

**Kiltimagh Credit Union**

**Main Street**

**Kiltimagh**

**Co Mayo**

## **CP88 Consultation Feedback**

### **Savings**

Kiltimagh Credit Union is of the view that the enforcement of the €100,000 savings limit will be very difficult and Boards should be trusted to manage their own risks and ratios through a ‘capping’ process. It will be very difficult to get a member to reduce their savings on request, and could damage our reputation if we have to tell members to reduce their savings below €100,000, “It might be assumed that the credit union is in some kind of difficulty”.

The Board also believe that the imposition of a limit of €100,000 could be a breach of competition law. If the limit is to be imposed it should not be applied retrospectively, i.e. any member with savings above €100,000 should be allowed to retain them in their credit union.

### **Lending**

Kiltimagh Credit Union believe that the new limit on loans tied to reserves will impact on low capital credit unions. A credit union that may have reasonable reserves but have, for example, a value in use issues regarding their premises, or some other non-lending related issue that might affect reserves short term may find it challenging to trade out of difficulty because it would be automatically restricted from lending and would lose income as a result.

As regards the related party loans, the Board believe that the ‘families’ should be excluded and the requirements should apply only to Officer’s and Staff loans.

The additional lending rules if imposed on top of lending restrictions (recent press stated that 58% of credit unions have a lending restriction) would be totally unreasonable and another example of extreme micro management.

The Board also believe that there are contradictions in the consultation paper, for example, credit unions can give loans for up to 25 years but can only make investments of up to 10 years.

## **Regulatory Impact Analysis**

We also had an issue with the Regulatory Impact Analysis as published by the Central Bank as part of their consultation paper as we believe that it was not fit for purpose. Our understanding of an RIA is that it, in part *“helps to identify any possible side effects or hidden costs associated with regulation and to quantify the likely cost of compliance on the individual citizens or the business and it has done this.*

## **Home Loans**

The definition of Home Loans would need to be carefully looked at. If the home loan category includes home improvements loans it is completely unrealistic to expect credit unions to get first charge on a property for modest home improvement loans.

## **Investments**

Kiltimagh Credit Union believe that the revised definition of liquid assets is helpful but the proposals for short term liquidity are totally unnecessary as it is hard enough to make a return on investments without those types of restrictions.

The abolition of Equities as an investment option is ‘near sighted’ as they give credit unions the option to spread the risk and the long-term returns are attractive. .

## **Systems, Controls and Reporting Arrangements.**

The Board of Kiltimagh Credit Union would need to know the exact proposals to 'loan book disclosure' before we would make any decision on this. We would be totally against any expanded reference to bad debts appearing in our annual reports, other than what is already there. We believe that providing figures like Resolution 49 on annual reports would be detrimental, as the general member might not understand the format and the possibility of misinterpretation would be high.