



Consumer Protection Code

Submission by the Society of Actuaries in Ireland

May 2005

Introduction

The Society of Actuaries in Ireland welcomes the opportunity to make this submission in relation to the Financial Regulator's consultation on the consumer protection code.

Private customers

Question *Do you agree with [the proposed approach? If not, please indicate the parts of the Code that should apply to professional customers.*

The Society agrees with the approach proposed by IFSRA i.e. that the Code should apply only where services are provided to "private customers". We agree with the proposed definition of private customers; we would not be in favour of any further limitation of the scope of the Code's application.

Moneylenders

Question *We would ask you to consider which rules, if any, should apply to moneylenders having regard to their customer base which does not always have access to the same services from other financial services providers.*

The Society agrees that not all of the provisions of the Code should apply to moneylenders, but is not in a position to comment specifically on which particular rules it would be appropriate to waive.

Credit Unions

Question *Please let us know the extent to which you think the code should apply to credit unions and how soon it should apply.*

Credit unions have a unique role in Irish financial services and can claim to be genuinely mutual in nature. Whilst there should be no differentiation in the level of prudential supervision of credit unions, there may be a case for a somewhat lighter approach in relation to consumer protection. On the other hand, the structure of credit union business raises issues as to the balance of interests between savers and borrowers, which may warrant particular consideration.

Whilst the amounts borrowed from, and saved with, credit unions were traditionally relatively small, we understand that more recently some of the larger credit unions have been dealing with much larger sums. Therefore, it may be appropriate to set a threshold above which the full provisions of the Code apply.

Previous consultation

Question *Do you agree with the structure and chapter headings of the Code? If not, how should the Code be amended?*

We agree with the approach followed and the level of detail included in the proposed Code.

Other matters

Question *Do you agree that the current rules favour the larger providers? If you agree, do you think the proposed change can resolve the difficulty? If not, what rules would you like to see included in the Code?*

In our view, the previous rules did favour larger providers. We believe that the proposed changes are fairer and will provide for a more level playing field. We suggest, however, that it would be helpful to define, or to provide examples of, what is meant by services that are “similar to the proposed purpose of the cold-call”, as this could be open to a range of different interpretations, which could undermine the effectiveness of the new rules.

Handling complaints

Question *Are the complaints handling procedures sufficiently comprehensive to ensure that customers will be treated fairly?*

In our view, the proposed complaints handling procedures are very comprehensive.

Certifying information

Question *Do you think that certifying the accuracy of the information supplied will benefit customers?*

We agree that it is appropriate to require the customer to confirm that the information supplied is accurate.

Financial access

Question *Do you believe that the relevant provisions of the Code will give vulnerable persons easier access to financial services and a better understanding of any risks they might incur?*

We agree that the relevant provisions of the Code should improve access to financial services and understanding of the risks involved.

Question *Can a code be developed that would prevent the use of technology from acting as a barrier to access while still facilitating and encouraging the use of different delivery channels? Could such rules prevent firms from delivering their services solely via the Internet?*

We believe that such a code would prevent the emergence of certain types of providers and would be likely to distort and inhibit competition. There is, inevitably, a trade-off between allowing providers to operate efficiently and requiring them to cater to the needs and preferences of particular customer segments. We believe that it would be preferable to work with the financial services industry to educate customers with a view to overcoming any barriers that they may experience as a result of the use of technology in provision of financial services.

Voluntary codes

Question *How do you think compliance with the voluntary code could be enforced? Do you think that the switching code should be incorporated into the Code at this time?*

In general, we favour statutory rather than voluntary codes. The weaknesses of voluntary codes include the lack of sanctions for non-compliance and the fact that such codes only apply to members of the relevant industry bodies. However, voluntary codes provide a useful mechanism for developing and establishing good practices in the industry. Voluntary codes that have evolved and been fine-tuned within the industry should subsequently be adopted by the regulator on a statutory basis, so that they can be enforced fully.

We are not in a position to have a view as to whether it is timely, or too soon, to incorporate the switching code in the Code.

New measures

Question *Are there any additional requirements that could be included that would improve the delivery of banking services to customers?*

We support the inclusion of requirements in relation to banking services and mortgages within the Code. Such services, and mortgages in particular, are core services from a consumer perspective, and should be subject to the same level of supervision as other financial services.

Question *Do you believe that the obligation to explain the recommendation in writing will improve the quality of advice given to customers?*

Yes, we believe that the obligation to explain the recommendation in writing will improve the quality of advice given to customers. It has already done so for those services to which it already applies.

Question *Do you think that this requirement should apply to all products and services or are there some services for which it would be unnecessary or disproportionate?*

It may be appropriate to exempt credit unions and moneylenders from this requirement.

Question *Do you think that these rules will facilitate customers in having insurance complaints considered more efficiently?*

Yes, we believe that the rules will result in more efficient complaints handling. In particular, providers will have to resource complaints departments differently in order to comply with the rules.

Question *Are the time frames set out in the complaints procedures appropriate and achievable?*

Yes, we believe that the time frames set out in the complaints procedures are appropriate and achievable.

Question *Do you think that the provision of unsolicited credit is a cause for concern? Are people borrowing money on the basis of an unsolicited approval that they may not otherwise have borrowed and may have difficulty in repaying?*

We share IFSRA's concerns in relation to the provision of unsolicited credit and agree with the proposed prohibition.

Question *Are customers aware of the cost of payment protection insurance and the possibility that they are borrowing the premium in addition to the loan amount?*

In our view, customers may not be aware of the cost of payment protection insurance. We agree with the proposed requirement that payment protection insurance be quoted separately from loan repayments and not as a single price.

Question **Do you think that customers understand the full cost of consolidating loans into a single loan, usually a mortgage? If there other information that could be provided to them such as advising that they may be deciding to repay a loan over a longer period of time?**

In our view, customers may not understand fully the impact of repaying a consolidated loan over a longer term than the term of the existing loans and may therefore overestimate the benefits of consolidating their loans. We agree that it would be appropriate to draw customers' attention to the fact that they may be making payments over a longer period of time.

Question **Would [the requirement to issue renewal notices for other forms of non-life insurance to be issued at least 15 days before renewal date, as**

currently required for motor insurance] encourage people to shop around for other forms of insurance such as home insurance if they receive a renewal notice advising of the cost of renewal terms?

We believe that this would encourage customers, in particular those with Internet access, to shop around.

We note, also, the potential for “inertia pricing” whereby insurers may charge lower premiums to customers who seem more likely to shop around at renewal, so as to retain the business, whilst charging higher premiums to customers who seem less likely to shop around. We note that administration costs within the industry will increase if more customers switch between insurers. However, we support IFSRA’s efforts to encourage customers to shop around to obtain competitive premium rates.