

CPC Consultation Paper Overview

CBI Priorities

Introduction

Following an extensive engagement period, the Central Bank of Ireland (hereinafter “CBI”) has issued a Consultation Paper on the Consumer Protection Code (hereinafter “CPC” and “the Code”). This Consultation Paper will allow for stakeholders and the CBI to engage with each other on the proposals suggested by the CBI. The consultation period will run until **June 2024**. The CBI aims to deliver an **updated and modernised Code** that reflects the constantly changing financial environment of today. The CBI has clarified the renewed mandates of the CPC by providing insight into how firms should meet their modernised regulatory obligations. Accessibility to the CPC for consumers is also provided through the creation of a Consumers’ Guide, as well as various online tools to aid firms in understanding their specific consumer protection obligations.

Why is the CPC changing now?

Whilst there have been changes to the CPC through various addendums since it was revamped in 2012, recent developments have highlighted the need for a comprehensive revision of CPC. The tracker mortgages failure, business interruption insurance during COVID-19 and differential pricing are all instances of how the need for consumer protection is constantly evolving and changing in modern society. In addition the mechanisms for selling financial services are evolving and introducing new risks, which the 2012 CPC does not address. The CBI has noted that change is required to ensure that consumers interests are protected in this **rapidly changing financial services landscape**.

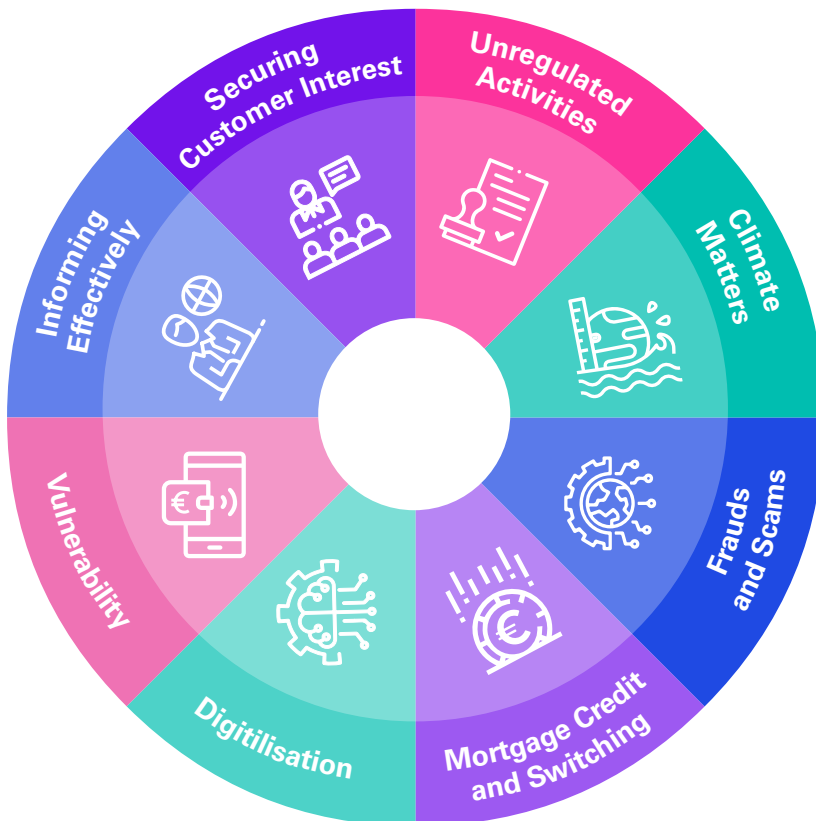
The revised Code will be contained in two new Central Bank Regulations. The first will set out **Standards for Business**, complemented by Supporting Standards for Business. This will replace the existing General Principles of the Code. The second will set out **General Requirements**, including new protections and existing requirements on a cross-sectoral and sector-specific basis. The CBI also plans to consolidate a number of existing Central Bank codes into the General Requirements.

With this review of the CPC, the CBI seeks to clarify, modernise and integrate how consumer protections should be effectively incorporated into firms’ culture, strategy and decision-making. The CBI has set out some key priorities to ensure the future of consumer protection, building on the existing CPC which has been in place since 2006. These priorities include:

- 01 Securing customers’ interests**
Through the introduction of guidance for firms on safeguarding their customers’ interests. This is exemplified through the establishment of the Securing Customers’ Interest Standard for Business.
- 02 Modernising the Code**
The review will bring forward an enhanced, modernised Code, reflecting the changes that are taking place in financial services and informed by the feedback received from stakeholders.
- 03 Integrating the regulatory format of the Code**
The CPC will be reflected in Central Bank Regulations. These regulations will sit within a larger framework comprised of a number of European Union (hereinafter “EU”) and domestic consumer protection laws.

- 04 Bring domestic protections together in one place**
Existing standalone consumer protection codes and regulations, including the Code of Conduct on Mortgage Arrears (hereinafter “CCMA”), will be consolidated in the General Requirements of the CPC.
- 05 Enhancing accessibility**
The Code strives to support consumers and firms, by providing easy access and clear information. A Consumer’s Guide to the Consumer Protection Code will be published, further detailing the protections for consumers in a straightforward and well-defined manner, including their rights and responsibilities when engaging with financial services firms. For firms, an online tool will also be provided that allows for improved navigability and provide clarity on relevant obligations and expectations.

Principal Policy Proposals



The CBI seeks to clarify, modernise and integrate how consumer protections should be effectively incorporated into firms’ culture, strategy and decision-making

Principal Policy Proposals

The CBI sets out updates to the Code through three sections. Firstly, key Principal Policy Proposals (outlined below) that will be reflected in the revised Code. The Code details how firms should effectively incorporate customers best interests into their culture, strategy, business model and decision-making – while also respecting the autonomy of the customer. A further five new and improved Additional Policy Proposals are also suggested, based on stakeholder feedback and other CBI policy priorities. Finally, further Guidance documents provide firms with the ability to ensure good customer outcomes – by measuring success against each of these sections.



Securing Customers' Interests

- The revised CPC introduces the Securing Customers' Interests Standard for Business and complementary Supporting Standards for Business. These elements aim to clarify confusion surrounding existing customer treatment requirements in order to facilitate effective implementation in firms' operations.
- Overall, the standards and guidance of the renewed CPC highlight the significance of favourable consumer outcomes (which is one of the key focus areas of the comprehensive recent regulatory change in the UK, the Consumer Duty). Ensuring that firms prioritise consumers across every aspect of their operations, while not infringing on the decision-making autonomy of individuals.



Digitalisation

- New technologies have provided greater opportunities for customers, but firms must ensure that the needs of all customers continue to be met.
- Issues relating to digital exclusion and accessibility of technology have been raised as part of the CBI's engagement programme.
- Ensuring good outcomes for the customer should be firms' key metric for success in digitalisation approaches.



Informing Effectively

- Standardised and clear disclosure requirements need to be provided to accurately inform customers, ensuring that information provided is not excessive or overly complex.
- Firms need to prevent information overload and contradictory statements.
- Firms should aim to go beyond simply providing information to the customer, efforts should be made to ensure practical understanding by the customer.



Mortgage Credit and Switching

- Consumer protection throughout the mortgage process is key and firms must enable informed decision making, streamline the switching process, and offer support during periods of financial difficulty by providing customers with clear and understandable information.
- Lenders will be required to provide warning statements to the consumer where an incentive is a feature of a mortgage, ensuring consumers are supported in their decision making.

- The CCMA will also be consolidated into the Code with several amendments.



Unregulated Activities

- It must be clear if firms and products are / are not regulated by the CBI.
- The availability of unregulated products by regulated firms creates confusion for customers. Regulated firms will be required to clearly communicate to consumers when providing unregulated products / services.



Frauds and Scams

- The prevalence of frauds and scams means firms must work together with regulatory authorities, law enforcement and customers to confront this growing, significant risk.
- Firms must monitor financial abuse trends and communicate clearly with customers on the risk of frauds and scams.
- Firms must notify customers in a timely manner of any frauds that are detected in connection to the firm's affairs.



Protecting Customers in Vulnerable Circumstances

- Firms need to be able to identify potential vulnerability characteristics and support customers through changing life events.
- Staff training and supports are key to identifying and supporting vulnerable customers.
- The appointment of a trusted contact may be useful however, the CBI also acknowledges this may increase the risk of financial abuse for those in vulnerable circumstances.



Climate Risk

- Consumers expect the financial system and its regulations to adapt in favour of a climate neutral future. Consumers require assurance that financial services firms and the overall system are capable of withstanding climate-related risks.
- Greenwashing was flagged as a detriment to customers' best interests – this is the deceptive practice of advertising products as more environmentally friendly than they are in reality. Firms should ensure advertising does not mislead regarding the sustainability of their practices and should consider sustainability as part of suitability requirements.

Additional Policy Proposals

In addition to the principal policy proposals, the CBI is also bringing forward five additional policy proposals within the revised CPC. These additional policies reflect ongoing risks that customers face today, as well as providing greater clarity for firms on their consumer protection obligations.

01 Consumer Credit

In 2022, the provision of indirect credit became regulated business under the CPC. Providers of these products were regulated under the General Principles, Knowing the Customer and the Sustainability and Advertising chapters of the CPC. It is now proposed that the revised Code will apply in full to these lending activities, providing consumers of these products with the same protection as all others.

02 SME Protections

Under the Governments' Retail Banking Review (RBR), the CBI is recommended to review and amend SME Regulations to take account of legislative changes. The CBI plans to carry the scope of application in the existing Code across to the revised Code in order to protect all customers of regulated firms, including SMEs.

03 Insurance

Automatic renewal allows for a policy to be automatically renewed unless the customer informs the insurance provider otherwise. It is proposed, that gadget insurance, travel insurance, dental insurance and pet insurance will require an explicit opt-in for automatic renewal.

04 Investments and Pensions

The revised Code seeks to strengthen current requirements to ensure that firms effectively inform customers so that they have an understanding of the costs, benefits and long-term implications of longer-term insurance and investments. It is important that these products are under regular review to confirm customers have the best option to meet their needs.

05 Miscellaneous Enhancements

Additional changes enhance some of the original requirements of the CPC. These amendments will strengthen governance obligations on firms regarding the handling of errors and complaints. Record keeping requirements will also be clarified in cases where customers engage with a firm but do not become customers. Further work will be considered due to continuing policy development domestically and at an European level.



Guidance

Guidance on Securing Customers' Interests aims to support firms by outlining the necessary considerations, actions, and mindset required to fulfil their obligation of securing their customers' interests effectively. By adhering to these guidelines, firms can effectively meet all their consumer protection responsibilities. The guidance explains the overarching Standard for Business and Supporting Standards for Business with regards to securing customers' interests.

There is also guidance on Protecting Consumers in Vulnerable Circumstances. The guidance aims to help firms develop a supportive mindset and culture to effectively aid consumers in vulnerable situations. It seeks to integrate an understanding of vulnerability into the firm's culture, ensuring that addressing vulnerable customers' needs is an essential aspect of their customer-centric approach. This preparation enables firms to assist consumers in vulnerable circumstances when engaging with them. It acknowledges that firms must secure the interests of all customers, but that vulnerable consumers will require additional protections and support.

What This Means for Customers?

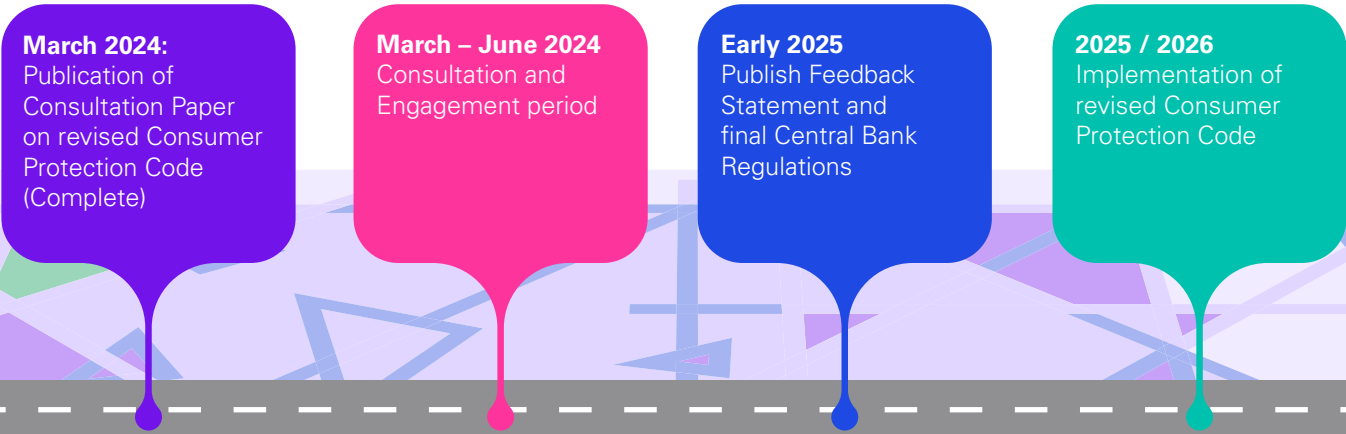
- 01** The updated and modernised Code will be designed from the **perspective of the consumer**. Firms are now required to incorporate **consumers' interests** into their commercial decision-making. Consumers will be provided with **options** to determine both the **protections** available to them across all types of regulated financial services and **protections** specific to the types of financial services they are accessing.
- 02** The revised CPC highlights the importance of transparency in ensuring good customer outcomes. Firms must be **clear and direct** on their offering to customers, allowing them to make informed decisions and giving the customer control of their own financial future. **Transparent, understandable information** is one of the most important aspects of a well-functioning financial system. Under the revised CPC, firms will be required to provide customers with this clear, direct information in all situations.
- 03** The consumer-first approach of the CPC also provides greater protections to **customers in vulnerable circumstances**. The protections outlined range from security against **fraud and scams**, to assessing the customers **financial and digital literacy** to inform appropriate methods of communication. The dynamic nature of vulnerability is also recognised, as the CPC outlines how firms should take a **tailored approach** to assessing each individual customer's vulnerability status. All this ensures that vulnerable customers are treated fairly, **ensuring good outcomes** for all consumers (which is very similar to the requirements of the Financial Conduct Authority's Consumer Duty).

What This Means for Firms?

- 01** To prepare for the renewed Code, it is important to be aware of the requirements the CBI sets out under each of the CPC's **policy proposals**. It is essential that these are reviewed closely, and that you examine what each proposal means for your **business processes, procedures, people, technology and culture**. Each proposal represents unique **challenges**, and firms must be **proactive** in asking themselves what must be done to meet these new expectations. Firms should know that, similar to Consumer Duty in the UK, ensuring good outcomes for the customer is the key metric through which success will be measured.
- 02** Firms should start to think about completing a **gap analysis** in terms of existing requirements (including a firms' compliance) and the new enhanced requirements. This will allow you to understand the implications and the level of change required. This is particularly important if firms are considering any significant **changes to how they operate**, for example, introducing new sales channels or significantly different product offerings / target markets.
- 03** It is critical that firms consider the changes required from both people and risk lens or the change can be disjointed and the impact fragmented. Therefore, it is critical that a **holistic approach to culture is taken** to instil and embed a sustainable and resilient culture from the top down to realise the benefits of the revised code.
- 04** Firms must adapt to technological advancements while ensuring **accessibility** for all customers. **Clear and effective communication** is crucial, especially regarding regulatory status, financial information and sustainability. Firms must also be vigilant against **fraud and scams**, provide support for **vulnerable customers**, and address **climate-related risks** transparently. This requires a comprehensive approach that prioritises **customer well-being** and regulatory compliance.
- 05** There will be benefits to firms the updated CPC provides an **integrated regulatory format**, a more coherent structure and greater clarity of their obligation. For example, this includes integrating the CCMA and High Cost Credit Providers regulation into the CPC.

Next Steps

The below graphic illustrates the current plan that the CBI has in relation to CPC developments over the next number of months and years. KPMG will be holding an event in May 2024 where we discuss and analyse the proposals which are being brought forward by the CBI and breakdown what the impact of them will be on both firms and consumers. There will be a 12 month implementation period after the publication of the final revised Code.



How we can help?

KPMG’s Risk and Regulatory team is well-versed in the expectations of the CBI and has a deep understanding of the CPC. We have a clear understanding of industry standards for consumer protection within the financial services sector. This knowledge is rooted in our first-hand experience of working alongside industry peers on such matters over the last 15 years, including regulatory implementation, conduct risk programmes and vulnerable customer frameworks. When you choose KPMG, you gain access to a trusted core team with a proven track record of successful delivery. We are supported by our KPMG Law team who can assist your firm in interpreting the CPC requirements prior to implementation.

KPMG has guided firms on the implementation of many regulatory change programmes, including CPC 2012, Mortgage Credit Directive, MIFid and CCMA.

- 01** Using specific methodologies and techniques, our team can support firms completing a regulatory gap analysis to determine the impact the change has on processes, procedures, people, technology and culture which allows KPMG to provide the best advice to clients and deliver excellent results.
- 02** KPMG can help firms establish a programme of work to interpret and understand the impact on its organisation and support firms in implementing the changes, including completion of a **post implementation review** to ensure regulatory compliance.
- 03** KPMG can work with firms to review your **Risk Assessment** and **Conduct Risk Framework** to assess the impact of the regulatory change on your consumers and **develop treatment strategies** to ensure positive consumer outcomes.

- 04** KPMG has extensive experience in advising clients on consumer related topics including product governance and assurance, vulnerable customers, fair and good customer outcomes and provision of information enabling firms to have a clear understanding of the regulatory environment and expectations.
- 05** KPMG provide risk and regulatory advice, **proposition design**, and **operational risk and control optimisation** services across the financial services sector. We understand how consumer centric firms will look in the future. We provide guidance on regulatory expectations and industry best practice in relation to suitability.

What to do next?

Whilst there will be a lead in time for firms to implement the changes following the release of the draft regulations, there is still a lot that firms should be thinking about in advance of this and in particular to understand the impact on your organisation today and your future plans. First and foremost, we would encourage firms to participate in the consultation to have your say and KPMG are happy to facilitate workshops in order to review the proposals to assist in determining the impact and assessing any challenges within the proposals for your firm. With this in mind, KPMG will be **conducting a panel discussion** and Q&A in May 2024 on the contents of the Consultation Paper and its impact on firms and their consumers. Please reach out to the team as detailed on the next page and we would be happy to add you to the invite list.

Contact us



Gillian Kelly
Partner,
Head of Consulting,
KPMG in Ireland
t: +353 87 744 1120
e: gillian.kelly@kpmg.ie



Derek Hegarty
Partner,
KPMG Law,
KPMG in Ireland
t: +353 87 050 4667
e: derek.hegarty@kpmglaw.ie



Yvonne Kelleher
Managing Director,
KPMG in Ireland
t: +353 87 050 4349
e: yvonne.kelleher@kpmg.ie



Donata Halpin
Director,
KPMG in Ireland
t: +353 87 050 4417
e: donata.halpin@kpmg.ie



Rosalind Norton
Director
Risk Consulting
KPMG in Ireland
t: +353 87 111 5982
e: rosalind.norton@kpmg.ie



Patrick Steele
Manager
Risk Consulting
KPMG in Ireland
t: +353 86 104 0193
e: patrick.steele@kpmg.ie



[kpmg.ie](https://www.kpmg.ie)

© 2024 KPMG, an Irish partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks of KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

If you've received this communication directly from KPMG, it is because we hold your name and company details for the purpose of keeping you informed on a range of business issues and the services we provide. If you would like us to delete this information from our records and would prefer not to receive any further updates from us please contact unsubscribe@kpmg.ie.

Produced by: KPMG's Creative Services. Publication Date: March 2024. (10211)