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Re: Consumer Protection expectations in a changing retail banking landscape 2021

Dear [CEO]

Fundamental structural changes and consolidation activities are proposed across the retail banking sector over the coming months and years, including those recently announced by some of the retail banks. The Central Bank of Ireland (the Central Bank) is focused on ensuring that all customers¹ are protected and treated fairly throughout this period of change.

The recently published [Consumer Protection Outlook Report 2021](#) (Outlook Report) identified that risks for consumers arise where regulated entities make significant decisions that affect their customers without sufficient consideration of how they will ensure fair outcomes for those customers. While decisions relating to regulated entities' business model and strategy are matters for their boards, we expect firms to take a consumer-focused approach on any decision affecting customers. Adopting a customer-centric approach to all issues ensures regulated entities protect customers' interests, prioritise customer needs and outcomes and ensure continuity of access to basic financial services.

The purpose of this letter is to set out some specific consumer protection expectations of regulated entities that are particularly important at this time. These expectations reflect our assessment of possible risks to consumers during periods of change and reinforce previously communicated expectations, based on our experience of prior events.

¹ For the purposes of this letter, "customer" refers to any person to whom a regulated entity provides or offers to provide a product or service, and any person who requests such a product or service.



We expect that by clearly outlining our expectations, this will inform regulated entities' actions and decisions to ensure that customers' interests are protected and potential risks are mitigated.

1. Customer- focused culture

As set out in the recently published Outlook Report, the absence of a consumer-focussed culture continues to be a key risk to consumers of financial services. The Central Bank has engaged significantly with the retail banks over recent years regarding behaviour and culture with a particular focus on the delivery of their behaviour and culture action plans to address the findings of the 2018 behaviour and culture review. On foot of this foundation, the Central Bank expects regulated entities to:

- Demonstrate a customer-focussed culture, ensuring fair treatment of customers and ensuring that customers understand what the changes mean for them.
- Be proactive and meticulous in ensuring that they act in a way that protects customers' interests and challenge themselves where they see 'tick box' compliance with consumer protection obligations under law.
- Proactively (as part of decision-making) assess the risks a decision may pose to new and existing customers, and develop comprehensive action plans to mitigate these risks.
- Consider the impact of any decision on products with associated benefits (e.g. extra mortgage discount offered with a current account), how these benefits may be impacted and what they will do to mitigate any negative outcome for customers.
- Ensure timely and open communication with the Central Bank on customer-impacting matters to allow consideration and discussion on decisions.

2. Customer Communications

Transparency and effective disclosure are key to enabling customers to make informed decisions that best suit their needs now and in the future. The Central Bank expects regulated entities to:

- Communicate clearly, effectively, and in a timely manner with all affected customers across all channels (e.g. in person, advisory, digital etc.), providing them with sufficient information and avoiding risks around information overload. This should include potential customers i.e. those customers in the process of conducting new business.
- Keep communications such as FAQs, warnings etc. up to date and easily accessible.



Where customers choose to close or switch an account, the Central Bank expects regulated entities to provide clear disclosures regarding the consequences of closure (e.g. breakage fees for certain products, loss of any benefits associated with the product that may not be available elsewhere, such as tracker rate etc.).

Where regulated entities decide to close accounts, the Central Bank expects regulated entities to:

- Give customers as much notice as possible, taking into account the timelines for proposed transfers/wind-downs etc. and proactively work with customers to assist them in making alternative arrangements (e.g. those with outstanding debts, overdrafts, revolving credit etc.).
- Facilitate customers to switch products and services through clear and simple processes that are transparent for customers and effectively implemented.
- Identify uncontactable customers early in the process and put comprehensive plans in place to attempt contact and to allow uncontactable customers to collect funds at a later date.

3. Vulnerable customers

All customers are potentially vulnerable to the risk of making uninformed decisions, or decisions that are not in their best interests, particularly during times of uncertainty and change. Vulnerability can be transient, temporary, or permanent. The Central Bank expects regulated entities to:

- Consider specifically the impact of their decisions on vulnerable customers and provide the assistance necessary to reasonably mitigate those impacts and retain access to basic financial services.
- Have specific and effective processes and communication plans to support vulnerable customers during this time of increased uncertainty.

4. Errors and Complaints Handling

When failures or breaches occur that impact customers, the Central Bank expects regulated entities to remediate and rectify without delay, to ensure that customers are treated fairly and are put back in the position they would have been in had it not occurred.



Where sales/transfers/withdrawals of business are taking place, the Central Bank expects the originator of the product/service to take responsibility for any complaints and errors caused by/related to the originator that may arise after the transfer/sale/withdrawal (unless clearly assigned to a purchaser as part of a contractual agreement agreed between the parties).

In considering existing and future errors and complaints, the Central Bank also expects:

- The originator of the product/service to fully investigate, resolve and correct all identified errors/complaints before a sale/transfer/withdrawal, including notification, remediation and refunds to customers. The Central Bank may require an independent review to be carried out to ensure that this has occurred.
- The parties involved (with whom the responsibility lies) to have a clear process in place to address and correct errors/complaints without delay, including those that may arise after a sale/transfer/withdrawal. Information on this process should be clearly set out on both parties' websites post-sale/transfer/withdrawal to ensure customers understand who has responsibility for handling these complaints/errors and where to direct their complaint.
- Where refunds to customers have not been cashed, the parties involved must have a process in place to refund customers who come forward at a future date. This process must be clearly set out (i) in contractual agreements agreed between the parties in respect of sales/transfers and (ii) on their websites for customers in respect of withdrawals. This includes where charitable payments have been made, where customers could not be contacted and refunded.
- The originator of the product/service to ensure that all charitable payments arising from errors have been made, before the withdrawal.

5. Mortgage Loan Transactions

The Central Bank set out its expectations in respect of sales, securitisations, purchases and transfers of residential mortgage loans ('Mortgage Loan Transactions') in a letter to regulated entities in [August 2019](#).

In this regard, the Central Bank expects regulated entities to undertake a formal consumer impact analysis in the context of decisions regarding Mortgage Loan Transactions. They must be able to evidence discussion and challenge of this at board, board committee and management committee level. The Central Bank expects this consumer impact assessment to



be comprehensive in its consideration of all risks to consumers including risks relating to any open errors affecting loans included in the Mortgage Loan Transaction, amongst other things. Where risks are identified, the regulated entity is expected to ensure that appropriate action is taken to address such risks before the transaction takes place.

6. Borrowers in financial distress

The Outlook Report recently highlighted that a continuing priority for the Central Bank in 2021 is to ensure borrowers in financial distress are treated fairly, sympathetically and positively by regulated entities, and that they are acting in a way that protects the best interests of borrowers, in line with relevant codes and regulations. The Central Bank set out its expectations in this regard in a letter to lenders in [November 2020](#). Lenders must continue to adhere to these expectations throughout this period of change.

7. Monitoring of Management Information (MI)

Maintaining appropriate oversight of throughput and behaviours is a challenge in any environment, particularly during periods of uncertainty and change. The Central Bank expects regulated entities to:

- Continually assess the effectiveness of their control environment and their monitoring of throughput and behaviours (in particular how staff are engaging with customers) and, where necessary, adapt them to address any potential risks/concerns.
- Monitor customer, operational and staff MI against benchmarks, and take timely and appropriate action where any risks are identified. MI may include, but is not limited to:

Process and Customer Tracking

- New business and customer closures in relation to all products, such as current account, mortgages, investments etc.
- Switching volumes – in and out

Customer Service/Engagement

- Complaints and errors
- Customer engagements, including data around inbound call wait times, abandonment rates etc. across all telephony as well as other channels (e.g. email, letter etc.)

Resource Implications

- Resource allocations across sales and service



- Resignations/absenteeism, particularly for customer facing staff
- Vacancies in roles where specific accreditations or qualifications are required

We will continue our engagement with regulated entities regarding our expectations as the changes in the sector evolve and we will continue to challenge the boards and management of regulated entities to ensure fair outcomes for customers are central to their decisions.

If you have any questions or would like to discuss the contents of this letter, please contact Claire Nevin at claire.nevin@centralbank.ie.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gráinne McEvoy'.

Gráinne McEvoy
Director of Consumer Protection