National Supervisors Forum Consumers Protection Submission 2023

NATIONAL SUPERVISORS FORUM
INCORPORATING BOARD OVERSIGHT COMMITTEE

Public

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Broad Theme A – Availability and Choice

1. Broadly speaking, the NSF feels that there is a good level of choice and availability of services and products for consumers. We note that market conditions will drive demand, and that efforts to deliver on consumer demand, while maintaining consumer protections, are important and should be a priority.
2. New Providers will respond to a perceived demand, so clearly the identified need for their products and delivery channels exists. As such, they are important, but those introducing new technologies or methods, should be subjected to rigorous consumer testing, before being rolled out.
3. The Financial Services sector is a very competitive one, and it is essential that the Central Bank considers this in their regulatory approach. In the NSF, we are particularly conscious of the disparity between individual Credit Unions and mainstream Banks, both of whom may be subject to the same regulatory regime, but with very different transactional volumes and client bases. Due recognition should be taken in such instances, and the regulatory approach made appropriate to the Institution – one size does not fit all.

Broad Theme B – Firms Acting in Consumers' Best Interests

4. The NSF believes that this is essential – to expect firms that are motivated by profits to implement standards they set for themselves, is not likely to produce consistent results. It is far better that this is prescriptive, or within defined parameters.
5. Clearly the "customer best interest" is the key function, but the NSF also feels that given the unique role of Credit Unions within society, other guidance may be appropriate – particularly around social enterprises, charities, not for profits, where the "customer" in effect, may be the ultimate beneficiary.

Theme 1 – Innovation and Disruption

6. The NSF sees rapid technological development, and the Central Bank Innovation hub should be a leader in terms of finding better and more effective ways of delivering services. Anything that can be automated or simplified, should be looked at, to generate real time data and greater accuracy.
7. The Central Bank should not see themselves solely as users of innovation, but as partners with other subject matter experts. There are many innovators and innovative projects and processes in the business and commercial world that will likely contain

lessons and templates that the Central Bank can utilise. The protection of consumers is the starting point, and the creativity of delivery is the secondary consideration.

8. This can be a difficult balancing act, as EU and Irish legislation can have unintended consequences in terms of competition. For example, existing financial providers have a clear advantage in terms of presence, but have a high cost base, whereas on-line providers must build a presence, but with a much lower cost base. Depending on the macro view of the Central Bank, a societal imbalance will be created if there is a mass exodus from face to face in favour of remote. The NSF favours a hybrid of both, but valuing the local nature of financial services to communities.

Theme 2 – Digitalisation

9. The NSF, as a Supervisory body, feels that digitalisation of financial services will accelerate, but because of the pace of technology change, many of the risks or associated benefits, will not be immediately apparent. The key issues for us, are the need to manage digitalisation and acknowledge that not everything is better served on line – including financial services.
10. The NSF has concerns around the style of personalisation and individual targeting of advertisements, particularly those on social media or similar. There exists the potential for a significant and decisive competitor advantage for those financial institutions very committed to this strategy. It could be argued that those engaging in individual advertising as described, should be held to a higher standard in terms of warnings or similar, when compared to more traditional services marketing, such as in Credit Unions.

Theme 3 – Unregulated Activities

11. The NSF believes that this is an essential reassurance for Consumers, and believes that there is also merit in identifying where providers who are NOT regulated by the Central Bank, through "warnings" or similar, to aid in consumer choice.
12. Regulated activities should clearly state that they have been subjected to a rigorous approval process before being authorised by the Central Bank to commence trading the product or service. For unregulated activities, there should be clear "warnings", pointing out where the protection of the consumer is reduced, or not available at all.
13. Unregulated activities should be defined, and reasons explored as to why they are not regulated, and what would be required to get them to the appropriate standard. There may well be instances where it is not economically viable to advance an unregulated activity to a regulated one, but if so, this should be stated.

Theme 4 – Pricing Matters

14. The Central Bank should examine all Firms Pricing structure, including Fees, Charges, Surcharges, Bonus, Administration costs etc., and provide a timeline by which they must all be standardised to the standard set by the Central Bank. This will introduce transparency and clarity, and permit fair and accurate comparisons between Providers, by consumers.

15. The NSF is not aware of any such practices, which would be in variance with the Consumer Protection Act.

Theme 5 – Informing Effectively

16. The NSF feels that there should be minimum standards, kept under continual review, and these should place "plain English" at the centre of all communications to consumers. In particular, the Central Bank may consider a best practice template as the standard that all such information disclosure must adhere to, by statute.

17. The NSF feels that there is a deficit in financial education amongst consumers, exacerbated by those of low income, literacy levels or English not being their first language. Much of these can be alleviated by technology, such as apps, or interactive pages on Providers websites, to include language translations.

18. Mortgage products, by their nature, will likely be the largest investment or financial commitment typical consumers will makes. As such, it is important to provide as great a range of information as possible, to accommodate as many individual needs as possible. Technology, such as apps or interactive pages on Providers websites, where they can input much more than simple amounts and terms, but can include personal circumstances etc., should be developed. These enquiries, subject to Data Protection Regulations, may be retained and subsequently converted into a formal mortgage application through inputting personal and demographic information to the Mortgage provider.

Theme 6 – Vulnerability

19. Risk by its nature, is never as simple as two options, and within the regulation of firms, there are bands of risk applied by the Central Bank, including stress testing of borrowings to consumers. Perhaps consider that there may be merit to introducing technology to identify to consumers, the financial impact on their mortgage repayments, should there be a change in their personal or financial circumstances. In so doing, it will be possible to illustrate and identify potential life challenges, and the impact these may have on the ability to service a mortgage.

20. The Central Bank may wish to fully examine the impact of recent legislation pertaining to the definition of vulnerability and how this must be considered in the context of vulnerable persons. There is certainly merit exploring if assistive technology could be introduced in some instances, or greater support provided to Agencies who engage with, and advocate on behalf of, vulnerable persons.

Theme 7 – Financial Literacy

21. There was an intention as part of the conditions of the IMF support to Ireland during the financial crash, that financial education would be prioritised. Unfortunately, this has not taken place, to any significant extent. The Competition and Consumer Protection Commission deliver a range of financial education training courses, but these are reliant on unpaid volunteers to deliver, and it could be argued, are not readily available to those who most need them. The school curriculum should be amended to include financial education, and the scope of training providers substantially increased, to include new hires in the workforce.
22. The NSF feels that each Financial Provider should have a stated Customer charter that is readily available, and should not have to be requested. There should be stated minimum standards, and consequences if they are not maintained. The Central Bank may decide to introduce a "demerit" system, whereby a fine or other sanction will accrue if a stated number of complaints or expressions of dissatisfaction are reported. This provides an incentive to financial providers in terms of accuracy and efficiency. Financial education and easier access to information in readable language, are the best protections for the consumer, who can be empowered further through an advocate or other advisor if necessary.

Theme 8 – Climate Matters

23. Financial Institutions generate a lot of paper, including credit agreements, terms of business, etc., much of which require a signature. Quite apart from the arguments against cloud storage, there is merit in examining if a move to electronic signatures on most documents, will replace the need for paper and storage. The Data Protection Act will have to be considered in this regard.
24. Inevitably, scarcer resources will increase costs, so it is reasonable to expect many businesses will seek to move on-line and reduce their carbon footprint and physical presence. Climate change shouldn't be assumed that it will occur in a particular way, but any strategy should be fluid enough to adapt to changing circumstances.

25. It is difficult to quantify how a financial institution would mitigate the impact of possible climate change, through specific consumer protections. There may be merit in considering if outputs for consumers that require non-green interventions, are priced accordingly. It may also be the case that financial institutions face restrictions in terms of trading with, or lending to, non-green companies, products or services.

Chairperson NSF

Joe Tobin 14th April 2023