there seems little that the Bank or other authorities can do by way of enforcement.

Consumers have to have awareness as the first step, followed by a clear pathway.

## **Theme 5 – Informing Effectively**

### **Q.16 How can regulation improve effectiveness of information disclosure to consumers?**

Effectiveness is based upon the clarity of the disclosure by the firm and the extent of the comprehension by the consumer. The disclosure can be enhanced by clear language, in writing and in media like on-line videos (see Q17 on discussion paper).

Enhancing comprehension can be improved by consumer education. The Central Bank of Ireland must educate the population generally on an ongoing basis and ensure that this is done publicly, through schools and other channels.

### **Q.17 How can firms better support consumers’ understanding – can technology play a role?**

Technology can play a very positive role.

Instead of “click-through” statements, short informational videos explaining the subject matter clearly, punctuated by periodic viewer-acknowledgement points or questions might be deployed as an alternative.

Furthermore, just as a consumer must pass a driving test, why not use technology to inform people before they enter long-term financial commitments?

### **Q.18 Does the way in which firms approach disclosure in respect of mortgage products need enhancing? If so, how? - taking account of the wide variety of features of mortgage products, and borrowers’ different circumstances and needs.**

It is important that the manner in which information is presented to the consumer bestows appropriate emphasis to the risks the consumer faces, particularly when circumstances may change over what is likely to be a long period.

Firms should oblige potential customers to obtain and provide evidence of independent financial advice and risk assessment before a final mortgage offer.

## Theme 6 – Vulnerability

### **Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms’ duty to act in their customers’ best interests reflect this?**

This must start at a policy level.

Whereas the framework of culture, thought, procedure and training are critical, key to this is recognition of the individual. We also must act within legislation, including the Assisted Decision-Making Capacity Act 2015 and 2022 (“the ADMCA”). We also must be careful of use of the categorization of an individual as “vulnerable”, as evidenced by a recent case in the public domain. Firms may be in a position to identify areas of coercive control.

It is worthwhile examining what “whistle-blower” protections could be put in place to indemnify firms in the event of such disclosures or related actions such as suspension of transactions.

### **Q.20 What other specific measures might be adopted to protect consumers in vulnerable circumstances while respecting their privacy and autonomy?**

Legislating to deal with coercive control and protection of the actions of Firms acting in the individual consumer is necessary.

## Theme 7 – Financial Literacy

### **Q.21 What can the responsible authorities do to improve financial education?**

A comprehensive, agile, evolving “Cradle-to-Grave” ongoing education programme should be lead by the CBI/CCPC on consuming and on not consuming, as appropriate. It is never too early to start, nor too late to finish. We have fantastic teachers at all levels.

Sufficient investment by government in leadership, communication and life-long learning in this ever-evolving area is needed.

The appointment by government of a Minister for Consumer Interests would also be a welcome recognition.

There also needs to be transparency around other service provision such as the Deposit Guarantee Scheme which is, in effect a service provided to consumers that is funded by Firms.

## **Q.22 How can consumers be empowered to better protect their own interests when dealing with financial matters?**

Empowerment comes through education, as outlined previously.

Empowerment can also be enhanced through competition. The loss of significant banking providers in the Irish market since 2008 and the reluctance of new entrants is contrary to having a good competitive environment. The reasons for this loss and lack of competition remain un-discussed.

On a more immediate basis, the use of independent checklists and modelled risk and stressing tools would be helpful for use before entering into a contract.

## **Theme 8 – Climate Matters**

### **Q.23 How should the financial system best fulfil its role in supporting the transition to a climate neutral economy?**

Firms must ensure their own sustainability in the first instance. Thereafter, they must provide, develop and evolve services that are relevant to a rapidly changing environment and economy.

Funding of climate-relevant initiatives is a key deliverable for financial services. This must be provided at a commercial level and at a consumer, individual level.

### **Q.24 How will climate change impact on availability, choice and pricing for financial products and services?**

It is difficult to determine how products and services will evolve, which will sustain and what types of new products and services will evolve. Climate will most likely add costs to the bottom line, including the cost of transition by the firm itself, and the cost of additional regulation, risk management and more. Use of preferential pricing to help act as a catalyst for change in societies will also be a factor. There are positive opportunities here for both Firms and Consumers.

### **Q.25 Does the impact of climate change require additional specific consumer protections?**

Yes.

Consumers need to be protected against green-washing. Additional, specific regulation and guidelines need to be developed on a sectoral basis and issued as a matter of urgency. There already is considerable evidence of advertising that is “soft” on quantitative evidence of the “green” credentials of the products being offered.

Additional focus on Consumer Protection and the Code will help.





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