



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Reforming the Law on Personal Debt

Recent and Planned Developments on Financial Regulation

**Presented by Bernard Sheridan,
Director for Consumer Protection**

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Introduction



Regulation of credit providers

- Role of Central Bank of Ireland
 - Relationship between lenders and consumers
 - Change in circumstances
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Main Initiatives

- Publication of arrears data
 - Moneylenders
 - Mortgage Arrears
 - Consumer Protection Code
 - Credit Unions
 - Credit Referencing Agencies
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Regulation of credit providers

- Over indebtedness
 - 2009 Survey on Income and Living Conditions
 - Mortgage Arrears data
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Consumer Credit Directive (CCD)

- Transposed into law on 11 June 2010
 - Applies to credit agreements between €200 - €75,000
 - The main provisions are:
 - pre-contractual information;
 - advertising requirements;
 - information to be contained in the credit agreement;
 - an obligation to carry out creditworthiness checks;
 - a requirement to explain the pre-contractual information and characteristics of the product, to the consumer;
 - a cooling off period of 14 days, and
 - the right to early repayment of fixed rate loans.
 - Maximum harmonisation directive
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Moneylenders

- Licensing of moneylenders by the Central Bank.
 - Moneylenders Code recently reviewed to include additional measures
 - Contact with MABS
 - Outsourced activity
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Consumer Protection Code

- Concept of suitability
 - Specific rules more effective
 - Ban on unsolicited pre-approved credit facilities
 - Ban on automatic credit card limit increases
 - Payment Protection Insurance
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Code of Conduct on Mortgage Arrears

- Introduced in February 2009
 - Statutory Code of Conduct
 - Applies to all mortgage lenders
 - Main provisions include:
 - communicating promptly and clearly with the borrower as soon as an arrears situation develops,
 - handling genuine arrears cases positively and sympathetically, and;
 - exploring various alternative repayment measures with the borrower
 - Mortgage Arrears and Personal Debt Group
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Code of Conduct on Mortgage Arrears

- Compliance with CCMA
 - 5 mortgage lenders
 - Good level of compliance
 - Procedures / timelines re formal demand letters and applications to Court
 - Revised arrangements
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Code of Conduct on Mortgage Arrears

Main changes from current CCMA

- Mortgage Arrears and Personal Debt Group
 - Lenders must have in place a Mortgage Arrears Resolution Process (MARP). The major elements of the MARP include:
 - A centralised and dedicated Arrears Support Unit (ASU);
 - Standard financial statement; and
 - Lenders must establish an appeals process.
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Code of Conduct on Mortgage Arrears

Main changes from current CCMA cont'd

- Pre-arrears borrowers treated under the Mortgage Arrears Resolution Process
 - Specific information to be given to borrowers in clear and customer friendly manner
 - Must be no requirement for borrowers to switch from tracker mortgage
 - Lenders must wait 12 months before commencing repossession process.
 - Unsolicited contact on arrears situation limited to three times a month
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Arrears Charges

- Surcharge interest
 - Other charges
 - If borrower co-operating can no longer impose charges
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Benefits for Consumers

- Greater transparency
 - Standard process
 - Incentive re charges
 - Appeals mechanism
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Proposals to enhance CPC

Mortgage Suitability

- Additional provisions to be imposed on the lender for assessing ability to repay.
 - Stress testing to be carried out by the lender in advance
 - Self-certified declaration not sufficient as proof of ability to repay
 - For interest only mortgages, must ensure that borrower can repay the principal at end of mortgage term
 - For interest only mortgages, must ensure that borrower can make the mortgage repayments at end of interest only period.
 - Standard financial statements to be used to obtain financial data from borrower
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Proposals to enhance CPC

Arrears handling – Personal debt other than mortgages

- Must provide information on status of their account and contact details for MABS.
- Payment protection insurance
- Unsolicited contacts concerning the arrears situation are limited to three times per month.
- Rejections by regulated entity of revised payment amounts or schedules must be documented with reasons and given to consumer
- Three months notice must be given by regulated entity who intend to offset credit balances in other accounts to repay debts on loans
- Where a consumer is in arrears in respect of an overdraft facility but is otherwise operating the current account within the terms and conditions, a credit institution cannot close that account without customer's consent.



Proposals to enhance CPC Credit Card Statements

- Recommendations for improving transparency on credit card statements
 - a summary box presenting important information on final payment dates, interest rates and fees applied to the account.
 - a notice on the method for charging interest, a minimum payment warning and a statement concerning transactions outside the normal spending pattern.
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Credit Unions

- Provision of credit at local and community level
 - Strategic Review currently underway in RCU
 - Grant Thornton carrying out Phase 1 of review
 - Phase 1 – to make proposals to strengthen the prudential soundness of credit unions
 - Phase 2 to commence next year – develop proposals for an appropriate credit union operational model
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Credit Registers

Banking Supervision: our new approach

Strong credit rating valuable asset for consumer

Review carried out of collection and use of credit information in Ireland and overseas.

Main points from review:

- Strengthening the means that borrowers can be identified would improve quality of credit reference information
 - Credit information databases are most useful when complete.
 - Setting down standards for the range of data that should be collected and disseminated.
 - Important to have clear rules as to the treatment of default events and how such information remains on database.
 - Must be clear mechanisms by which borrowers can quickly check their status and have it corrected where necessary.
 - Must be clear balance between the individual's right to privacy and benefits to individuals and society from intensive use of credit information.
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What difference will any of these measures make?

- Various codes are a useful tool – speedy and effective response to issues arising
 - Submissions to our Code Consultation welcome
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THANK YOU

Any Questions?
