



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Consumer Protection Code Review

Social Justice Ireland Response

## Response Information

### I am completing this form as:

An organisation or representative body

### What is the name of your organisation or representative body?

Social Justice Ireland

### Please specify your organisation/representative body type.

NGO

## Broad Theme A – Availability and Choice

### Q.1 What are your views on availability and choice of financial services and products for consumers?

In the Ireland of 2023, ensuring consumers have access to a wide range of financial services and products is essential if they are to manage their money effectively, plan for the future, and achieve their financial goals. Having a variety of options enables consumers to choose the best products that suit their needs and circumstances.

The availability and choice of financial services and products vary depending on factors such as geographic location, economic conditions, and individual financial circumstances. In some areas, individuals may have limited access to financial services due to a lack of banks or financial institutions, especially in light of the withdrawal from the Irish market of Ulster Bank, KBC and Provident. Low income households need to be supported to engage with banking by providing no cost accounts whilst in receipt of social welfare and access to low cost credit.

In other areas, there may be a wide range of financial services available, but consumers may face challenges in choosing the best options for their needs. Some individuals and communities may face barriers to accessing financial services and products, leading to financial exclusion. The move towards digital banking may alienate some customers if they feel unable to understand the offerings available and have understandable security concerns.

It is essential that consumers have access to clear and transparent information about the financial products and services they consume about fees and charges, interest rates, and terms and conditions. This allows them to make informed decisions about their finances and choose products that best meet their needs.

Regulators play an important role in ensuring that financial services are available to all consumers and that financial institutions operate fairly and transparently. They also help ensure that consumers are protected from fraud, abuse, and other harmful practices.

Increasing access to financial services and products, improving transparency and consumer protection, and promoting financial literacy are critical in helping individuals and businesses achieve financial security.

### Q.2 How important are new providers and new delivery channels to serving consumers' financial needs?

As society, culture and the economy evolve, new providers and new delivery channels are critical in serving consumers' ever changing financial needs.

With the advent of new technology and changing consumer preferences, traditional financial institutions are facing increasing competition from a range of new providers and delivery channels, including fintech, mobile banking apps, and online only lenders.

One of the main advantages of new providers and delivery channels is that they can usually offer consumers greater convenience, flexibility, and accessibility. For example, mobile banking apps allow consumers to manage their finances on-the-go, while online lenders offer fast and easy access to credit without the need for a traditional bank loan.

New providers and delivery channels can also offer consumers more personalised and targeted financial products and services. Data analytics and artificial intelligence allow providers tools to analyse consumer behaviour and preferences in order to develop products and services that meet their specific needs.

In addition, new providers and delivery channels can help increase competition in the financial services market, which can lead to lower prices, better products, and improved customer service. This can benefit consumers by providing them with more choices and better value for their money.

However, it's important to note that new providers and delivery channels can also present some risks and challenges. For example, some fintech startups may lack the regulatory oversight and consumer protections that traditional financial institutions are subject to. This can lead to issues such as fraud, data breaches, and unfair practices.

To address these challenges, it's important for regulators to ensure that new providers and delivery channels operate in a safe and transparent manner and that consumers are adequately protected. This includes developing regulatory frameworks that balance innovation and consumer protection and ensuring that consumers have access to clear and transparent information about the products and services they are using.

Overall, new providers and delivery channels are essential in serving consumers' financial needs. By providing greater convenience, flexibility, and accessibility, they can help improve financial inclusion and promote competition in the financial services market. However, it's important to ensure that these providers operate in a safe and transparent manner and that consumers are adequately protected.

The tensions in regulation that exist between consumer protection and business innovation must always lean towards the former.

### **Q.3 In implementing its consumer protection mandate, how should the Central Bank reflect the importance of competition in its regulatory approach?**

Competition is necessary innovation, efficiency, and better outcomes for consumers in the financial services market. Encouraging competition can help ensure that consumers have access to a wider range of financial products and services at better prices, while also promoting better quality and customer service.

One way to achieve this balance is by setting high-level principles that promote fair competition and consumer protection, while allowing for some flexibility in how firms meet these standards. This approach can encourage innovation and competition while still ensuring that consumer protection remains a key priority.

Promoting transparency and easy ways to compare financial products and services is another way to promote competition. Requiring financial institutions to provide clear and transparent information about the products and services they offer, consumers can make more informed decisions and can better compare different options. This can help prevent firms from taking advantage of consumers and promote competition based on price and quality.

The Central Bank can also promote competition by encouraging new entrants and innovation in the financial services market, and promoting innovation in areas such as fintech and digital banking.

## Broad Theme B – Firms Acting in Consumers’ Best Interests

**Q.4 Do you agree that the Central Bank should develop guidance on what it means for a firm to act in the best interests of its customers?**

Agree

**Q.5 Does the suggested outline of ‘customer best interest’ guidance capture the essence of the obligation to act in customers’ best interests? What other guidance would you suggest?**

Yes

## Theme 1 – Innovation and Disruption

**Q.6 Do you agree with our proposed approach to enhancing our Innovation Hub?**

Yes

**Q.7 What more should be done to support innovation while ensuring consumers’ best interests are protected?**

Supporting innovation while ensuring consumers' best interests are protected is a delicate balance that requires careful consideration of various factors. The promotion of regulatory clarity and consistency removes any ambiguities around regulatory requirements which can be seen as barriers to innovation. By providing clear and consistent guidance, regulators can help firms understand how to comply with regulatory requirements and reduce the barriers to entry for innovative firms.

The consumer must remain at the centre of innovation. Products must be created that address a genuine consumer need, not a manufactured one by the industry. Therefore, firms that prioritise the needs and interests of consumers are more likely to develop products and services that meet their needs and deliver better

outcomes. Regulators can support this by encouraging a culture of consumer-centric innovation and providing guidance and support to firms on how to achieve this.

As new and innovative products and services are developed, there is a chance that new risks may emerge that were not previously considered. Regulators need to be alert to these emerging risks and adapt their regulatory approach accordingly to ensure that consumer protection remains paramount. Blockchain technology for example is not a financial product despite being sold and traded as a crypto currency or asset class. The risks to consumers losing their money is high but falls outside of the remit of consumer protection.

Collaboration between regulators, industry, and other stakeholders can help to promote innovation while ensuring that appropriate safeguards are in place to protect consumers.

A robust consumer protection framework is essential to ensuring that consumers are protected when using new and innovative financial products and services. This may involve implementing appropriate disclosure requirements, setting out clear standards for conduct and behaviour, and providing effective avenues for complaints and redress.

### **Q.8 How can regulators ensure that neither firms currently in the market, nor new entrants, have unfair advantages which could be a barrier to fair competition?**

Regulators play a crucial role in ensuring that competition in the market is fair and that no firms have an unfair advantage over others. By implementing clear and transparent rules and regulations, regulators can ensure that all firms are subject to the same requirements and obligations. Regulators can monitor the market for potential anti-competitive practices, such as price-fixing or collusion, and investigate any instances of such behaviour.

Regulators can promote transparency and disclosure by requiring firms to disclose information about their pricing, fees, and other terms and conditions in a clear, concise and understandable way. This can help to ensure that consumers have access to information that allows them to make informed decisions, and it can also help to prevent firms from using opaque pricing structures or hidden fees to gain an unfair advantage over others.

Regulators can provide guidance and support to both existing firms and new entrants to ensure that they are aware of their obligations and requirements.

## **Theme 2 – Digitalisation**

### **Q.9 Do you agree with our analysis of the benefits, challenges and risks around digitalisation in the area of financial services? What are the key issues for you?**

The digitalisation of financial services brings many benefits. If done properly, it can offer an improved customer experience, delivering convenience and personalised services, such as ensuring accessibility for those with extra needs.

It may lead to reduced operational costs and increase efficiency by automating routine tasks and reducing the need for physical infrastructure, which should see those savings passed to the consumer or allow for services that were previously unavailable or uneconomical to provide.

With this comes cybersecurity risks with the steady increase the risk of cyber-attacks and data breaches coupled with concerns around privacy and the collection and use of the data we provide.

We are at risk of creating yet another two tier system in Ireland, a digital divide. For reasons of accessibility, affordability or ability, many may get locked out of digital services. It will be important to ensure that the same services are still available to those who operate off line.

### **Q.10 How do you think the personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers?**

The personalisation and individual-targeting of ads can be made compatible with the requirement for firms to act in the best interests of customers by ensuring that the data used to personalise ads is collected and used in an ethical and transparent manner. Business must obtain informed consent from customers before collecting and using their data. This means providing clear and concise information about how the data will be used and giving customers the option to opt-out. Business must be transparent about how they are using customer data to develop and deliver these ads. This is really important if the data is shared with a third party. Business must act in the best interests of their customers, even when sensing personalised ads. This means ensuring that these ads are relevant and useful to customers, and avoiding misleading or deceptive advertising practices. Business must provide customers with control over their data and the ads they receive. This means giving customers the ability to manage their preferences and opt-out if they choose to do so.

## **Theme 3 – Unregulated Activities**

### **Q.11 The Code requires regulated firms to provide a statement indicating that they are ‘regulated by the Central Bank’. Do you think this is useful for consumers?**

Yes

### **Q.12 How can the difference between regulated and unregulated activities be made clearer for consumers?**

It could be made clearer by providing clear and concise educational materials to consumers explaining the difference between regulated and unregulated activities, the benefits of dealing with regulated entities, and the risks of dealing with unregulated entities. Key here will be the issue of engaging with an unregulated product via a regulated entity, for example, buying crypto via a platform such as Revolut.

Firms should be required then to disclose both their regulatory status and the types of activities they are authorised to undertake.

Accountability will be key and strong enforcement actions should be taken against unregulated entities or those that engage in activities beyond their authorisation.

**Q.13 Should there be additional obligations on regulated firms when they undertake unregulated activities?**

Yes

## Theme 4 – Pricing Matters

**Q.14 What can firms do to improve transparency of pricing for consumers?**

The Plain Numbers approach in the UK has been shown to improve consumer understanding of pricing. <https://plainnumbers.org.uk/>

We would recommend that a similar approach could be undertaken here.

**Q.15 In relation to pricing, are there examples of firms using unfair practices to take advantage of customer vulnerabilities?**

Some firms have been known to add hidden fees and charges to their products or services, which can be difficult for customers to identify and understand. This can be particularly problematic for vulnerable customers who may not have the knowledge or experience to identify these fees and charges.

Some firms may charge different prices to different customers based on factors such as their age, gender, credit history, socio-economic status or location. This can unfairly disadvantage certain groups of customers, particularly those who are already vulnerable. Low income households can end up paying more when they are the ones who can least afford it.

Some firms may bundle products together and offer them at a discounted price, but the individual components of the bundle may be overpriced. This can make it difficult for customers to compare prices and may result in them paying more than they should.



## Theme 5 – Informing Effectively

### **Q.16 How can regulation improve effectiveness of information disclosure to consumers?**

Regulation can require firms to provide standardised information to consumers in a consistent format. This can make it easier for consumers to compare products and services and make informed decisions. Regulation can also require firms to provide clear and accessible information to consumers, including the use of plain English, Plain numbers and visual aids where appropriate. This can help ensure that consumers understand the information being provided.

### **Q.17 How can firms better support consumers' understanding – can technology play a role?**

Technology can play a significant role in improving consumers' understanding of financial products and services. For example, firms can develop mobile applications or online tools that use interactive graphics or animations to help explain financial concepts in a simple and engaging way. These tools can also provide personalised recommendations to consumers based on their individual financial circumstances and goals.

Firms can also leverage technology to provide educational resources, such as videos, blogs, and podcasts, that help consumers improve their financial literacy and make informed decisions about financial products and services.

### **Q.18 Does the way in which firms approach disclosure in respect of mortgage products need enhancing? If so, how? - taking account of the wide variety of features of mortgage products, and borrowers' different circumstances and needs.**

## Theme 6 – Vulnerability

### **Q.19 Given that vulnerability should be considered more as a spectrum of risk than a binary distinction, how should firms' duty to act in their customers' best interests reflect this?**

Business should have policies and procedures in place to identify customers who may be vulnerable, such as those with low financial literacy, mental health issues, or physical disabilities. Periods of stress such as being in arrears or experiencing financial difficulties should also be considered as part of that spectrum.

Training must be provided to their staff to ensure that they are equipped to identify and respond to customers who may be vulnerable and that they adapt to the type of vulnerability on an individual basis.

Firms should also ensure that vulnerable customers are not placed at a disadvantage compared to non-vulnerable customers. This means that firms should take steps to ensure that vulnerable customers are not subjected to unfair

treatment or discriminatory practices. For example, firms should not charge higher fees or interest rates to vulnerable customers, or exclude them from certain products or services.

### **Q.20 What other specific measures might be adopted to protect consumers in vulnerable circumstances while respecting their privacy and autonomy?**

Consumers need to be aware that they can contact their service provider in confidence to disclose a vulnerability and that it will be dealt with in an appropriate manner.

## **Theme 7 – Financial Literacy**

### **Q.21 What can the responsible authorities do to improve financial education?**

Improving financial education is a crucial aspect of ensuring that consumers are empowered to make informed decisions about their finances. One way to improve financial education is to introduce financial literacy programs in schools. These programs can help to ensure that young people have the knowledge and skills they need to manage their finances effectively as they move into adulthood.

MABS and the CCPC both have an educational outreach remit which must be effectively resourced.

It is important to ensure that financial education, when provided by the industry does not simply amount to the selling of financial products.

Employers can play an important role in promoting financial education by offering education programs to their employees. The responsible authorities can work with employers to develop and implement these programs, which can help employees to better manage their finances and reduce financial stress. The responsible authorities can establish standards for financial education, such as the topics that should be covered and the level of knowledge and skills that should be attained. These standards can help to ensure that financial education programs are effective and provide consistent and high-quality education to consumers.

### **Q.22 How can consumers be empowered to better protect their own interests when dealing with financial matters?**

Education is key to empowering consumers to protect their own interests. Consumers should be educated about financial concepts, products, and risks so that they can make informed decisions. Education can take many forms, including seminars, workshops, online courses, and other resources.

Consumers should have access to information about financial products and services, including their features, fees, and risks. This information should be clear, concise, and easy to understand. The responsible authorities can work with

financial institutions to ensure that consumers have access to this information as per the Plain Numbers approach.

Consumer advocacy groups can help to empower consumers by providing information, advice, and representation. These groups can help to ensure that consumers are aware of their rights and can advocate on behalf of consumers to ensure that their interests are protected.

## Theme 8 – Climate Matters

### **Q.23 How should the financial system best fulfil its role in supporting the transition to a climate neutral economy?**

The financial system plays a crucial role in supporting the transition to a climate-neutral economy. As the world becomes increasingly aware of the urgent need to address climate change, the financial system must adapt to support this transition.

One way in which the financial system can support the transition to a climate-neutral economy is by directing capital towards sustainable investments. This includes investments in renewable energy, energy efficiency, and sustainable infrastructure. Financial institutions can also play a role in encouraging companies to adopt sustainable business practices and in supporting innovation in the development of new sustainable technologies. Procurement practices should be leveraged towards green and sustainable companies.

The development of sustainable financial instruments can also help to create a market for sustainable investments, which can in turn drive demand for sustainable products and services.

It is also important to ensure that financial institutions have access to reliable and accurate information on the risks and opportunities associated with climate change. This information can be used to inform investment decisions and to help financial institutions assess the climate risks associated with their investments.

### **Q.24 How will climate change impact on availability, choice and pricing for financial products and services?**

Climate change is expected to have significant impacts on the availability, choice, and pricing of financial products and services. One of the key ways in which climate change is likely to impact financial products and services is through physical risks, such as increased frequency and severity of extreme weather events that can damage property and infrastructure.

This could result in higher insurance premiums and deductibles, making some insurance products less affordable or causing some areas to become uninsurable altogether. Additionally, the damage to infrastructure and property could lead to decreased availability of credit, as lenders may perceive increased risk in these areas.

Climate change may also impact the availability of certain types of investments. For example, investments in fossil fuel industries may become less attractive as the world transitions to a low-carbon economy. In contrast, investments in renewable energy and other sustainable technologies may become more attractive.

As more consumers become aware of the impacts of climate change, there may be increased demand for financial products and services that align with their values and support sustainability. This could lead to the development of new financial products and services that take into account environmental and social factors, such as green bonds and sustainable investment funds.

Financial institutions will need to adapt to these changes in order to remain relevant and to continue to serve their customers effectively.

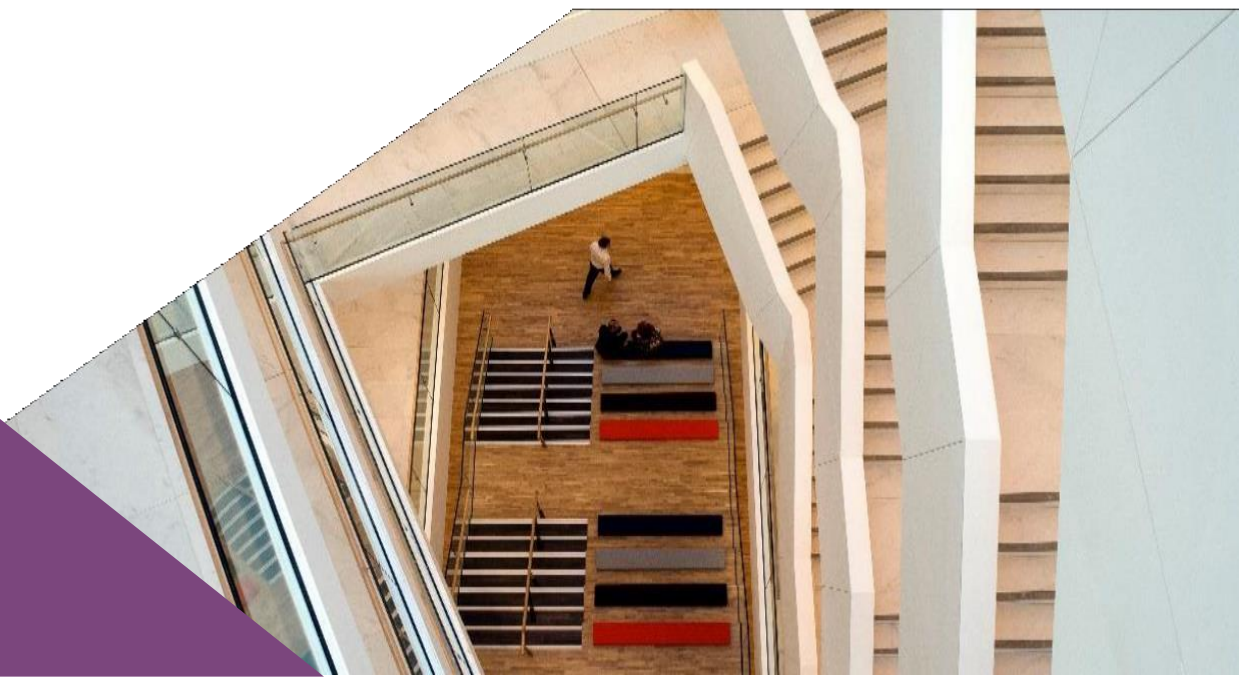
### **Q.25 Does the impact of climate change require additional specific consumer protections?**

Yes

The impact of climate change may indeed require additional specific consumer protections, particularly for those who are most vulnerable to its effects. For example, consumers who live in areas that are more susceptible to extreme weather events may be more likely to experience property damage and financial losses, which could make it more difficult for them to access financial products and services.

In addition, as the financial system shifts towards a low-carbon economy, consumers may need additional protections to ensure that they are not taken advantage of by firms that engage in greenwashing or other deceptive practices. For example, some firms may misrepresent the environmental benefits of their products or services in order to attract environmentally conscious consumers.

To address these concerns, regulators may need to consider implementing additional consumer protections. This could include measures such as requiring financial firms to disclose the environmental impact of their products and services, or establishing minimum standards for green investments.



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