



Press Release

31 March 2016

Central Bank focuses on the debt management sector

- Strong authorisation process which has formally refused nine applications.
- Firms targeted at an early stage following authorisation to ensure a positive, consumer-focused and compliant culture is established at the outset.
- Third inspection of the area since regulation began in 2013 shows issues in relation to how some firms are assessing individual consumer's circumstances.

The Central Bank today announced the findings from its latest thematic inspection of the debt management sector, which highlights deficiencies in how some firms are assessing consumers' circumstances prior to giving advice and also in how they are explaining the impact for consumers of taking such advice.

Director of Consumer Protection, Bernard Sheridan, said

"Since becoming responsible for regulating the debt management sector in 2013, the Central Bank has put a strong regulatory framework in place and has ensured that firms seeking to enter this sector are thoroughly challenged during the authorisation process, including refusing nine applications to date. After authorisation we targeted these firms for inspection to ensure that the sector is developing a positive consumer-focused culture from the outset.

Consumers availing of debt management services must have confidence that they are receiving the highest quality of advice in order to make informed decisions. As most consumers who pay for the services of these firms are already in financial difficulty, the Central Bank requires firms to gather all the consumer's financial details in order to take a complete view of consumers' circumstances prior to giving them advice on their debts."

In August 2013, the Bank assumed responsibility for the authorisation and supervision of debt management firms. A key priority for the Bank was to introduce robust regulatory standards, including minimum competency standards for staff dealing with consumers of these firms.

With this regulatory regime now in place, the Bank's supervisory strategy is to inspect firms shortly after authorisation, to challenge firms to demonstrate that they are embedding a positive consumer-focused culture in their firms. In line with this strategy, the Bank has concluded its third thematic inspection of debt management firms' compliance with the Consumer Protection Code. The key findings from the themed inspection are:

- Firms are required to gather information on their consumers' personal circumstances in a prescribed 'Standard Financial Statement' (SFS). The SFS has been specifically designed to ensure that firms gather all the necessary information to give appropriate and suitable advice to each consumer. The inspection found deficiencies in the use of the SFS.
- Consumers must be provided with a clear explanation of the advice being given, based on the firm's analysis of their circumstances, and the consequences for the consumer of acting on such advice. Some firms were not able to demonstrate that they had considered or communicated the actual or potential consequences for the consumer of the proposed course of action.

The Bank has taken robust and appropriate supervisory action in all cases where deficiencies were identified during this latest inspection. The Bank has also written to all firms in the sector, requiring them to critically assess their compliance arrangements in light of the Bank's findings.

ENDS

Further information: Press Office 01 224 6299, press@centralbank.ie

Notes to the editor

Information for consumers

- Consumers can source free debt advice from the Money Advice and Budgeting Service (MABS) www.mabs.ie
- The Consumer Guide to Debt Management Services is available [here](#)

What is a debt management firm?

- In return for a fee, debt management firms provide advice to borrowers on managing their debts, and in some cases, where consumers are in financial difficulty, they may also negotiate with creditors on their behalf.
- Debt management firms provide debt management services, on a professional basis which are:
 - (a) giving advice about the discharge of debts (in whole or in part), including advice about budgeting in connection with the discharge of debts,*
 - (b) negotiating with a person's creditors for the discharge of the person's debts (in whole or in part), or*
 - (c) any similar activity associated with the discharge of debts.*

Introducing a new regulatory framework for debt management firms

- Following extensive work with the Department of Finance on developing a regulatory regime for debt management firms, the necessary legislation was enacted in August 2013, from which time the Bank assumed responsibility for their authorisation and supervision.
- In July 2013, a Consultation Paper on the Authorisation Requirements & Standards for Debt Management Firms and the Amendment of the Minimum Competency Code 2011 (CP70) was published.
- Finalised Authorisation Requirements & Standards for this sector were published in October 2013.
- Amendments to the Minimum Competency Code 2011 to apply minimum competency standards to these firms were published on 31 March 2014 and came into effect on 1 June 2014.
- Following two public consultation processes (CP75 and CP82), the Bank introduced additional statutory protections for consumers of debt management firms with effect from 1 January 2015, through an amendment to the Consumer Protection Code, i.e. a new Chapter 13.
- The Bank has continued to apply a rigorous regulatory assessment to those applicants which have sought authorisation as debt management firms. The current number of authorised debt management firms is 55 (from a total of 114 applications reviewed since 2013, 9 of which were formally refused by the Bank).

About the thematic inspections

- As part of its commitment to influencing a consumer-focused culture in the provision of financial services, the Bank regularly undertakes inspections of firms shortly after they are granted authorisation. The purpose of these inspections is to ensure that firms are embedding a strong consumer-focused culture from the outset.
- Two thematic inspections in the debt management sector were conducted in 2014, involving on-site inspections in 10 debt management firms and a desk-based review of the advertising by 32 firms. The main findings of these reviews, [available here](#), were published on 27 February 2015.
- As part of this third thematic inspection the Bank issued a survey to all firms authorised to provide debt management services. This was followed by on-site inspections in 5 firms, which focused on debt management services provided during 2015 and therefore subject to the requirements of the Code. The key findings are set out in the attached letter which issued to industry on 31 March 2016, and can be found on the [Themed Inspections](#) section of the Central Bank website.