Summary of meeting

The Central Bank held a roundtable on Friday 1 December. The meeting was Chaired by Governor Philip R. Lane, and attended by Deputy Governor Sharon Donnery, Deputy Governor Ed Sibley, Director General Derville Rowland and other members of the senior team. Attendees from a range of not-for profit civil society and societal groups participated. The discussion addressed a wide range of issues and was separated into two sessions, the first covering the Irish economy, the second covering regulatory and consumer protection issues.

Link to presentations

Session 1. The Irish Economy

Presentations were given by Terry Quinn – Irish Economic Analysis; Reamonn Lydon – Irish Economic Analysis

Points raised by attendees

The issue of precarious employment was discussed. Concern was raised that the labour market is changing fundamentally. During the discussion, it was suggested that there exists a substantial gap between the growth in the economy and the growth in disposable income. It was put forward that that there was previously a collective bargaining framework, which no longer exists. In this context, a number of attendees called for a new dialogue with social partners to protect those on median incomes and lower.

Attendees suggested that the Central Bank should give more prominence to the balance between economic and social issues. Concern was expressed that the economy was not being seen as a means to an end (i.e. a society). Analysis of the social impact of initiatives undertaken by the Central Bank was also called for.

One attendee provided feedback in relation to the terminology used in the media and official communications around “standards of living”. It was suggested that, given the proportion of people struggling week to week, that more must be done to understand benchmarks for the standard of living. A number of attendees noted that rent and childcare costs represent a significant burden on households.

The issue of wages in the public sector was discussed. It was suggested that while it is likely that wages will be largely restored by 2021, public sector workers have still lost out in terms of allowances which were cut during the crisis. It was suggested that young public servants are more highly educated but lower paid than those from older cohorts.

On wages in the private sector, it was suggested that companies undertaking highly skilled manufacturing work (e.g. chemical and pharmaceutical sectors), mainly multinational enterprises, are less exposed to the fluctuations in the economy of Ireland. On the domestic side, firms are more exposed to movements in the economy, in particular Brexit, which poses a considerable risk.

The issue of balanced regional development was discussed. It was suggested that much of the growth in population is occurring in Dublin. Attendees suggested that this issue should form part of the social dialogue going forward. It was argued that sustainable credit is not happening in the regions. One attendee noted that there has been more Foreign Direct Investment (FDI) than indigenous investment in recent years.

One attendee raised the issue of the national debt, and suggested that the country is still borrowing money to fund public expenditure despite growth and that more should be done to ensure that there is sufficient room for adjustment when Ireland hits the next bump in the road.

It was also suggested by one attendee that the Central Bank published misleading data on mortgage interest rates in 2014. The Bank responded that the issue regarding mortgage interest rates related to the harmonisation of interest rate statistics across the European Union.

Some participants expressed concern at the belief, which an attendee noted was widely expressed in the media, that increased housing supply will address the issue of affordability.

Session 2: Regulation and Consumer Protection

Introduction: Derville Rowland - Deputy Governor Financial Conduct.

Presentation by Colm Kincaid (Consumer Protection Directorate). Presentation by Patrick Casey (Registrar of Credit Unions)

Points raised by attendees

One attendee raised specific issues relating to moneylenders. The code for moneylenders was welcomed – but attendees expressed concern around the degree of compliance with that code. It was also suggested that Ireland's interest rates in this sector are not in line with other countries and the question was raised whether an interest cap (on moneylenders) could help. It was noted that credit unions could provide an alternative source of credit.

The Central Bank responded that since taking over the regulation of moneylenders it has not permitted any increase in the interest rates permitted for this sector. It was also noted that the Central Bank had not authorised higher cost "payday loan" models such as exist in other jurisdictions. It was suggested that some people find moneylenders to be a valuable service. The Central Bank has been active in supervision and enforcement and the Central Bank is considering further policy measures which would be subject to public consultation in the coming months. More broadly, a legislative decision has been made to regulate and not to ban the sector, including bearing in mind the risk of consumers availing of unlicensed moneylenders. Rather, the approach has been to make sure there are fit and proper individuals running the firms and to make sure that the cost of credit is clear to borrowers and they are treated fairly.

The tracker mortgage investigation was welcomed. One attendee suggested that, of the people who are getting put back on the correct terms there would have been a much smaller fraction of people who would have gotten them back without the work of the Central Bank. However, it was noted that mortgage interest rates in Ireland are amongst the highest in Europe. Concern was expressed that the Central Bank should take a more interventionist approach to avoid high interest rates. It was suggested that the Central Bank is allowing banks to confuse customers with cash-back incentives and other features. An attendee suggested the Central Bank should tell the banks to compete on mortgage rates and mortgage rates alone and this would obviate the need for the proposed Standard Variable Rate bill. The attendee claimed that, given the amount of money in the non-tracker segment of Irish bank's loan books, there is a large amount of overcharging going on.

There was wide agreement that more needs to be done to facilitate people to switch to the more competitive rates where this would save them money. The Central Bank staff advised however that the Central Bank has a mandate to promote competition. It was noted that comparing interest rates and statistics across Europe was not comparing like with like. There are differences across countries in the products that are being offered such as longer term fixed rates. It was noted that there is a correlation between the level of arrears and the interest rate charged reflecting the pricing of risk. Regarding cash-back incentives, it was suggested that, as with any product, there is some usefulness in this for some consumers. However it does add complexity and it may make it difficult to make comparisons. However the balance between restricting behaviour and allowing market innovation is an important one.

The code of conduct for mortgage arrears was discussed. One attendee expressed concern that banks are focussed only on following the process rather than taking time to consider issues on a case by case basis. An attendee suggested that the code of conduct could include a proviso that banks have to give the details of people in arrears to a charity who can help them.

Central Bank staff advised that the mortgage arrears code of conduct has been effective in protecting borrowers. 160,000 borrowers have gone through the mortgage arrears process. It was also suggested that previously, restructures mainly took the form of shorter-term solutions such as "interest only", but that now we see more sustainable solutions being adopted by banks. An increasing number of the borrowers in distress at present have been in distress for a long time.

Concern was raised about equity release schemes, which it was said, are an emerging issue. With the growth in property prices, there is a concern around the suitability of these products for some people. It was argued that it is essential that people who are considering equity release products are advised properly.

The Central Bank commented that advice and suitability were paramount concerns in the provision of equity release products. It was suggested that there can be circumstances where people need to access the value of their homes, but it was reiterated that it is a very delicate area. The Central Bank noted that it is seeking to make stricter rules about how the intermediary is paid (to make sure incentives are properly aligned).

Concern was raised about a perceived lack of consumer focus within financial firms. One attendee suggested that as housing supply increases, it is likely that people trying to get out of the rental market will seek out the banks who will lend them the largest amounts.

The question was raised by one attendee whether there have been lessons learned within the Central Bank from the tracker mortgage scandal, specifically how best the Central Bank can act to protect consumers where a power imbalance exists between them and financial institutions. The Central Bank responded that the area of financial conduct is a key priority. It has an assessment framework for risk to consumers. Regarding over-borrowing, the mortgage measures are designed to protect both borrowers and banks. However it was reiterated that this does not remove the responsibility of the banks to do an individual analysis of ability to repay etc... On the enforcement side, the Central Bank advised it has carried out more than 100 enforcement actions. It was also stressed that the Central Bank has put a sharp focus on culture within banks as part of regulation. It was stated that it was worth bearing in mind that shareholder value has been eroded in many banks recently because of how they had treated consumers – so that there doesn't need to be a differentiation between the shareholder and the consumer from the perspective of outcomes which lead to detriment.

The issue of digitalisation was raised. One attendee expressed concern that in the case of people who are left behind by the increasing digitalisation of many financial services, the cost of living is higher because they are not able to avail of discounts related to direct debits etc... It was argued that if progress continues we can see that there will be people left behind by digitalisation which will copper fasten exclusion.

Concerns were raised about those in long-term arrears. It was suggested that there is not enough data on the number of repossessions cases (no running total) and that it would be useful if the Central Bank and Courts service could come together to address this (useful data can be found here).

A concern was raised about the wording of the legislation underpinning the insolvency service. One attendee noted that banks "may" but are not required to deal with the personal insolvency practitioner. The attendee noted that while it doesn't make any sense for them not to engage, they were of the opinion that a cultural decision has been made by certain banks not to engage in the process. The Central Bank noted it would engage with the Insolvency Service of Ireland at a forthcoming meeting.

It was noted that the non-profit sector in Ireland is very significant and not well understood. Attendees welcomed the initiative by the Central Bank to hold the roundtable event and encouraged the Central Bank to have more engagement with these sectors.