



# **Submission to the Central Bank of Ireland Consumer Protection Code (CPC) Review - Discussion Paper**

**Date 30<sup>th</sup> March 2023**

## Introduction

A key purpose of the Irish Banking Culture Board (IBCB) is to work with our member banks and wider stakeholders to build trustworthiness in the Irish retail banking industry. The Customer Protection Code (CPC) is a fundamental element of protecting and promoting trust between the financial services industry and the customers it serves.

In this context, we strongly support the review of the Customer Protection Code being conducted by the Central Bank of Ireland (CBI) and welcome the opportunity to participate in this consultation process. The IBCB's membership is currently made up of the five retail banks in Ireland and as such our response to the questions is reflective of the Irish retail banking sector only. Our submission focuses only on those aspects of the discussion paper which are core to the purpose and activities of the IBCB and focussed on promoting positive behaviour and culture in banking for the benefit of bank customers, staff, and wider society. We have therefore not commented on any issues with a competition, pricing, interest rate, operational cost, or market composition aspect.

Throughout our submission we make reference to the most recent findings of the IBCB's regular independent research with bank customers and bank staff, *Éist*, which provides useful and timely insight into many of their perspectives and concerns that are impacting trust levels in the retail banking sector in Ireland.

## 1. CPC Review Discussion Paper Questions

### ***Broad Theme A – Availability and Choice***

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

The retail banking sector currently provides extensive banking products and services to consumers and SMEs, with a range of options to access services: face to face (either through branches or other face to face services), through digital banking (online and mobile), and through telephony services. We consider that there is generally adequate availability and choice of financial services and products for customers in Ireland. In our most recent IBCB Éist Public Trust in Banking Survey 2022 delivering high quality products and services and having high quality/ competent staff are amongst the higher-ranking scores, for both the general population and SMEs.<sup>1</sup>

However, we acknowledge that given the changes underway in the composition of the Irish retail banking market, it is essential that customer choice and access to financial services are maintained. The move towards digital banking is generally seen as a positive step for many customers, in particular younger customers, but has created a gap for some customers, particularly some older customers, those with disabilities, marginalised groups, and those in rural locations. Retail banks have put measures in place to address these gaps, however it is essential that these measures are based on a continuous process of seeking feedback and improving services. A continued focus on accessibility and good product and service design - which works for people with diverse preferences and abilities, will ensure that customers who cannot, or do not, use digital banking are not left behind.

Access to cash is vitally important for customers who cannot or would prefer not to use digital or cashless options. In particular, there is a need to consider the impacts of reduced access to cash in rural locations. The demand for cash has reduced in the past years and contactless, online and mobile payments continue to rise.<sup>2</sup> Whilst this is a positive development for many consumers, this needs to be balanced to ensure consumers can still access cash and choice of payment option. It is also important to ensure it does not result in financial exclusion for some consumers who cannot or choose not to use alternatives to cash. This is a key issue identified in the Department of Finance Retail Banking Review and has also been identified in IBCB qualitative and quantitative reports. This has been an issue in other countries and there have been steps taken in Spain and in the UK to provide bank hubs, with shared facilities in rural locations.<sup>3 4</sup> We note that access to cash is an action for the Department of Finance arising from the Retail Banking Review.

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<sup>1</sup> IBCB 2021 Éist Public Trust in Banking Survey (2022),

<https://www.irishbankingcultureboard.ie/publications/2022-public-trust-in-banking-survey-2/>, p. 17.

<sup>2</sup> BPFI Payments Monitor Q3 2022, (2022), <https://bpfi.ie/publications/bpfi-payments-monitor-q3-2022/>

<sup>3</sup> The Local Spain aims to follow UK's lead with bank hubs in depopulated areas, (March 2023),

<https://www.thelocal.com/20230309/spain-aims-to-follow-uks-lead-with-bank-hubs-in-depopulated-areas/>

<sup>4</sup> Link New Banking Hubs confirmed, (March 2023),

<https://www.link.co.uk/about/news/five-new-banking-hubs-confirmed-following-community-requests/>

Further consideration should be given to those consumers who may be excluded from financial services due to personal circumstances which place them in a vulnerable position, such as those do not currently use any financial services products. A continued focus by banks to provide support and inclusion opportunities to those who are currently financially excluded is necessary.

The area of financial literacy (including digital literacy) is one which is frequently identified as a barrier for customers in managing their finances and remains a key risk for consumers, in particular in their credit decisions. This is evident in feedback to the IBCB from stakeholders and advocacy groups and is further supported by studies by the Competition and Consumer Protection Commission (CCPC) and National Adult Literacy Agency (NALA) - which show that financial literacy, wellbeing, and resilience levels pose challenges for many Irish consumers.<sup>5 6</sup> Ensuring that consumers have access to clear information on financial services products, in particular credit products, (including the cost of credit and any risks associated with the product), is vitally important.

Digital literacy further impacts consumers ability to access financial services. Research undertaken by Accenture found that 42% of the population rated their digital skills as average or below, with only 25% rating their skills as excellent. Approximately one in five of the Irish population do not use online banking, thus placing some consumers at potential risk of digital and financial exclusion.<sup>7</sup>

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

Consumer choice, (providers, products, and channels), is vitally important for consumers of financial services providers and new providers and new delivery channels are therefore clearly of benefit. However, it is key that new entrants to the sector, be they digital or more traditional, are appropriately regulated to facilitate a level playing field and to ensure that consumers are effectively protected.

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

N/A

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<sup>5</sup> CCPC Financial Capability and Well-being in Ireland (2018), <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf>

<sup>6</sup> NALA Financial Literacy in Ireland (2022), <https://www.nala.ie/research/financial-literacy-in-ireland/>

<sup>7</sup> Accenture Bridging the Gap. Ireland's Digital Divide (2020), [https://www.accenture.com/\\_acnmedia/PDF-128/Accenture-RO-Bridging-The-Gap.pdf](https://www.accenture.com/_acnmedia/PDF-128/Accenture-RO-Bridging-The-Gap.pdf), p.39, 41.

## ***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?***

The IBCB agrees with the Central Bank’s proposal to develop guidance on what it means for a firm to act in the best interest of its customers. We believe this guidance should articulate clearly the CBI’s expectations for consumer protection, taking into consideration levels of consumer financial literacy and behaviour. We further consider that such guidance should reflect requirements for good organisational culture, with clear and ethical decision-making, and consumer-focused communication by banks. In this context, there is clear connection with the Individual Accountability Framework, (IAF), and it is our view that the implementation of the IAF legislation will underpin improved organisational culture and conduct, good decision-making and accountability for products and services provided, (including when there are issues impacting consumers). This should provide enhanced focus on consumers’ best interests.

We recognise that it may not be possible to provide a prescriptive definition of ‘consumer best interest’ as this may vary depending on the product, service, or individual circumstances of the consumer. We agree with the Central Bank’s view that there will be different business models, strategies, services, and products in banks, which will require banks to align the principles of consumers’ best interests and consumer protection principles with their own organisation.

We would therefore suggest that this is an area for ongoing engagement between the Central Bank and banks to develop a consistent approach, whilst recognising that each organisation will need to operationalise what this best interest duty means in their organisation. Use of tools like case studies could aid in the development of the guidance and practices in banks. There are some international examples of use of case studies to support such best interest guidance, in particular in Australia, which may be helpful for the Central Bank and banks in the development of this guidance.<sup>8</sup>

### ***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?***

The suggested guideline provides a good overview of what it means for banks to act in customers’ best interests. Further guidance may be required on specific topics. For example, it may be helpful to provide guidance on what may be customers’ best interests in relation to informing customers effectively, or supporting those in a vulnerable position, acknowledging that it may not be possible to provide definitive guidance.

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<sup>8</sup> ASIC Regulatory Guide 273 RG 273: Mortgage brokers: Best interests duty, (2020), <https://asic.gov.au/media/5641325/rg273-published-24-june-2020.pdf>

In addition to the key considerations listed in the guidance, it will be important to clarify how acting in customer best interest requirements will be supervised and measured by the CBI and banks. The optimum approach may not necessarily be a metrics or target approach, but rather a focus on behaviours and outcomes. It will be important to this supervisory and assessment approach to link this with the new Individual Accountability Framework, ongoing culture and behaviour assessments, as well as other regulatory requirements. We believe that it would be helpful to develop guidance for banks on how these requirements can be linked.

## ***Theme 1 – Innovation and Disruption***

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

The IBCB agrees that it would be useful for the Innovation Hub to become an active focal point for productive exchange between innovators and the financial regulatory system, given the pace of innovation with financial services and the potential benefit and impact for consumers. It will be important that the customer voice is included directly in this hub.

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

Consumer choice, (providers, products, and channels), is vitally important for both consumers and financial services providers. Advances in technology should be utilised to enhance customer relationships.

In the IBCB éist Public Trust in Banking report 2021 we heard that the issue of digitalisation is two sided; on the one side, older customers and those based in more rural areas reported feeling alienated by the advent of digital banking and the absence of human contact.<sup>9</sup> Conversely, innovation and convenience and the digitalisation of services are precisely what younger consumers desire and need. Accessibility and inclusion are important to ensure that no consumers are left behind with technology changes in banking. Choice and support must be provided for consumers who cannot or do not want to use digital services.

As the banking sector evolves with more non-bank entrants and through the further use of digital services for consumers, it is essential that the gap between those who do not, or cannot, use digital options and those who are comfortable with digital banking is not widened. Whilst digital financial services are positive for many, retail banks need to find ways to promote the human, more trusted side of the sector, whilst continuing to deliver innovation. This is vitally important to ensure that some consumers are not financially excluded or placed in a vulnerable position because of these changes. This includes a concerted effort across sectors (e.g., banking, telecommunications, law enforcement etc.) to deal with the ongoing fraud and scam issues, which have been so detrimental to consumers. As banks work with the Central Bank's innovation hub to develop new products and services, we believe it would be beneficial for the Central Bank to assess how banks have considered the inclusion of those consumers who cannot or do not use such tools during the development of innovations.

As more artificial intelligence (AI) tools are deployed in banks and other non-bank lenders to automate credit decisioning etc., it is important that any such tools are deployed in an ethical manner, that they are assessed for bias, such that automated decisions do not exclude or negatively impact some consumers. Transparency in the type and treatment of consumer data which drives AI tools, (transactional, behavioural, and other), would be

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<sup>9</sup> IBCB éist Public Trust in Banking report (2021), <https://www.irishbankingcultureboard.ie/wp-content/uploads/2021/05/IBCB-2021-eist-Public-Trust-in-Banking-Survey-ONLINE-v2.pdf>, p. 15

helpful to increase trust in use of such tools among consumers. It would be helpful if the CBI provided clarity on its expectations of banks in this area, particularly related to the ethical use of such tools and how the CBI intends to supervise the use of such tools by banks. Additionally, guidance on how banks can deploy AI in an ethical manner, which consider information asymmetries and alternative support options for consumers who cannot or choose not to use such tools, may be useful.

***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?***

The IBCB recognises that an efficient, competitive, profitable Irish retail banking sector is essential. New entrants to the sector, be they digital or more traditional, are to be welcomed, with the provision that they are appropriately regulated to facilitate a level playing field and consumers are effectively protected.

The CBI can play a key role in this regard through clearly highlighting and communicating to consumers the differences between the various regulatory protections afforded to consumers by the different category of regulated entities and the resulting expectations of the regulator in that context. This type of information is important to help consumers make informed decisions regarding the providers that they choose, particularly as the choice of provider increases. The manner in which this information is communicated to different types of customers requires consideration by the CBI and it is our view that the CBI can have a positive impact given its trusted, independent role.



## **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 IBCB agrees with the analysis of the benefits, challenges, and risks around digitalisation in the area of financial services. Key issues for the IBCB are accessibility, inclusion, and the increased risk of financial fraud.

At the inception of the IBCB, through our Public and Stakeholder Consultation report we heard that while technology is changing the face of the industry at a rapid pace and digital banking solutions are, in many cases, making the process of managing money easier for consumers, automation is presenting new and unprecedented challenges.<sup>10</sup> The challenge is balancing those consumers' needs with the needs of customers who may be less comfortable with technology and those who have additional support needs. As noted in question 7, digitalisation has resulted in benefits for some consumers, but has resulted in challenges for others. Advances in technology should be utilised to enhance customer relationships. There is no reason why innovation in the banking sector and customer service cannot coexist alongside service with a human touch. The recent Department of Finance Retail Banking review highlights the positive and negative impacts for consumers, of digitalisation in financial services.<sup>11</sup>

While our research shows that there are significant numbers of customers using digital tools, however the overall skill level of the Irish adult population remains low. 42% of the Irish adult population rated themselves as having average or below digital skills.<sup>12</sup> We therefore agree that the key risks of digitalisation of the banking sector are the risk of digital exclusion and the decrease in human interaction and in particular with advice and support when making financial decisions. The other risk which is of concern is the increased risk of financial fraud. This has been particularly problematic in recent years. In our engagement with consumers and advocacy groups, fear of fraud is cited as a source of concern for customers in their online banking and prevents some customers from embracing digital tools. It is important to have a concerted effort across sectors (e.g., banking, telecommunications, law enforcement etc.) to deal with the ongoing fraud and scam issues, which have been so detrimental to customers.

### **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?**

We believe that personalisation and individual-targeting of ads can be managed in a way that is compatible with the requirement to act in the best interests of customers. Such

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<sup>10</sup> IBCB Public and Stakeholder Consultation Report, (2019), [IBCB-Public-and-Stakeholder-Consultation-Report-2019.pdf \(irishbankingcultureboard.ie\)](https://www.irishbankingcultureboard.ie/2019/09/20/ibcb-public-and-stakeholder-consultation-report-2019.pdf), p. 21

<sup>11</sup> Department of Finance Retail Banking Review, (2022), [d8b98fef-fe6a-4df8-b7d6-2f63e9f224b8.pdf \(www.gov.ie\)](https://www.gov.ie/en/publications-and-resources/publication/d8b98fef-fe6a-4df8-b7d6-2f63e9f224b8.pdf) p.20.

<sup>12</sup> Accenture Bridging the Gap. Ireland's Digital Divide, (2020), <https://www.accenture.com/ acnmedia/PDF-128/Accenture-RO-Bridging-The-Gap.pdf>

personalisation and targeting needs to be managed in a way that is aligned to the General Principles of the Consumer Protection Code and in the best interests of customers. Banks should be able to demonstrate compliance with the principles in the code.

We note from measures taken regarding some banking products that enhanced, clear communication and use of behavioural insights can lead to positive customer responses, leading to better outcomes for consumers. A recent study by the CCPC/ERSI, working with Bank of Ireland, showed that by providing customers with the right level of information and a combination of behavioural nudges and boosts it is possible to encourage behavioural change in relation to financial circumstances to the benefit of consumers.<sup>13</sup> This report shares insights and recommendations for financial services providers, which highlights how this type of personalisation can work in customers' best interests.

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<sup>13</sup> CCPC / ESRI research, (2022), <https://www.ccpc.ie/business/ccpc-research-shows-financial-institutions-how-they-can-use-behavioural-insights-to-improve-consumer-saving-habits-and-financial-well-being/>

### **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?**

We believe that this statement is very important for consumers. As noted in question 10, providing clear communication and relevant information to consumers enables them to better understand the products and services they avail of from banks and the protections which are associated with banks. This affords consumers the opportunity to make more informed decisions and should lead to better outcomes for consumers. As noted in question 8, we believe the CBI has a critical role in this regard through clearly highlighting and communicating to consumers that banks are regulated, particularly given the trusted and independent role of the CBI.

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

As noted in question 2, levels of financial literacy in Ireland impact on consumers' understanding and decision-making regarding financial services products. Clear, targeted communication of activities and products, is vitally important to enable consumers to understand which products and activities are regulated and unregulated. This should also clarify what the implications of regulated and unregulated activities have for consumers at all points on their customer journey - from pre-sale activities (e.g., advertising), at the point of sale, post-sale activities and ongoing services. Such communication should be provided to consumers in plain English and take into consideration consumers' levels of financial literacy. Tools such as prompts could be deployed to help consumers during the different stages of their customer journey.

This enables consumers to make informed decisions about activities at point of sale and, in the event that consumers require support, that they can feel confident that they are supported by regulated institutions. A good example is deposit protection, which enables consumers to feel confident in placing their money with regulated financial services institutions. As noted by the Central Bank, the risks of unregulated products or services need to be clearly made to consumers. As highlighted by the CBI, consumers who avail of products such as crypto-assets have a high risk of significant losses, have no protection against such losses and may be subject to mis-leading advertising.<sup>14</sup>

Furthermore, the protections that are afforded to consumers by regulated providers and regulated products means that consumers can feel confident that only appropriate products and services are provided to them, that they are properly informed of the features and benefits, fees and charges and terms of conditions of such products, by staff who have demonstrable competence in these areas.

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<sup>14</sup> Central Bank Central Bank warning on investing in crypto-assets, (2022), <https://www.centralbank.ie/news-media/press-releases/central-bank-warning-on-investing-in-crypto-assets-22-march-2022>

As noted in previous questions, we believe the CBI has a critical role in this regard through clearly highlighting and communicating to consumers the difference between regulated and unregulated activities and the potential impacts for consumers.

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

Regulated banks should consider the potential risks for consumers in undertaking unregulated activities. Additionally, banks should consider the risks to their institution arising from reputational or conduct risks associated from unregulated activities for consumers. Banks should consider the appropriateness of any such activities for consumers and focus on the best interest of consumers. This should be considered from product development, pre-sales and advertising, appropriate selling, and ongoing post-sales support. Tools such as ethical decision-making models should guide banks to thoroughly consider the potential risks and implications of selling unregulated products.

Clear communication of the difference between regulated and unregulated activities should be available to consumers, particularly from the CBI. In our research, clear, transparent communication has been identified by consumers as an area for improvement for providers.<sup>15</sup> This should also take into consideration levels of financial literacy and confidence in Ireland.

***Theme 4 – Pricing Matters***

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

N/A

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

N/A

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<sup>15</sup> IBCB Public and Stakeholder Consultation Report, (2019), [IBCB-Public-and-Stakeholder-Consultation-Report-2019.pdf \(irishbankingcultureboard.ie\)](https://www.irishbankingcultureboard.ie/~/media/IBCB/Publications/2019/IBCB-Public-and-Stakeholder-Consultation-Report-2019.pdf), p. 14.

## **Theme 5 – Informing Effectively**

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

The IBCB notes that the CPC Review Discussion paper states that communications should be clear, accurate and up to date, should avoid the use of technical language and be set out in a way that is easily accessible for consumers.<sup>16</sup> There should also be transparency in communication when things go wrong. We also agree that good quality information can empower customers to make informed decisions and that the key is sufficient information, at the right time and in the right way. Appropriate regulation and supervision of information disclosure will help to improve communications and disclosure to consumers. The CPC Review Discussion paper mentions the EU law concept of the ‘Key Information Document’ for certain products, which is designed to act as a sort of ‘executive summary’, a single reference point which concisely sets out all of the key information relevant to a transaction as a proposed solution.<sup>17</sup> This type of summary of key information has been raised in our engagement with consumer advocates and we believe this would further aid disclosure to consumers.

As outlined in question 10, we note from measures taken regarding some banking products that enhanced, clear communication and use of behavioural insights can lead to positive customer responses, leading to better outcomes for consumers.

Regulation may not solve all, but clarification of CBI’s expectations, supervisory approach and guidance would be helpful for banks. This could include examples of expectations, through such tools as case studies or research projects. The IBCB also agrees that companies must have a customer-focussed culture which must be evident in the design and delivery of their products and services, including how information is presented to customers. The best interests of consumers should be at the heart of all decision making in this area. Banks should be able to provide this evidence in supervision activities with CBI. It may not be possible to be entirely prescriptive in regulating this area and may require sufficient flexibility between CBI and banks.

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

Technology is an important component of effective communication. It provides many people with access to information at their fingertips.

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<sup>16</sup> Central Bank Consumer Protection Review Code Review Discussion Paper, (2022)  
[https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/consumer-protection-code-review/consumer-protection-code-review-discussion-paper.pdf?sfvrsn=f75c951d\\_12](https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/consumer-protection-code-review/consumer-protection-code-review-discussion-paper.pdf?sfvrsn=f75c951d_12), p.53.

<sup>17</sup> Central Bank Consumer Protection Review Code Review Discussion Paper, (October 2022)  
[https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/consumer-protection-code-review/consumer-protection-code-review-discussion-paper.pdf?sfvrsn=f75c951d\\_12](https://www.centralbank.ie/docs/default-source/regulation/consumer-protection/other-codes-of-conduct/consumer-protection-code-review/consumer-protection-code-review-discussion-paper.pdf?sfvrsn=f75c951d_12), p.53.

We note from measures taken regarding other banking products that enhanced, clear communication and use of behavioural insights can lead to positive customer responses, leading to better outcomes for consumers. As previously referenced in question 10, a recent study by the CCPC/ERSI, working with Bank of Ireland, showed that by providing customers with the right level of information and a combination of nudges and boosts it is possible to encourage behavioural change in relation to financial circumstances to the benefit of consumers.<sup>18</sup>

In line with our response in question 7, as more artificial intelligence (AI) tools are deployed in banks and other non-bank lenders, it is important that any such tools are deployed in an ethical manner, that they are assessed for bias, such that automated decisions do not exclude or negatively impact some customers. Transparency in the type and treatment of consumer data which drives AI tools, (transactional, behavioural, and other), would be helpful to increase trust in use of such tools among customers. Disclosure of key information to consumers would help to ensure this transparency is in place.

***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.***

The recent CBI trial to enhance communication to encourage consumers to refinance mortgages, addressing behavioural factors which deter consumers from taking these actions, suggests that enhancing disclosure of mortgage products could benefit consumers and banks.<sup>19</sup> Such enhanced disclosures would address behavioural biases evident in this study and could address the risks associated with poor levels of financial literacy among consumers.

Whilst the way in which banks approach disclosure of mortgage products is not specifically referenced in IBCB research, the area of financial literacy in general, (including digital literacy) is one which is frequently identified as a barrier for customers in managing their finances and remains a key risk for consumers, in particular in their credit decisions. This is evident in feedback to the IBCB from stakeholders and advocacy groups and is further supported by studies by CCPC and NALA, which show that financial literacy, wellbeing, and resilience levels pose challenges for many Irish consumers.<sup>20 21</sup>

Low levels of financial literacy in Ireland impact on consumers' understanding and decision-making regarding financial services products. In general, communication of activities and products, using clear language, is vitally important to empower consumers. Behavioural

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<sup>18</sup> CCPC / ESRI research (2022) <https://www.ccpc.ie/business/ccpc-research-shows-financial-institutions-how-they-can-use-behavioural-insights-to-improve-consumer-saving-habits-and-financial-well-being/>

<sup>19</sup> Central Bank Interrupting inertia: evidence from a mortgage refinancing field trial, (2022), [https://www.centralbank.ie/docs/default-source/publications/economic-letters/interrupting-inertia-evidence-from-a-mortgage-refinancing-field-trial.pdf?sfvrsn=35889b1d\\_6](https://www.centralbank.ie/docs/default-source/publications/economic-letters/interrupting-inertia-evidence-from-a-mortgage-refinancing-field-trial.pdf?sfvrsn=35889b1d_6)

<sup>20</sup> CCPC Financial Capability and Well-being in Ireland, (2018), <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf>

<sup>21</sup> NALA Financial Literacy in Ireland, (2022), <https://www.nala.ie/research/financial-literacy-in-ireland/>

studies such as those used by CBI and CCPC/ESRI, coupled with effective data analysis, could be further developed in the mortgage market to help consumers and could be tailored to take account of borrowers' 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?**

The current definition of vulnerable consumer within the Consumer Protection Code (2012) provides a narrow definition.<sup>22</sup> The IBCB believes, in line with the proposed approach outlined in Theme 6: Vulnerability, that consumers may find themselves in a vulnerable position for a much broader range of reasons than listed in the current code. The IBCB fully supports the CBI's proposal to adopt the revised OECD Principles in this regard to ensure that consumers are provided with appropriate supports, as they require, either on a temporary or permanent basis. Banks are currently required to make reasonable arrangements and/ or assistance to facilitate customers in a vulnerable position.

Training and support for staff is critically important to ensure that vulnerability is recognised, and appropriate supports are put in place. Direct engagement with consumers who are in a vulnerable position, and those who support and advocate for them, is very important for banks. This ensures that the needs and wishes of those consumers who may need additional support are appropriately considered.

It is important for banks to recognise that as financial services are increasingly digitised, it is essential that the gap between those who do not, or cannot, use digital options and those who are comfortable with digital banking does not widen and that banks balance innovation with the provision of in-person services. This is vitally important to ensure that some customers are not financially excluded or placed in a vulnerable position because of these changes. We outlined in question 9 that fear of financial fraud is cited as a source of concern by advocacy groups supporting customers who may be in a vulnerable position. This is another key consideration for banks to support customers who are in a vulnerable position.

As noted in Question 1, a continued focus on accessibility and good product and service design, which works for people with diverse preferences and abilities, will ensure that customers who cannot, or do not, use digital banking are not left behind.

We note the Department of Finance *Retail Banking Review* report further outlines that 'the retail banking sector should:

- Build on the work already done by the BPFi and the Irish Banking Culture Board to ensure that its offerings are appropriate to cater for the needs of adults at risk of

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<sup>22</sup> Central Bank of Ireland Consumer Protection Code, (2012), [https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/investment-firms/regulated-markets/regulatory-requirements-and-guidance/12-gns-4-4-12-2-2-cp-code-2012.pdf?sfvrsn=2b15d71d\\_4](https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/investment-firms/regulated-markets/regulatory-requirements-and-guidance/12-gns-4-4-12-2-2-cp-code-2012.pdf?sfvrsn=2b15d71d_4), p. 77.



harm or abuse and empower them to safely manage their own money and financial affairs. The sector should become more responsive to the needs of these ‘vulnerable’ customers and harness the opportunities that advancements in technology provides to assist them.’<sup>23</sup>

Retail banks can and should continue to develop supports available to customers with additional needs. We note the investment in banks in vulnerable customer support units, and engagement with advocacy groups, which we believe have been successful. There is potentially an opportunity to share the best practices in place in retail banking across the wider financial services industry, such that good practices can be shared, and lessons learned to the benefit of consumers who may be in a vulnerable position.

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

The implementation of the Assisted Decision-Making Capacity Act (2022) and Assisted Decision Making Act (2015), alongside the commencement of the Decision Support Service should provide much needed support for those consumers who need support to manage their financial affairs. We believe it is important to incorporate the requirements from this legislation with the Consumer Protection Code, such that the provisions of ADMCA and ADMA are supported by the Consumer Protection Code.

In our interaction with many stakeholders, we have noted that many prospective customers lack a driver’s licence or passport and believe that this may preclude them from opening a bank account. This typically impacts consumers from marginalised groups including members of the Traveller community, prisoners, those who are financially disadvantaged etc. This places consumers who may already be in vulnerable circumstances at higher risk of financial exclusion, which can exacerbate vulnerability. The IBCB is working with our member banks and with a range of advocacy groups to try to improve the use of the basic payment account, noting that banks can, and do, work with prospective customers who do not have standard forms of identification.

A broader use of the Public Services Card could address this challenge and reduce the risk of financial exclusion for customers in a vulnerable position. We would strongly encourage that this be facilitated. We understand that a legislative change would be required to allow a standard approach for those people who do not have a passport or driver’s licence – who are typically those customers who may be in a more vulnerable position but who also tend to have a Public Services Card.

As a result of the exits of KBC and Ulster Bank from the Irish retail banking market, many consumers were required to switch their banking provider. This has been a complex process for customer, in particular for customers with additional support needs. Significant resources have been deployed in those banks leaving the market and those remaining to support

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<sup>23</sup> Department of Finance Retail Banking Review, (2022), <https://www.gov.ie/en/publication/28cf9-retail-banking-review-november-2022/> p.181.



customers to switch their accounts. For many customers, this was a manual process. It is noted in the Department of Finance Retail Banking Review that ‘a review of the Switching Code for payment accounts as soon as possible after the current mass migration of accounts is largely concluded. The review should incorporate input from the sector and other stakeholders regarding lessons from the mass migration’. The IBCB is supportive of this review and would be happy to participate in such a review.<sup>24</sup>

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<sup>24</sup> Department of Finance Retail Banking Review, (2022), <https://www.gov.ie/en/publication/28cf9-retail-banking-review-november-2022/> p.xviii

## **Theme 7 – Financial Literacy**

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

The IBCB’s research has highlighted financial literacy as a key priority for many stakeholders, with significant numbers of people having little financial resilience. Promoting financial literacy as early as possible is a key enabler in preventing knowledge gaps at future stages when key financial decisions are being made. There is a perception that technology changes, complexity of modern financial processes, and a lack of access to financial advice can adversely impact customers financial decisions and financial outcomes.

We note the recommendation in the Department of Finance Banking Review report that ‘the Department of Finance should;

- Engage with and participate fully in the financial literacy stream of the Adult Literacy for Life Strategy and
- Seek to ensure that all stakeholders work together so that Ireland is compliant with the OECD High Level Principles on Financial Consumer Protection and the Recommendation on financial literacy’.<sup>25</sup>

We believe that a coordinated plan that addresses financial literacy at *all* stages in a consumers’ life is important, moving beyond strategies for adults to include literacy for children and young people. This is reinforced by a recent Money Advice and Budgeting Service (MABS) research report, which highlighted that many young people learn about finances from parents and family members (85%) and from school (69%), increasingly they are learning about finances through social media (40%).<sup>26</sup> This may create risks for young people if they do not have robust sources of financial information. Furthermore, given the high percentage of young people who learn about finances and money from parents and family members, this highlights the importance of adult financial literacy, when the influence on young people is considered. We are happy to support a national literacy strategy in any way we can.

While there is a range of financial education training available to consumers, through the Solas Adult Literacy for Life strategy, through the work of the CCPC, NALA, MABS, IBCB member banks and others, and there are pre-existing activities among stakeholders, we believe it would be helpful if an overarching national financial and digital literacy strategy was put in place, with a single owner for managing, monitoring and measuring process.

The EU ‘Financial competence framework for adults in the European Union’ provides a comprehensive framework for assessing financial competence and a national plan to implement this framework would provide a coordinated response to addressing the issue of

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<sup>25</sup> Department of Finance Retail Banking Review, (2022), <https://www.gov.ie/en/publication/28cf9-retail-banking-review-november-2022/> p.181.

<sup>26</sup> MABS, ‘Money Attitudes and Behaviours of Young People living in Ireland’, (2023), <https://mabs.ie/wp-content/uploads/2023/02/MABS-Money-Matters-2022-WEB-Final-1.pdf>, p.10.

financial literacy in Ireland.<sup>27</sup> We note that in other EU jurisdictions and OECD countries, (for example Austria, Latvia, Canada, and Australia) there are national financial literacy or capability strategies in place. In the Canadian example, there is a measurement plan in place to assess the impact of the national literacy strategy, looking at outcomes and qualitative and quantitative metrics.<sup>28</sup> We believe that an overarching national financial literacy strategy, with demonstrable outcomes and measurement would provide lasting benefits to consumers.

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

The OECD states that ‘financial education, financial consumer protection and financial inclusion are recognised at the highest policy level as three essential ingredients for the financial empowerment of individuals and the overall stability of the financial system’.<sup>29</sup> We support this approach.

An overarching national financial literacy strategy would assist in empowering consumers, as noted in question 21.

Financial literacy has also been raised as an issue by SME and Farming stakeholders. A Small Firms Association (SFA) survey notes that for SMEs, 81% of respondents believe that financial literacy is important, but only 46% had good or expert knowledge.<sup>30</sup> Financial literacy increases with the size of the business but given that 98% of private enterprises in Ireland are small and micro businesses, the low level of financial knowledge poses a problem for business owners.

Many consumers have limited financial resilience. The CCPC published a financial capability study in 2018, in which it noted that 7% of respondents were struggling financially and had no reserves, 16% were just about coping, but were in danger of slipping into financial difficulty and 52% were doing well but had little put by for future financial needs. Only 25% were deemed to be financially secure.<sup>31</sup> During the current cost of living challenges, financial resilience is more important than ever. Further efforts to help consumers build this resilience would be beneficial.

As noted under Theme 5, ‘Informing Effectively’, clear, transparent communication on financial products and services can also empower consumers when dealing with financial matters. An additional challenge identified in IBCB research suggests that English-language skills may pose additional difficulties for some citizens in making material financial decisions.

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<sup>27</sup> OECD Financial competence framework for adults in the European Union, (2022),

<https://www.oecd.org/finance/financial-competence-framework-for-adults-in-the-European-Union.htm>

<sup>28</sup> Financial Consumer Agency of Canada Make Change that Counts: National Financial Literacy Strategy 2021-2026, (2021), <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-strategy-2021-2026.html>

<sup>29</sup> OECD/INFE 2020 International Survey of Adult Financial Literacy, (2020),

[www.oecd.org/finance/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm](http://www.oecd.org/finance/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm)

<sup>30</sup> SFA Financial Literacy amongst Irish micro, small and medium-sized businesses (2019),

<https://www.ibec.ie/sfa/-/media/documents/sfa-documents/sfa-financial-literacy-amongst-irish-sme.pdf>

<sup>31</sup> CCPC Financial Capability and Well-being in Ireland in 2018, (2019) <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf>

Banks may now need to consider this need, which if addressed could further empower consumers in their financial decisions.

As noted in Question 1, a continued focus on accessibility and good product and service design will ensure that customers who cannot, or do not, use digital banking are not financially excluded. This may include areas such as continued access to cash and branch services, as well as provision of products designed to facilitate financial inclusion, such as the basic bank account.

## ***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 2023 Edelman Trust Barometer reveals that businesses are now viewed as more ethical and competent than social institutions and governments.<sup>32</sup> This puts a responsibility on business to continue in its role as a good corporate citizen and in contributing to solve societal problems. There are expectations from customers that corporations live up to their ESG obligations. Banks play a key role in this, given their importance to the economy and society. Banks in Ireland need to support a climate neutral future and be resilient themselves to the potential impact of climate risks. The IBCB advocates for transparency and trustworthiness in the Irish retail banking sector, and this is also applicable to sustainable financial products for consumers and investors. The best interests of consumers and the environment should be at the heart of all decision making in this area.

Clear and transparent strategies and reporting by the financial system should aid in this regard. It is important to demonstrate adherence to such goals as UN Sustainable Development Goals and to best practice through international sustainability standards, such as the Global Reporting Initiative or the UN EP Finance Initiative ‘Principles for Responsible Banking’.<sup>33</sup>

The IBCB supports the establishment of the CBI’s Climate Risk and Sustainable Finance Forum to build a shared approach to the understanding and management of financial risks and opportunities posed by climate change.

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

N/A

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

N/A

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<sup>32</sup> Edelman Trust Barometer 2023, <https://www.edelman.com/trust/2023/trust-barometer>

<sup>33</sup> UN Environment Programme Finance Initiative, ‘Principles for Responsible Banking’, <https://www.unepfi.org/banking/bankingprinciples/>