



# Moneylending



## Background

The Central Bank of Ireland published Regulations governing licensed moneylenders in June 2020. These were finalised after a consultation process which began in 2018, with the aim of providing additional protections to those availing of credit from licensed moneylenders. The Regulations come into effect on 1 January 2021, with requirements for high cost warnings in advertising coming into effect at the earlier date of 1 September 2020.



## Regulation

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Licensed Moneylenders) Regulations 2020 (hereinafter "Moneylending Regulations").



## Timeline

- Jan 2009** Consumer Protection Code for Licensed Moneylenders introduced.
- Nov 2013** Central Bank report on the licensed moneylending industry.
- Mar 2018** Consultation Paper issued on the review of the Consumer Protection Code for Licensed Moneylenders.
- Jun 2018** Closing date for the receipt of responses by the Central Bank.
- Jun 2020** Feedback statement published by the Central Bank to the Consultation Paper and Moneylending Regulations published.
- Sept 2020** Effective date for introduction of high cost warnings in advertising as part of the Moneylending Regulations.
- Jan 2021** Effective date for the introduction of all other updated requirements under the Moneylending Regulations.



## Moneylending Regulations – Summary of Changes Introduced

**The Moneylending Regulations replace the existing Consumer Protection Code for Licensed Moneylenders and include the following additional requirements:**

- ✓ Customer communications and the provision of information:
  - Enhancing the existing information requirements through the provision of a high cost warning on advertising where APR exceeds 23%, from 1 September 2020;
  - The provision of a high cost warning where APR exceeds 23% on customer documentation provided prior to entering a moneylending agreement, application forms, website and premises and additional requirements for regulatory disclosures;
  - Enhanced protections regarding unsolicited contact, including the application of the Regulations to non-cash credit;
  - Aggregate information requirements for subsequent moneylending agreements; and
  - Communications must be proportionate and not excessive.
- ✓ Responsible lending and acting in the best interest of the customer:
  - Additional protections regarding unsolicited credit for customers who have paid off a moneylending agreement in the preceding month / will pay off a moneylending agreement in the next month;
  - The requirement for a fair and reasonable marketing strategy, taking into account the circumstances of the customer; and
  - Prohibition of discounts for the purchase of goods on credit.
- ✓ Enhanced professionalism in the moneylending sector:
  - Requirement for written lending policies and procedures;
  - Enhanced requirements regarding maintenance of customer records and complaints handling; and
  - Appropriate and ongoing training for staff.
- ✓ Additional protections for certain categories of customers:
  - Earlier signposting of the Money Advice and Budgeting Service (MABS) for customers in arrears;
  - Introduction of protections for vulnerable customers;
  - Requirement to engage with third parties acting on behalf of the customer e.g. MABS; and
  - Additional warnings for customers availing of credit to pay for their immediate and basic needs e.g. accommodation, food, electricity.
- ✓ Additional protections for guarantors, home collections and repayment books.
- ✓ The European Communities (Consumer Credit Agreements) Regulations 2010 to apply to loan amounts under €200.





## Moneylending Regulations – Are You Ready?

The introduction of the Moneylending Regulations raises many questions for your business.



Are you prepared for the introduction of the high cost warning in your advertising from 1 September 2020?



Have you identified your marketing material and customer documentation to be updated for the additional warnings now required?



Do your customer engagement procedures need to be updated in relation to unsolicited contact?



Do your systems / staff training allow for the additional requirements introduced for aggregated information on subsequent moneylending agreements?



Do you have a marketing strategy, with an approval and review process implemented?



Do you offer discounts to your customers when offering goods on credit?



Do your current lending policies need to be updated? Do these need to be formally documented, with an approval and review process implemented?



How do you manage complaints?



Do your record keeping procedures meet the requirements of the Moneylending Regulations?



Have you developed a staff training plan?



How do you advise your customers of relevant debt counselling services?



Have you considered vulnerable customers?



Are your staff appropriately trained to identify vulnerable customers?



What is your communication policy when engaging with third parties?



How do you engage with guarantors?





## How can KPMG help?

Have you considered how the additional requirements introduced by the Central Bank will impact your business? KPMG can help ensure you are prepared for the introduction of the Moneylending Regulations. We have extensive experience in guiding organisations through a regulatory change. We have designed methodologies that will help you during the change process. Examples of how our team of experts can assist include:

- ✓ Planning and scoping of the regulatory requirements.
- ✓ Gap analysis to determine the changes required.
- ✓ Delivery of the regulatory change plan, including the review and assessment of:
  - Customer communications framework and design;
  - Lending policies and procedures, taking into consideration additional requirements introduced for certain categories of customer;
  - Complaints handling processes, analysis and case management tools;
  - Assessment of documentation requiring update; and
  - Staff training requirements and planning.
- ✓ Assessment of changes implemented to ensure they are aligned to regulatory guidelines and expectations.
- ✓ Target Operating Model assistance, if required, to ensure you are appropriately set up and resourced to operate under the Moneylending Regulations in a sustainable manner.



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