irish mortgage brokers

Consumer Protection
Central Bank of Ireland
PO Box 559
Dame Street
Dublin 2

29th September 2013,

Re: CP70 on the requirements and standards of debt management firms.

We accept that this consultation process will probably not result in any change in terms of the outlined proposals, our experience to date is that it exists only to lend credibility to a process whereby your institution can claim it consulted openly with industry when in fact the decisions have already been determined in advance, the proof of which will be another outcome where there is little or no change to the proposals.

On that note we will note some issues which on the ground advisors may have with your proposals.

Within the terms of reference '*debt management*' will take into it's ownership many financial advisors who perform this role presently and who are already appropriately regulated by the Central Bank. Financial advice takes into account many different facets of finance, as a result we are asked as industry professionals to help our clients with all of them.

While the intent may not be to 'discharge a debt' when a client need help budgeting, rearranging their finances or trying to reach some amicable solution with a bank should it ultimately lead to that the firm in question could be acting outside of their remit as a consequence not as an intention.

If a debt is in any way restructured there is an argument that a financial provider (such as a bank who lent a mortgage) will not receive the full value of future expected cash-flows and this could constitute a 'discharge' depending on how loosely the terms are interpreted.

As intermediaries we are already authorised under s8.5 of the Consumer Protection Code to liaise with banks on behalf of our customers, the approach to date for previously regulated firms should be to let something that isn't broken remain unfixed. Or is the expectation that we bring the client to a certain point and if a successful negotiation is pending that we then pass them to a firm with appropriate regulation?

While there is grounds for the requirement of extending their regulation the imposition of additional costs should be deterred, as long as the already regulated intermediary is not transferring money on behalf of the client then there should be no additional burden. The UK Regulators have identified the differing levels of oversight and their system is not viewed as fundamentally flawed so why are we opting to go a step further when there is little or not proof that this is required from the outset?

Costs are an instant concern, the outlined proposals will embed a large amount of cost into any firm. As a financially unaffected third party the role of regulator should be to establish rules, not to push up transaction prices. The requirement for a compliance manager who is not able to advise will ensure that firms now have to hire a person for that purpose if they don't already have a PCF12.

There is no cost benefit analysis of this other than the preconceived notion that it will make the market better, the most likely outcome is that it will, in the first instance make the market more

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expensive.

Hundreds of independent qualified financial advisors trade under their own name, disallowing them to fulfill both a compliance and advice function is, via regulation, denying them the right to do work they may already perform or accepting said third party imposed costs which will be passed through to those in need of help.

For medium sized firms it can create an imposition where the compliance person cannot offer advice given that much of the knowledge of the system comes from a compliance background meaning they are sometimes the most qualified to perform the task. The division of the two roles may have high aspirations in theory, but in practice it is an ill thought out concept.

The cost of a compliance manager or even outsourcing one is considerable, this will mean consumers who we are mutually trying to protect will either

1. Have to pay more for the same service
2. Be driven to higher costing alternatives of excepted persons who may not guarantee better outcomes.
3. Avoid obtaining such service entirely due to cost barriers meaning they priced out of the provision of expert advice – contrary to the role of consumer protection.
4. Opt for the cheapest alternative such as one of the Government lead agencies who have proven to date that they lack expertise in many areas of financial advice (MABS being a good example of a group who are very skilled in budgeting but not strong with advanced bank negotiations).

Other costs are higher levels of professional indemnity than may be necessary, there is no evidence to date that the level mentioned is appropriate, there is also a concern that the Central Bank are ridding themselves of responsibility by allowing for third party audits, these should be carried out by the Central Bank themselves.

On the qualification front it is a mistake that new entrants will have four years to obtain the mark of ability which existing advisors must already have. There are enough QFA's in the country already who can perform this work, those wanting to enter this market should have it prior to entry.

While this may be a new market in terms of oversight, it is not new in terms of existence, this is why there is no need to grandfather, allow for alternatives or to give a four year limit to a new entrant to get qualified for a job which at a minimum demands qualification from the outset.

Should there be any negative issues that come into the public realm as a result of opening the door to unqualified practitioners it will reflect badly upon market participants who fund the Central Bank and the Bank themselves. It is not sensible that people who could have literally no qualification of any sort never mind a relevant financial one, to engage in such services with the implicit approval of our Regulator.

We would strongly urge you to reconsider these aspects of the proposed code, in its current form the people we are mutually trying to assist will face the most negative outcomes.

Depressingly yours,

Karl Deeter

Karl Deeter (PCF12) at Irish Mortgage Brokers