



Consumer Protection

**(Regulation of Retail Credit and
Credit Servicing Firms) Bill 2021**

Sept 2021



Your Partner For What's Next

Background

With the ever-increasing forms of unregulated credit that lenders can offer to consumers, the Department of Finance has sought to bring the providers of Personal Contract Plans ("PCP"), hire purchases, consumer-hire agreements and indirect credit agreements within the regulatory remit of the Central Bank of Ireland's ("CBI") Consumer Protection Code ("CPC"). As at August 2019, the amount of outstanding consumer debt stood at €13.7bn, of which car finance accounted for 44%¹ in the form of Hire Purchase and PCPs agreements. Also included in this €13.7bn, is the "buy now, pay later" option offered by most retailers, which is becoming an increasingly popular form of credit with consumers between the years 18 - 36.

The proposed changes will come into force in the coming months when the Consumer Protection (Regulation of Retail Credit and Credit Servicing Firms) Bill 2021 ("the Bill"), published in July 2021, is passed into law. The Bill will update the Central Bank Act 1997 ("Act of 1997") to extend the CBI's authorisation requirements to persons or intermediaries carrying out hire purchase or consumer-hire business. Under the legislation, the CBI will have the power to exempt entities from the scope of the Act of 1997 where it deems the body to provide a public service, such as Local Authorities who provide affordable mortgages. This is because the requirements will be too onerous on the Local Authority, limiting its impact on the market. It will also update the Consumer Credit Act 1995 ("Act of 1995") to provide a maximum allowable Annual Percentage Rate ("APR") that consumers may be charged. The inclusion of hire purchase financing under the Act of 1995 will now require the APR to be included on the hire purchase agreements.

Summary of Proposed Changes

The changes in the Bill are driven by the 2018 Tutty Report² which reviewed the regulatory framework of the PCP market and the adequacy of consumer protection in this area. The report made several recommendations to address gaps it found in the regulation of the market. A high-level summary of the key requirements outlined by the Bill are summarised below:

- The definition of the "regulated business" activity of a "retail credit firm" and a "credit servicing firm" will be widened with the passing of the Bill. This will bring currently unauthorised providers of the impacted credit agreements under the remit of the relevant provisions of CPC and other consumer protection measures currently available to the CBI. For "retail credit firms" it will now include all credit, hire purchase and consumer hire agreements provided to consumers

and other "relevant persons". The changes will come into effect over a three-month period from the date the regulation is enacted. All firm will have to apply to the CBI to become a regulated entity and will automatically be deemed to be an authorised "retail credit firm" or "credit servicing firm" from the start of the transition period, unless exempt by the CBI. A key impact of this is that firms will now have to carry out suitability assessments prior to entering into a HP or PCP credit agreement with a customer. The current legislation only requires "authorised" firms to carry out pre-contract affordability and suitability assessment;

- The Bill will align all credit and hire purchase (including PCP) agreements to the Act of 1995, requiring firms providing such forms of credit to ensure that the Annual Percentage Rate ("APR") of the credit provided is clear at the time the credit agreement is entered into by the customer. Currently the APR on some agreements can be as high as 44%. The Bill will introduce a maximum allowable APR of 23%, with the exception of moneylending agreements which are in the scope of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Licensed Moneylenders) Regulations 2020 and the Consumer Credit (Amendment) Bill 2021. For more information on the Moneylending Regulations, please visit our website: [Moneylending \(assets.kpmg\)](https://www.kpmg.com/ireland/assessments/moneylending);
- The Bill also gives the CBI the power to amend to method of calculating the APR for credit or hire purchase agreements. KPMG can assist in providing calculation models that will assess the impact of any changes to the method of calculation and provide a framework that can align a firm's method of calculation with any new requirements; and
- Due to the lack of published data of the hire purchase and PCP market, the Act of 1997 will provide the Minister for Finance with the power to request the CBI to collect and publish information on credit, hire purchase (including PCP) and consumer-hire agreements. This will facilitate the publication of statistical data on the level of financial accommodation provided by "regulated businesses" and give a better insight into the market. As a result of this, impacted firms will now be subject to the requirements regarding the collection and storing of customer data.

Next Step - Adoption

It is anticipated that the Department for Finance will commence consultation with the European Central Bank ("ECB") and progress the Bill through the Oireachtas in the Autumn of 2021.

1. The Central Bank of Ireland, Household Credit Market Report 2019, <https://www.centralbank.ie/docs/default-source/publications/household-credit-market-report/household-credit-market-report-2019.pdf>

2. Tutty, M (2018), "Review of Regulation of Personal Contract Plans" gov.ie - Review of Regulation of Personal Contract Plans (www.gov.ie)

How can KPMG help?

KPMG's Consulting experts in the conduct, regulatory and financial services sectors have unparalleled experience assisting financial institutions with regulatory implementations. We have extensive experience in guiding organisations through regulatory change and designing and implementing your operating policies, procedures and systems to align to the requirements. We have designed methodologies that will help you during the process. Examples of how our team of experts can assist include:

- Assist you with a **regulatory gap analysis** to assess any changes which will now be required as a result of the updates stemming from the Bill;
- Advise you on the **design of a framework** that will meet the requirements of the changes and how those changes impact your organisation across people, processes and technology;
- Assist you with the **testing of the changes** to ensure that they are adequately designed pre-implementation;
- Assist you with the **implementation and post-implementation assessment** ensuring that the changes were applied correctly and in line with the new regulatory requirements; and
- **Support you in training** your staff following the changes through a variety of training techniques.

It is important to maintain oversight of your lending products post regulatory implementation to ensure continued adherence to these requirements. We have an established product assurance framework, which will arm you with the tools and techniques to control your product set on an on-going basis, maintain regulatory compliance and enable positive customer engagement. For more information on the product assurance framework, please visit our website: [Product Assurance kpmg](#)



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