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Deputy Ged Nash TD
Dáil Eireann
Kildare Street
Dublin 2

28 July 2022

Re: Recently reported comments in relation to the risk of missed payments during the large-scale migration of bank accounts

Dear Deputy Nash

I am contacting you in relation to your recently reported comments regarding the risk to consumers of missed payments during the period of large-scale migration of bank accounts. I welcome your interest in this issue and want to update you on the Central Bank's position and approach. Specifically, I want to outline that, while we understand the sentiment on which your suggestion is made, our primary focus is to make sure that the operational issues raising the risk of missed payments do not arise in the first place. I also wanted to nevertheless assure you that the issue of the recording in the Central Credit Register is one that we are live to.

In our supervision of this matter, our primary focus is to ensure that providers put in place the planning, resourcing and processes to support customers migrating their bank accounts in a smooth and timely manner, including transferring payment instructions to ensure a continuity of service for those customers. This is to avoid instances where customers could be adversely affected by missed payments, including those of the nature to which you refer. Our work has included reinforcing our consumer protection expectations of regulated financial service providers that also operate as Direct Debit Originators (DDOs) specifically to ensure continuity of service for their customers.

The Central Bank is also responsible for the Central Credit Register (CCR). The CCR produces credit reports based on information submitted by lenders each month, including factual information on a borrower's loan agreements and loan applications. Credit reports do not contain a credit score or credit rating. The CCR does not provide guidance, recommendation or prohibition for lenders regarding decisions on loan agreements or loan applications.

As you are aware, the CCR provides for the application of a grace period of one month for standard loan repayments, such as personal loans, credit cards, and mortgages. This grace period is intended



to provide a practical buffer to avoid the reporting of missed payments that are due to technical factors, rather than reflecting a substantive failure to pay on the part of the borrower. This includes errors and delays in the setting up of a payment instruction such as a direct debit and other unexpected technical delays in the processing of payments. It is our expectation that the planning and processes financial services providers put in place to manage the bank account migration enable any such missed payments to be dealt with within this one month timeframe.

Nevertheless, I understand the sentiment behind your suggestion to extend this grace period given the scale of this bank account migration. I wish to assure you therefore that the issue of recording of missed payments in the CCR due to technical reasons during the migration exercise is one that we have been considering actively as part of our work on this matter. Amongst our considerations is that there would be significant risks to borrowers in the application of a wholesale extension of the grace period (were that to be contemplated). For example, in such a wholesale extension, borrowers that may have missed payments for substantive reasons that are not reported in a timely manner to the CCR could end up taking on credit that may not be suitable for their financial circumstances, and consequently become over-indebted.

We are monitoring this issue closely therefore and will continue to explore more targeted actions that we can take from the perspective of the CCR where missed payments are due to technical factors only, should such an action become necessary. More fundamentally however, our focus remains squarely in seeking to ensure that these issues do not arise in the first instance, and where they do they are dealt with within the existing one month timeframe. This is because there could also be wider adverse effects to consumers if such payments are delayed, beyond the recording of the CCR.

I hope this letter is helpful in explaining the rationale for our position on this matter, coming as we do, from the same perspective as your own to protect consumers' best interests.

Yours sincerely,

A handwritten signature in blue ink that reads "Colm Kincaid".

Colm Kincaid
Director of Consumer Protection