

# Central Bank of Ireland CP88 Consultation on Regulation

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Submission from Tullow Credit Union Ltd.

26/02/2015

### SECTION 9 - SAVINGS: (9.2.2)

The proposed cap of €100k on individual member savings is unrealistic and unfair, for the present and the future, for the following reasons –

1. Would have a damaging effect on the credit union, many members would be lifelong savers and place all their trust in the credit union, and by asking any member to withdraw any funds they may have in excess of €100k may panic many savers.
2. Would result in an outflow of funds from our credit union which may hinder our development in the future as member shares are used to fund lending and is re-invested.
3. It would create financial exclusion to some members who do not wish to invest their money anywhere else, so in effect it is limiting member's choice.
4. By setting the cap at €100k that is the government guaranteed amount it may seem in the market place that credit unions are still regarded high risk by the central bank for people who want to invest their monies.
5. Would make the credit union less favourable to members who want to invest large sums due to redundancy, inheritance, pension, or sale of property, than the commercial banks who do not have any cap.
6. Credit unions in the past complied with section 27 4 of the Credit Union Act and set their own cap on savings in terms of nature scale and complexity of their business and, as this proved unproblematic in the past, there is no proven rationale to change it.
7. We are concerned that going forward there is no indication that the 100K will be increased.
8. With the introduction of home loans and loans over 25 years, if there was a cap this low on savings, capital resources would be limited to fund these loans in the future.

### SECTION 7 - LENDING: (7.2.5)

#### Loans to related parties –

We feel this would be a breach of the equal status equality act as it's discriminates against officers/volunteers/management of the credit union.

It would make it difficult to recruit volunteers in the future, it would put extra responsibilities on them to identify family members. Officers may not even be aware if there family members, are a member of the Credit Union or know anything of their financial circumstances which under data protection code they would not be entitled to know.

It may be a breach of data protection, to link loans by virtue of related party. It would be perceived that related parties would not have the same privacy rights as other members.

As these loans have to be reported to the board on a monthly basis, it may cause embarrassment to some directors, and force some to resign because of this.

Our lending policy covers procedure for family loans and this is adhered to and has not proven to be problematic in the past to any inspections that have been conducted.

#### Lending: (7.2.1 Category of lending)

**House loans:** The definition of this category of loan is not transparent in relation to improve or renovate a house. A first legal charge on home improvement loans is unworkable and unreasonable. To expect first charges to be obtained on home improvement/house renovation loans would prove costly to the credit union and member. Many of our home loans range from €1,000 - €30,000. We have robust underwriting criteria for this class of loan and take the equity value, outstanding mortgage, no mortgage, arrears etc. into account. We feel that under your category "House Loans", section b should be removed and re-categorised – new category 6 for home improvements and renovations without seeking first legal charge, if not this would have adverse effect on our loan book as it would limit our lending in this area at a time when we need to increase our loan book/income.

### **Lending: (7.2.1 Category of lending)**

#### **Commercial Loans:**

The proposals state that this category of lending will require business plans and robust financial projections. This is an excessive requirement in relation to small businesses, tradespeople, farmers or other professionals seeking loans in the normal course of their business.

Credit unions should be able to give small loans to members for commercial purposes, on the basis of normal lending assessment Criteria (i.e. repayment capacity, current financial position, track record, ICB checks).

### **SECTION 8 – INVESTMENTS:**

We confirm that with endorse Davy submission of the 26/02/2015 in this area, copy attached.