



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



# Consumer Protection Code Review Discussion Paper – Engagement Update

July 2023

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## Foreword

The financial services landscape is rapidly evolving and over the course of the next decade, we will continue to see a transformation, driven by innovation and technology, climate change and the evolving expectations and needs of consumers and businesses in relation to financial services. Through this period of transition, we want to ensure that in their interactions with firms, consumers' best interests are secured.

The Consumer Protection Code is a cornerstone of financial services' consumer protection in Ireland. Since its publication in 2006, it has served consumers well. It is important that, as the financial services landscape changes, so too does the consumer protection framework that guides it.

In keeping with our strategic objective of being open and engaged, in the Central Bank we know that changes to the Code must be informed by the experiences and insights of those it seeks to protect, as well as those it regulates. In October 2022, we published a [Discussion Paper](#) requesting your views on the issues you see emerging for consumers in the changing financial services landscape. The publication of the Discussion Paper was complemented by an extensive six-month engagement programme with you, our stakeholders, through a range of interactions including roundtables, bilateral meetings, and an online public survey. This is being further complemented by targeted consumer research to deepen our understanding of the public's views of the consumer protection issues raised in the Discussion Paper.

We received an overwhelmingly positive response to our approach to this engagement programme. Our engagements have provided us with a deepened understanding of the issues that are important to you. We have heard about the importance of ensuring firms act in the best interests of consumers, the role of consumers in making their own decisions, and that all consumers, particularly those in vulnerable circumstances, are protected. We have also heard from you that digitalisation and innovation brings great benefit for consumers, but that consumers must also be protected from potential risks.

We would like to thank all our stakeholders for being a part of this transformation journey. We have listened to your views and we are working to develop changes to the Code to ensure it is fit for purpose today and into the future to continue safeguarding consumers.

This Engagement Update is an opportunity to share with you what we have learned so far and what we will do next. Our key next step will be to publish a consultation paper before the end of the year. This will set out the Central Bank’s proposed changes to the Consumer Protection Framework and provide an opportunity for you to consider and engage with us on these proposals.

**Derville Rowland**

**Deputy Governor – Consumer and Investor Protection**

# Introduction

## Background

Consumer protection is at the heart of everything the Central Bank does. We harness our wide-ranging policy, economic, financial stability and regulatory expertise to ensure firms secure their customers' best interests.

How are consumers' best interests secured? Positive consumer outcomes depend on effectively functioning financial services markets providing appropriate levels of availability and choice from sustainable, resilient, well-run, consumer-focused firms, who act in their customers' best interests. Consumers should be empowered to make informed decisions, and be provided with proportionate regulatory protections.

The Consumer Protection Code (the Code) has established a strong set of rules and expectations for how firms should treat their customers. It has allowed us to intervene to protect consumers – such as tackling the banking sector's mistreatment of tracker customers and the unfair treatment of loyal customers in the insurance sector.

## Changes in Retail Financial Services

The nature of financial services and how they are delivered to consumers is undergoing transformational change. We have been clear that firms must navigate these changes in a manner that places the best interests of consumers at the heart of their commercial decision-making and avoids creating risks to consumers. The Code remains central to this. We need to ensure that the Code continues to evolve to address the challenges faced by consumers of financial services both today and in the future.

## Purpose of Engagement

As part of our five-year strategy, the Central Bank is strengthening our engagement with stakeholders through open dialogue and by deepening our relationships and partnerships. We want to enhance our policy-making capabilities by deepening our understanding of the diverse perspectives of our stakeholders. In light of this, we wanted to engage with stakeholders on some important consumer-related themes before identifying specific revisions to the Code. To support this engagement, in October 2022, we launched our Discussion Paper seeking your views on important consumer protection topics.

**Financial services transformation demands a wide ranging public dialogue to inform our Consumer Protection Code review**

**Changes to the Code must be informed by the experiences and insights of those it seeks to protect – as well as those it regulates**



# Our Engagement Approach

Through the Discussion Paper, we focused our engagement on ten key themes of importance to consumer protection today and into the future.



Figure 1 - Discussion Paper discussion themes - Source: Central Bank

## Positive and Constructive Engagement

The response to our engagement programme has been very positive with many stakeholders welcoming the more open style of engagement which has fostered a broad consumer-focused discussion.

Our goal was to engage with a wide range of stakeholders to consider these important consumer issues. We wanted to listen to a broad spectrum of perspectives and facilitate a two-way exchange of views across many different forums.

During our six-month engagement programme, we have met bilaterally with over 30 stakeholders and hosted three roundtable sessions focused on:

- “Securing Consumers’ Best Interests”;
- “Change and Innovation”; and
- “Availability and Choice”.

These sessions were attended by both civil society and industry representatives, allowing a three way engagement on topical consumer protection issues.



Figure 2 – Stakeholders participating in Discussion Paper engagement - Source: Central Bank

We would like to thank all of our stakeholders – across civil society, state authorities and industry - for engaging with us on our Discussion Paper. There will be further opportunities for engagement as we continue our work to transform the Code.

Our engagement approach was structured around a range of different formats. These included direct interactions with individual stakeholders through bilateral meetings, bringing stakeholders together to hear each other's views at roundtable events (as noted above), receiving feedback from stakeholders via written submissions and seeking the views of consumers through an online public survey.

We are also in the process of undertaking targeted consumer research which includes a quantitative survey, with a nationally representative sample of 1,000 consumers around Ireland - to gauge public views on the topical issues set out in the Discussion Paper.

We have also attended a number of industry events, providing further opportunity to hear views and perspectives. Overall, we have received 59 written submissions on our Discussion Paper and over 1,200 responses to our online public survey.

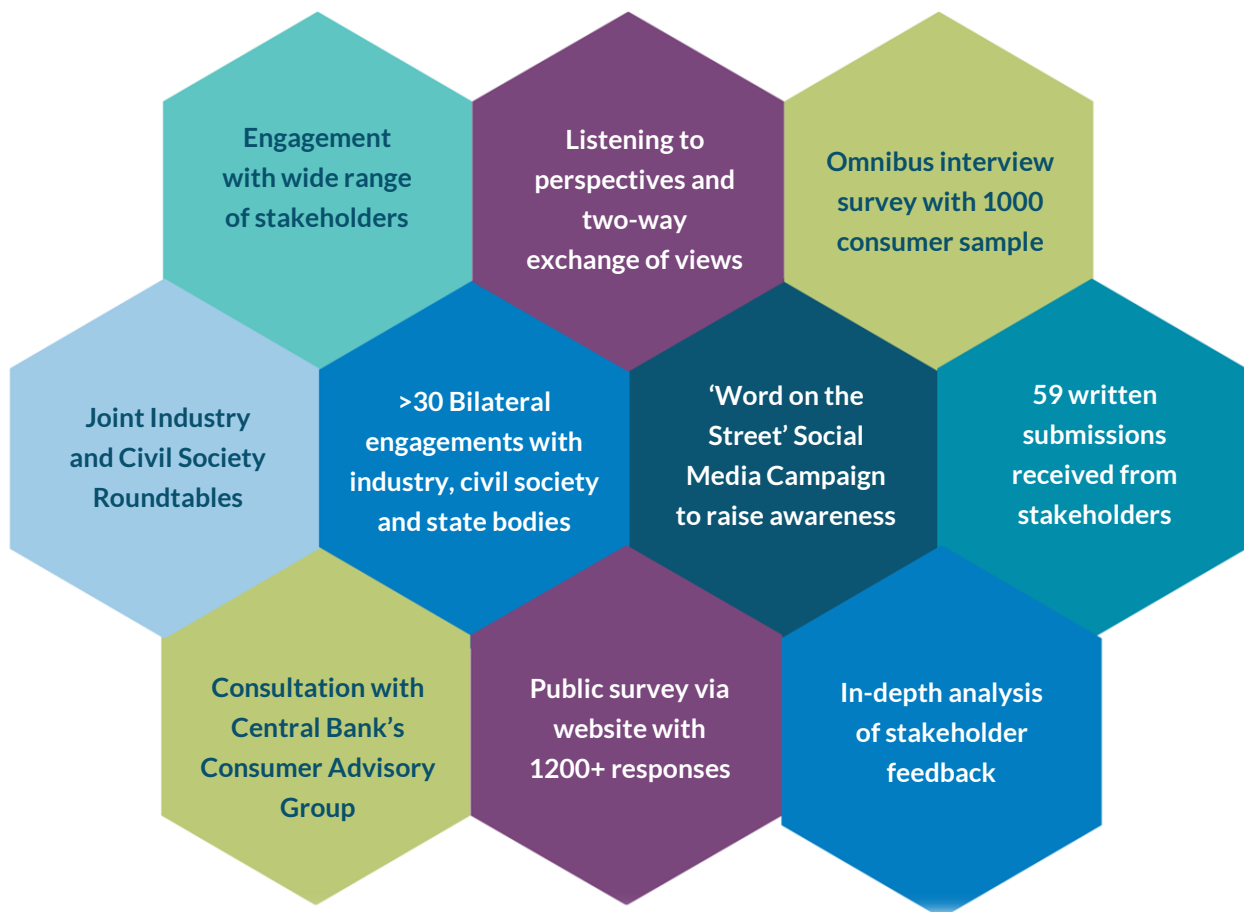


Figure 3 – Representative Overview of the Engagement with key stakeholders - Source: Central Bank

Taken together the range of formats adopted has ensured our engagement programme facilitated a broad spectrum of views to inform our policy considerations under the Code Review.



## What did we hear?

Throughout our engagement programme, we received detailed and diverse feedback which has deepened our understanding of the issues facing consumers.

A summary of the feedback provided on our individual discussion themes is set out in the following sections of this paper. All written submissions received on the Discussion Paper are available on the Central Bank website, along with the results of our online survey. You can also hear what members of the public think about a range of consumer topics in our [“Word on the Street”](#) video series.

A number of key themes have emerged:

**Digitalisation is bringing greater choice and access for consumers, but it also brings potential risks and challenges to some consumers which need to be addressed.**

**Vulnerability arises in a wide range of circumstances and people may move in and out of states of vulnerability. This requires firms to consider how they can effectively identify and support people in vulnerable circumstances.**

**Disclosure requirements can result in information overload and may not ensure that consumers are well informed. Plain, simple, standardised information and language can assist consumers.**

**Financial education and related initiatives are strongly supported and are seen as a way to address a number of issues including fraud and scams, and the need to protect vulnerable consumers.**

**It is important that consumers can clearly identify when a firm is regulated by the Central Bank. However, provision of unregulated products and services by regulated firms can create a lack of clarity on the regulatory status of those products.**

Figure 4 – Key themes reflected in feedback on Discussion Paper - Source: Central Bank

The feedback we have received will inform our work on the Code Review, but is also relevant to other aspects of the Central Bank's work. For example, respondents noted the importance of facilitating innovation to enhance availability and choice for consumers. The Central Bank wants to enhance our engagement with innovation and innovators. Separate from our work on the Code, we plan to consult in 2023 on proposed enhancements to our Innovation Hub and what further supports the Central Bank can facilitate, with any changes to be implemented over the course of our current strategic cycle.

In addition to the many responses under the specific themes in the Discussion Paper, feedback was also received from respondents in relation to the structure, scope and presentation of the new regulations and associated guidance, which will also inform our work on the Code Review.

### Broader Consumer Issues

In our engagement on the Discussion Paper, we also heard about issues and potential risks to consumers which go beyond the scope of the Code, fall under the mandates of other public authorities or require a cross-agency or system wide response. These include issues relating to competition, financial literacy and education, data protection, fraud and scams and assisted decision-making.

As part of our engagement on the Discussion Paper, we met with public authorities including the Financial Services and Pensions Ombudsman, the Competition and Consumer Protection Commission and the Data Protection Commission. We will continue to actively engage and collaborate with other public authorities, and with stakeholders, to deliver on our shared purpose of strong protections and fair outcomes for consumers.

## What Happens Next?

Now that we have completed our engagement programme on our Discussion Paper, work on the review of the Code is ongoing. This extensive review of the Code will deliver an enhanced, modernised Code in 2024, which will:

- **Securing customers' interests** – through the introduction of requirements and guidance for firms on securing their customers' interests.
- **Provide enhanced protections** - the review will bring forward an enhanced, modernised Code, reflecting the changes that are taking place in financial services and informed by the feedback we have received from stakeholders. We will also consider whether the scope of the Code should be extended to include additional sectors or services.
- **Be reflected in regulations** - the Code will be reflected in Central Bank Regulations comprising General Business Standards, cross sectoral and sector specific requirements.
- **Bring domestic protections together in one place** – existing standalone consumer protection codes and regulations, including the Code of Conduct on Mortgage Arrears, will be consolidated into the revised Code.

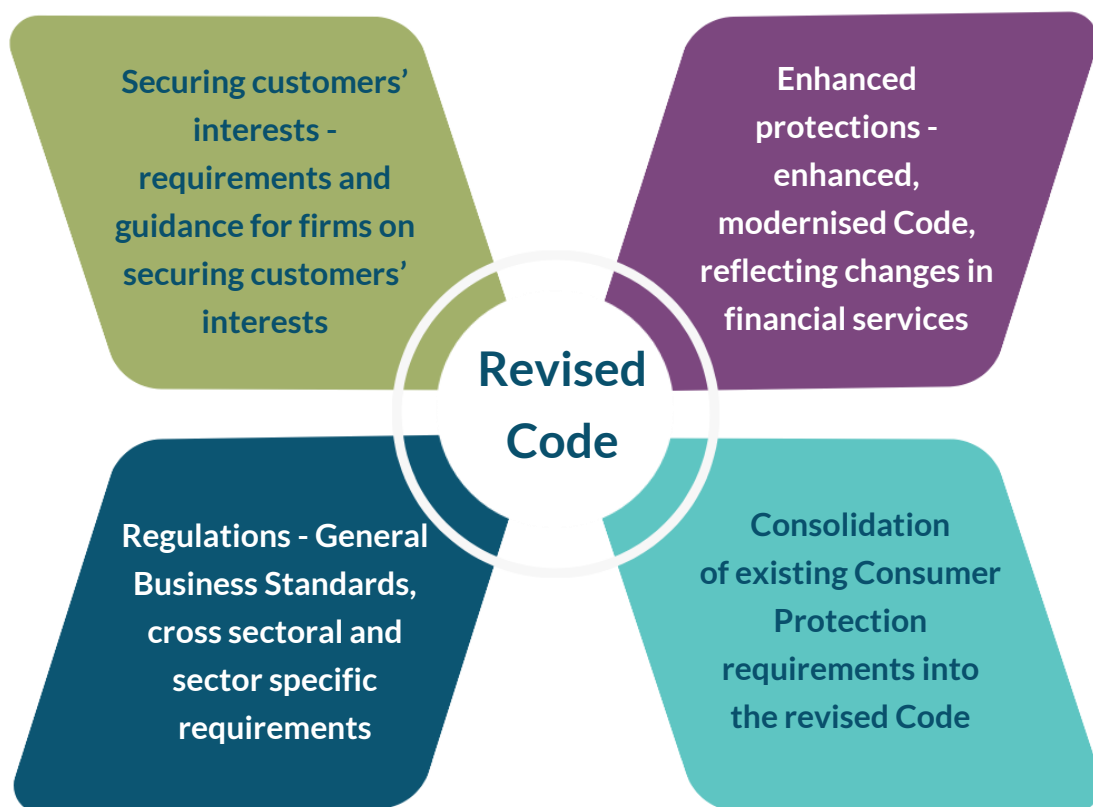


Figure 5 – Revised Code - Source: Central Bank

The proposed consolidation and re-structure of the Code will be designed from the perspective of the consumer. Consumers will be able 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.

Scope changes and enhanced protections will seek to address key consumer policy priorities.

### Key Policy Priorities

Our Discussion Paper focused on ten key themes, at times touching on areas beyond the scope of the Code. This reflects the fact that our work on the Code sits within the broader context of domestic and European financial services consumer protection.

A number of key policy priorities that can potentially be addressed through the revised Code have emerged. Focusing our proposed Code enhancements on these priority areas can drive better outcomes for consumers, as firms and consumers navigate through financial services transformation.

Figure 6 provides an overview of the ten themes identified in our Discussion Paper, our key areas of focus from a Code perspective alongside other relevant areas of Central Bank work and a number of other relevant domestic and European initiatives.

One of our overarching goals under the Review is seeking to ensure that firms work to secure consumers' interests in everything they do. This is a fundamental concept already enshrined in the Code and we believe guidance can drive firms to deliver better consumer outcomes.

Recognising the importance of securing the interests of vulnerable consumers, we intend reflecting a broader approach to the concept of vulnerability. We want to ensure that firms can identify and support people in vulnerable circumstance taking account of other safeguards such as the Assisted Decision-Making framework.

Another key priority is ensuring that the Code provides protections from the risks identified with digitalisation, while ensuring that consumers can harness its benefits. Addressing some of the risks identified with digitalisation, including its role in facilitating frauds and scams, will require a cross agency system wide response. Our proposed Code enhancements will sit alongside the Central Bank's work on innovation and digital operational resilience and initiatives being undertaken at a European level.

'Informing effectively' is also a priority for the Code Review with a focus on how information can be provided more effectively without adding to information overload. The National Strategy for Financial Literacy, launched on 6 July 2023 by the Minister for Finance, can play an important role in ensuring that information provided to consumers can be understood and effectively utilised.

## Policy Priorities - under the Broader Domestic and EU Consumer Protection Framework

| Discussion Paper Theme                                    | Code Review – Policy Priorities                                                                                                                                                     | Broader Central Bank Priorities (Non Code)                                                                                                                                                    | Domestic and EU - Legislative Developments                                                                                                                             |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Theme A: Availability &amp; Choice</b>                 | <ul style="list-style-type: none"> <li>Retail Banking Review - Access to Cash, Branch Services etc.</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>Ongoing authorisation process enhancements</li> </ul>                                                                                                  | <ul style="list-style-type: none"> <li>EU Retail Payments Strategy</li> <li>National Payments Strategy</li> <li>Access to Cash Framework</li> </ul>                    |
| <b>Theme B: Firms Acting in Consumers' Best Interests</b> | <ul style="list-style-type: none"> <li>Reframing of Firms' Best Interests obligation</li> <li>Best Interests guidance</li> </ul>                                                    | <ul style="list-style-type: none"> <li>IAF/ SEAR<sup>1</sup> implementation – linkage to firm ownership and senior executive accountability</li> </ul>                                        | <ul style="list-style-type: none"> <li>EU Retail Investment Strategy (RIS) – renewed focus on the role of firms protecting retail investors' best interests</li> </ul> |
| <b>Theme 1: Innovation &amp; Disruption</b>               | <ul style="list-style-type: none"> <li>Modernisation of Code to ensure it continues to be a high quality regulation – fostering innovation and mitigating consumer risks</li> </ul> | <ul style="list-style-type: none"> <li>Focus on earlier innovator engagement</li> <li>Review and consultation on Innovation Hub</li> </ul>                                                    | <ul style="list-style-type: none"> <li>EU Digital Strategy – addressing digital transition, supporting innovation and capability development</li> </ul>                |
| <b>Theme 2: Digitalisation</b>                            | <ul style="list-style-type: none"> <li>Includes digital platform design, accessibility and fraud mitigants</li> </ul>                                                               | <ul style="list-style-type: none"> <li>Implementation of DORA<sup>2</sup> – firm resilience given third party IT interdependences</li> <li>Consumer awareness measures – SAFE test</li> </ul> | <ul style="list-style-type: none"> <li>PSD2 Review – possible PSD3 measures on Open Banking, fraud prevention and digital consumer protection</li> </ul>               |
| <b>Theme 3: Unregulated Activities</b>                    | <ul style="list-style-type: none"> <li>Measures to address firms provision of unregulated products/services</li> </ul>                                                              | <ul style="list-style-type: none"> <li>MiCA<sup>3</sup> implementation: protection of consumers and financial stability, while supporting innovation</li> </ul>                               | <ul style="list-style-type: none"> <li>Ongoing need to consider legislative measures to prescribe regulatory perimeter</li> </ul>                                      |
| <b>Theme 4: Pricing Matters</b>                           | <ul style="list-style-type: none"> <li>Best interests' guidance to address discriminatory /unfair pricing practices</li> <li>Mortgage pricing disclosures</li> </ul>                | <ul style="list-style-type: none"> <li>Ongoing work on differential pricing</li> </ul>                                                                                                        | <ul style="list-style-type: none"> <li>EU RIS proposals on value for money and partial ban on inducements</li> </ul>                                                   |
| <b>Theme 5: Informing Effectively</b>                     | <ul style="list-style-type: none"> <li>Measures to ensure firms provide more effective disclosure</li> </ul>                                                                        | <ul style="list-style-type: none"> <li>Ongoing programme of behavioural-based consumer research</li> </ul>                                                                                    | <ul style="list-style-type: none"> <li>EU RIS proposals – enhanced digital disclosures</li> <li>Evolution of Key Information Document requirements</li> </ul>          |
| <b>Theme 6: Vulnerability</b>                             | <ul style="list-style-type: none"> <li>Revision of overall approach to vulnerability</li> <li>Proposed firm guidance</li> </ul>                                                     | <ul style="list-style-type: none"> <li>Focus on vulnerable customers under account migration</li> </ul>                                                                                       | <ul style="list-style-type: none"> <li>Assisted Decision-Making framework</li> </ul>                                                                                   |
| <b>Theme 7: Financial Literacy</b>                        | <ul style="list-style-type: none"> <li>Alignment of disclosure and consumer understanding through literacy</li> </ul>                                                               | <ul style="list-style-type: none"> <li>Ongoing development of Central Bank educational tools and Consumer Hub</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>National Financial Literacy Strategy</li> <li>EU Capital Markets Union - action plan initiatives</li> </ul>                     |
| <b>Theme 8: Climate Matters</b>                           | <ul style="list-style-type: none"> <li>Protection of consumers from greenwashing</li> </ul>                                                                                         | <ul style="list-style-type: none"> <li>Ongoing focus via Climate Change Unit and Central Bank Climate Forum</li> </ul>                                                                        | <ul style="list-style-type: none"> <li>EU Sustainable Finance Framework and EU Taxonomy</li> <li>RIS sustainability preferences</li> </ul>                             |

Figure 6 – Policy Priorities - Source: Central Bank

<sup>1</sup> Individual Accountability Framework / Senior Executive Accountability Regime

<sup>2</sup> Digital Operational Resilience Act

<sup>3</sup> Markets in Crypto Assets Regulation



## Approach to Code Review

Given the significant changes we are proposing to the structure, scope and content of the Code, we believe that effective implementation can best be achieved through the introduction of a revised Code in 2024 with additional changes to follow. This approach will allow us to bring forward important and impactful changes through the revised Code in 2024, and recognises the timing of the consideration and implementation of a number of recommendations set out in the Government’s Retail Banking Review<sup>4</sup>, which will require legislative changes. This includes planned legislation in relation to access to cash for consumers, which may subsequently require Code changes.

Our next step will be to publish a Consultation Paper on the revised Code. We will be seeking your views on changes we are proposing to make to the structure, scope and content of the Code reflecting the key policy priorities we have identified above.

Subsequently, we will consider further enhancements to the Code in a number of specific areas. This will allow us to build on a number of changes introduced under the revised Code in 2024 and to reflect ongoing policy developments at a domestic and European level including the Retail Investment Strategy and the review of PSD2.

## Overview of Approach

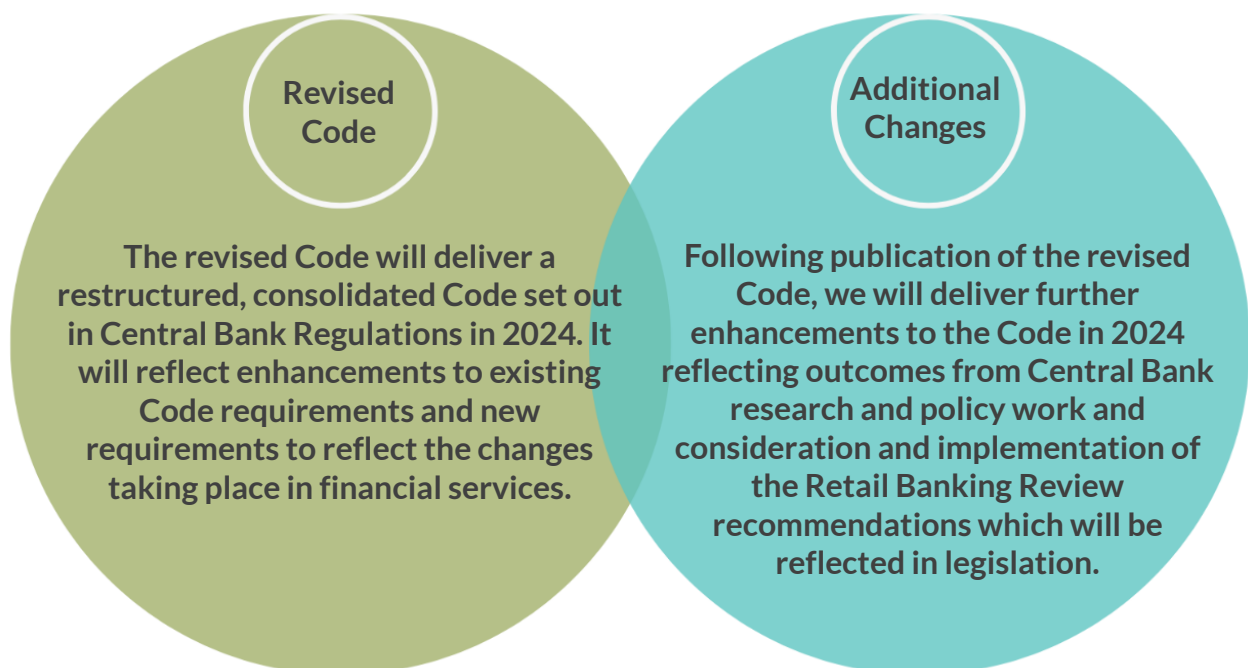


Figure 7 – Code Review Next Steps - Source: Central Bank

<sup>4</sup> <https://www.gov.ie/en/publication/28cf9-retail-banking-review-november-2022/>

## Next Steps

We intend to publish a Consultation Paper setting out the revised Code in December 2023. Following consideration of feedback received on the proposals set out in the Consultation Paper, we will then bring forward a set of final regulations.

Work on further enhancements will be undertaken over the course of 2024 and the Bank intends to subsequently publish a further Consultation Paper detailing additional amendments.

The graphic below sets out the expected timelines for the revised Code and additional changes.

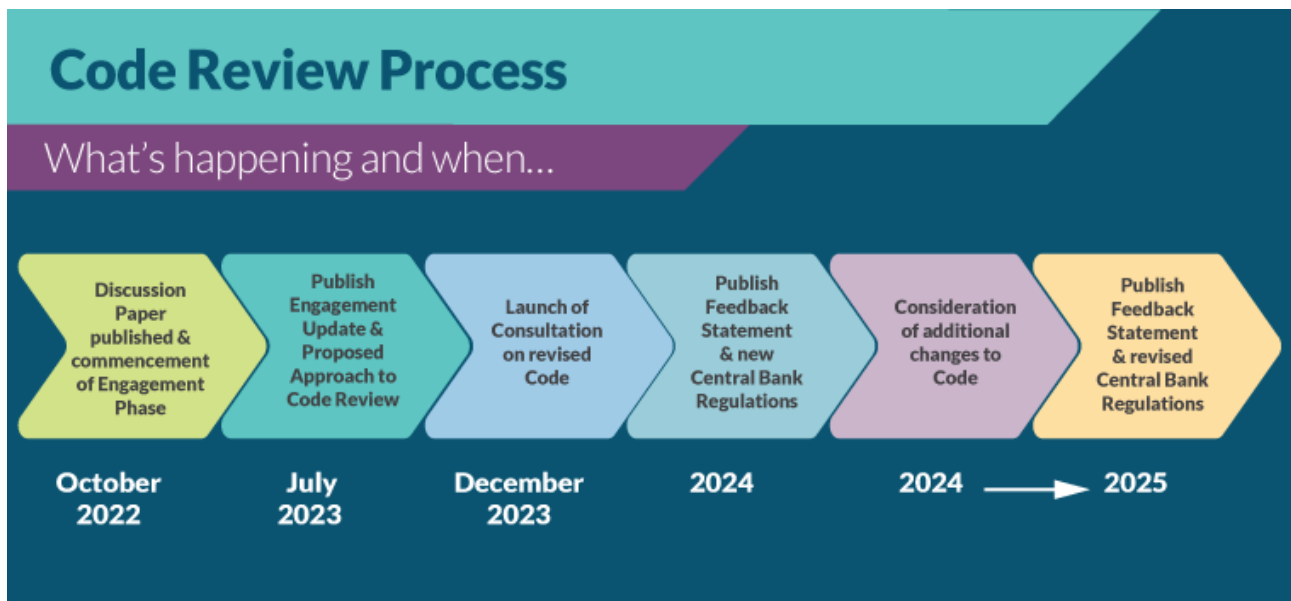


Figure 8 – Code Review Timeline - Source: Central Bank

## Broad Theme A: Availability and Choice – Effective Market Functioning

An effectively functioning market with appropriate levels of competition, and fair and transparent price formation, provides consumers with access to the products they need.



Stakeholders agreed that appropriate levels of product and service availability and choice is important. Some respondents considered that there is an adequate range of products and services for consumers over the broader financial services landscape while noting challenges in some areas (for example, concentration in the retail banking sector).

It was noted that, while developments in financial services through innovation and digitalisation mean greater choice and access to financial services for some, this also results in challenges and possible exclusion. This applies in particular to those in vulnerable circumstances, including consumers with financial and digital literacy issues. Respondents felt that branch closures and service withdrawals impacted on availability and choice and, in particular, on access to cash and basic banking services.

Stakeholders considered that new providers and delivery channels are clearly of benefit to availability and choice. Open Banking was also identified as having a positive impact. Respondents felt that it is important that new entrants to the system are appropriately regulated to ensure that consumers are effectively protected.

Generally, respondents agreed that competition improves the functioning of markets and benefits consumers. It was also generally agreed that greater competition leads to increased innovation in products and services, which is in the public interest. The ability to switch is seen to be key. Stakeholders noted the Retail Banking Review and the importance of our effective implementation of its recommendations.

As part of our online public survey, we asked if respondents agreed with the statement that “There is an appropriate balance between protecting consumers and encouraging new entrants and innovation in financial services.” As set out in the chart below, 62% of respondents either agreed or somewhat agreed with this statement, with 21% disagreeing or somewhat disagreeing with the statement.

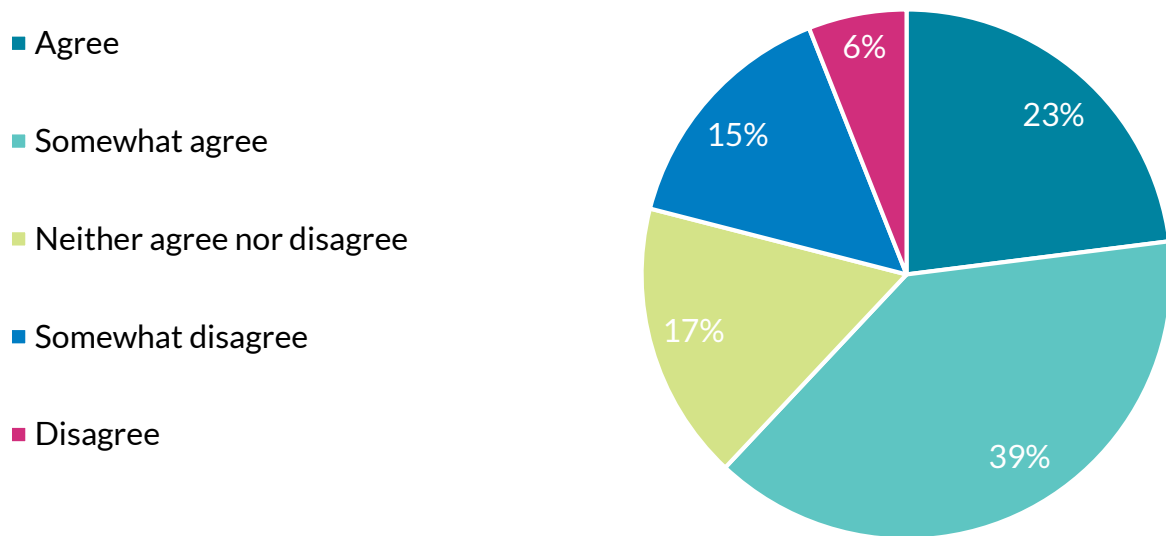


Figure 9 - Findings from our Public Survey - Source: Central Bank

This theme was also reflected in feedback received through written submissions and in-person engagements with some stakeholders referencing the importance of striking a balance between trying to reduce the risks to consumers through the imposition of regulatory requirements, and ensuring that regulation does not impose costs on firms and consumers, and facilitates innovation, and availability and choice.

## Broad Theme B: Firms Acting in Consumers' Best Interests

While delivering a profitable and sustainable business model, a financial service provider has a fundamental responsibility to place the best interests of consumers at the centre of how its products and services are designed and delivered.



Stakeholders agreed with our assertion in the Discussion Paper that at the core of consumer protection is the need for markets and firms to serve the interests of consumers.

Our online public survey indicates that 60% of respondents either agreed or somewhat agreed with the statement “Generally speaking, financial services firms appropriately balance my interests against the interest of making money.”

- Agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Disagree

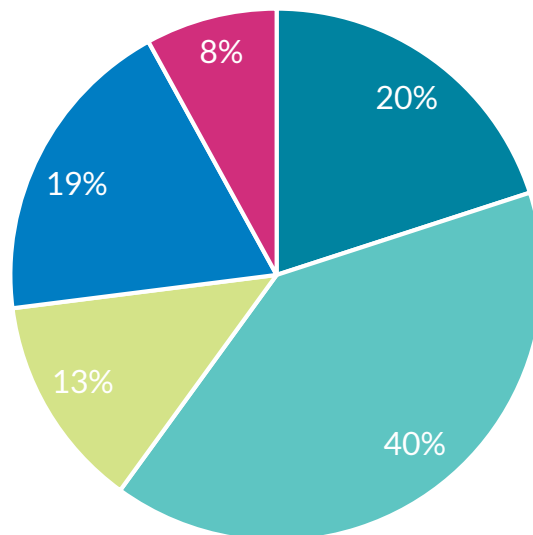


Figure 10 - Findings from our Public Survey - Source: Central Bank

Respondents also welcomed the Central Bank’s proposal to develop guidance on what it means for a firm to act in the best interests of its customers, with some noting that a principles-based approach is preferable.

Some stakeholders also expressed a view that there is a lack of clarity on what “best interests” means and how this duty can be balanced with the legal and statutory obligations firms must meet in relation to their shareholders. Stakeholders were of the view that the focus should be on the outcome for consumers and that practical examples from the Central Bank would be useful.

Feedback suggested that guidance should articulate clearly the Central Bank’s expectations for consumer protection, taking into consideration levels of consumer financial literacy and behaviour. Some respondents expressed caution on the use of the “acting in the best interests of consumers” terminology as it could imply that the Central Bank expects firms to take a paternalistic approach towards consumers, or a need for them to make decisions on a consumer’s behalf, which would encroach on decision-making autonomy. Respondents also sought clarity on how the Code interacts with, for example, the Assisted Decision-Making (Capacity) Act.

Some respondents suggested that further consideration is needed on specific topics, for example, in relation to informing consumers effectively, or supporting those in vulnerable circumstances. There was also strong feedback from consumer representatives on the importance of considering those with financial literacy and digital literacy challenges. Stakeholders also suggested that specific consideration be given to areas such as conflicts of interest, complaints and fairness with specific concerns raised in relation to the payment of fees and commissions to third parties.

Some stakeholders raised the importance of considering the individual needs of specific target markets and the need to be clear on actions and expectations on the firm, i.e. what acting in consumers’ best interests looks like.



# Theme 1: Innovation & Disruption

The speed and scale of innovation in financial services is bringing unprecedented change and disruption. Innovation provides many opportunities, but also risks, for consumers and firms. Consequences and effects need to be carefully considered.



While there is generally broad agreement amongst stakeholders that innovation is a good thing and can bring positive benefits to consumers and businesses alike, there are concerns around the loss of in-person services, and calls for greater choice and support for those unable or unwilling to engage with new, innovative and digital approaches.

Some respondents reflected on the importance of innovation in the financial sector being accompanied by proportionate consumer protection, with consistent harmonisation across the EU. On the issue of supporting innovation while protecting consumers' interests, stakeholders suggested there was a need for the Central Bank to collect additional data and information on how to ensure the protection of consumers into the future. This could include earlier engagement with relevant interest groups, including representatives of vulnerable groups, regarding their needs around technology and innovation. Feedback also reflected strong support for our proposals around enhancing the Central Bank's Innovation Hub and the upcoming review and consultation in that regard.

On the question of how regulators might ensure that neither incumbent firms, nor new entrants have unfair advantages that could be a barrier to fair competition, there were differing perspectives. Some stakeholders advocated for minimum standards and consistency, to ensure a level playing field. Others advocated for proportionality, and for sector-specific rules based on risk, reflecting a view that a one-size-fits-all approach will reduce innovation and competition. The importance of benchmarking against other jurisdictions was also flagged.

Some stakeholders were of the view that all businesses should accommodate all types of consumers and that firms should not be allowed to cherry-pick a particular, more profitable, element of the market. It was suggested that, where this happens, levelling mechanisms, e.g. grants/levies, could be considered to ensure availability for consumer cohorts seen as less profitable.

Specific measures suggested to foster innovation included the accelerated and wider roll-out of open finance solutions which can better enable new entrants to access customers and data to help them compete with established players.

Some responses advocated for a faster, more streamlined authorisation process and the removal of barriers to entry. An alternative view was a call to expand the authorisations process to include an obligation to fully comply with the United Nations Convention on the Rights of Persons with Disabilities, the European Accessibility Act, Equality Acts, Assisted Decision-Making (Capacity) Act and General Data Protection Regulation.

A common thread throughout the responses on many of our themes is the importance of clear and accessible information for consumers in the face of increasing innovation, and the need for best practices, such as those set out in the Web Accessibility Directive and the European Accessibility Act.

The fear of financial fraud was also highlighted as a significant barrier to consumer trust in innovation and digitalisation, and there was a general call for concerted and cross-sectoral efforts to tackle this across the wider system, and the additional risks arising from digitalisation in relation to financial abuse and exploitation.

## Theme 2: Digitalisation

Digitalisation is changing how we access financial services. While digitalisation brings ease of access and efficiency for many consumers, careful consideration of potential risks is needed.



A number of submissions highlighted the many substantial benefits that digitalisation of financial services brings to consumers, individually and collectively. The online public survey responses corroborate this with 81% of respondents indicating that they agree or somewhat agree with the statement: “My experience of dealing with financial matters has improved due to increased digitalisation.”

- Agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Disagree

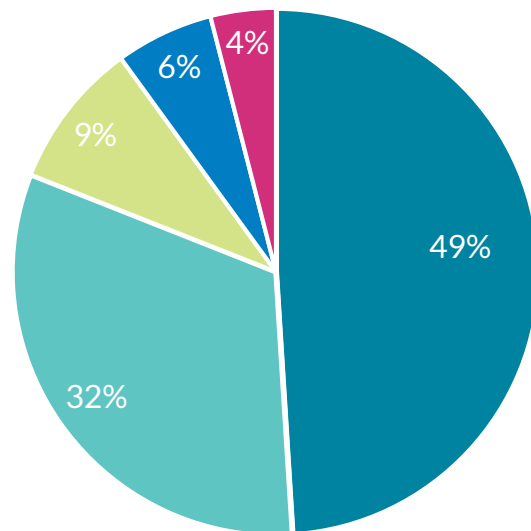


Figure 11 - Findings from our Public Survey - Source: Central Bank

Overall, the submissions received indicate that stakeholders are substantially in agreement with the Central Bank’s analysis of the benefits, challenges and risks around digitalisation.

Stakeholders also provided their insights on a number of key issues, as well as suggestions for additions and enhancements to current Code provisions, which will be considered as part of the ongoing Code Review.

There are crossovers between feedback provided on this theme and the Innovation and Disruption theme, including issues around accessibility, digital and financial exclusion, poor digital literacy and the challenges arising from a decrease in human interaction.

On the specific question of targeted advertising online, there was a general acknowledgement that personalisation and individual targeting of ads, can be detrimental if firms are not acting in line with the General Principles of the Code. Our online public survey

indicated that only 31% of respondents either agreed or somewhat agreed that the statement “Online ads targeted to me, based on my personal data, are of benefit to me.”

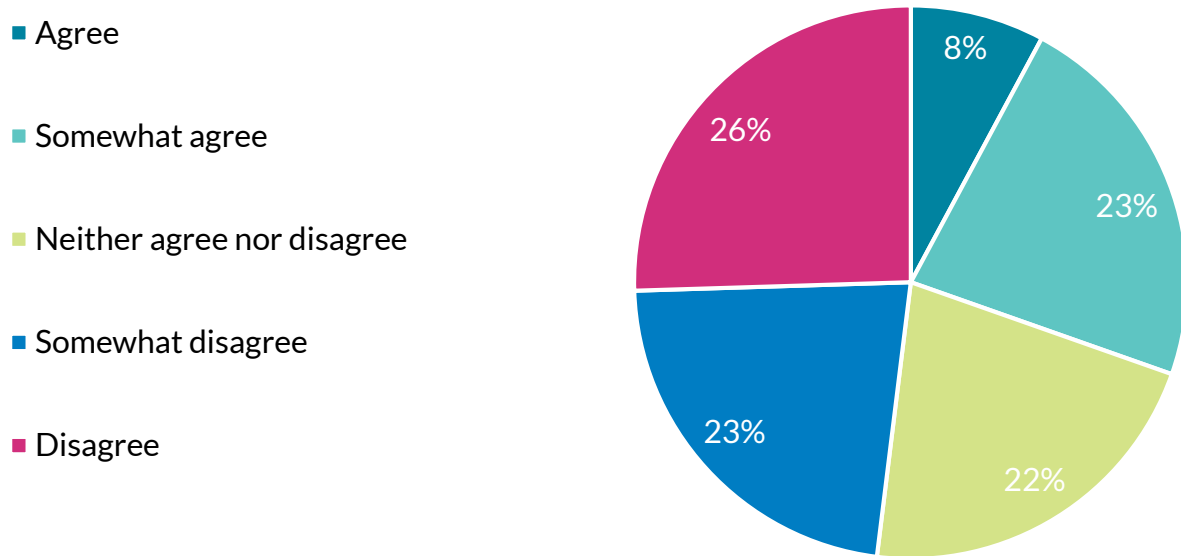


Figure 12 - Findings from our Public Survey - Source: Central Bank

However, some feedback indicated that personalisation and individual-targeting of ads can be beneficial as it has the potential to provide focused, relevant and suitably priced options to consumers that can be of benefit to them. It was noted that the outcome will depend on the intent and the approach of the financial service provider.

## Theme 3: Unregulated Activities

Not all financial services are regulated by the Central Bank. Regulation needs to keep pace with changes in financial services and consumers need clarity on what is regulated and what is not.



Overall, the focus on unregulated activities in the Discussion Paper was welcomed and there was broad agreement on the issues outlined in the paper. It was generally agreed that the statement “Regulated by the Central Bank” was useful for consumers.

This view was echoed in the online public survey with 91% of respondents either agreeing or somewhat agreeing with the statement "Regulated by the Central Bank of Ireland" - used to highlight if a firm is regulated - is useful for consumers.

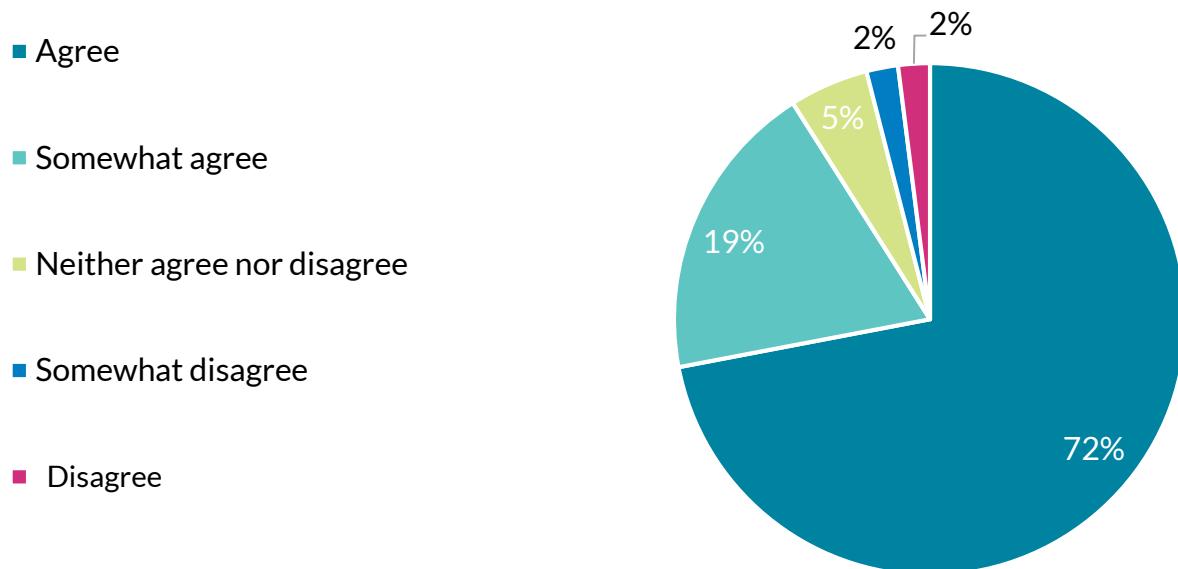


Figure 13 - Findings from our Public Survey – Source: Central Bank

It was suggested that further effective, targeted communication clearly distinguishing between regulated and unregulated products and firms, including developing a logo for regulated products, would support consumer awareness of the risks and implications.

The increased risk to consumers from the “halo effect” arising from regulated providers providing unregulated products and services, was acknowledged. Additional proportionate measures, including clear and effective communication and further regulatory requirements, were suggested to mitigate this risk. Feedback from stakeholders also noted that any further action must be balanced with careful consideration of the impact on financial services providers and level playing field considerations, from both a domestic and EU perspective.

## Theme 4: Pricing Matters

An effectively functioning market, with an appropriate level of choice and competition, where firms secure consumers' best interests, facilitates fair price formation.



Respondents agreed that ensuring consumers have easy access to clear, effective and unbiased pricing information empowers them to make informed choices. Information should be in plain language, with the use of testing with consumer groups suggested to assess the effectiveness of disclosures.

Stakeholders highlighted the level of existing disclosure requirements and emphasised that further requirements should consolidate and refine information provided rather than overload consumers.

While, it was considered that some requirements requiring firms to notify customers of fees and charges for some products (for example under the Consumer Credit Act and Payment Accounts Regulation) are sufficient, it was suggested that a broader application of these types of requirements across all providers would result in a more consistent approach to transparency on fees and charges. Our online public survey found that 53% of respondents either agreed or somewhat agreed with the statement that “There is fairness and transparency in how financial products and services are priced.”

- Agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Disagree

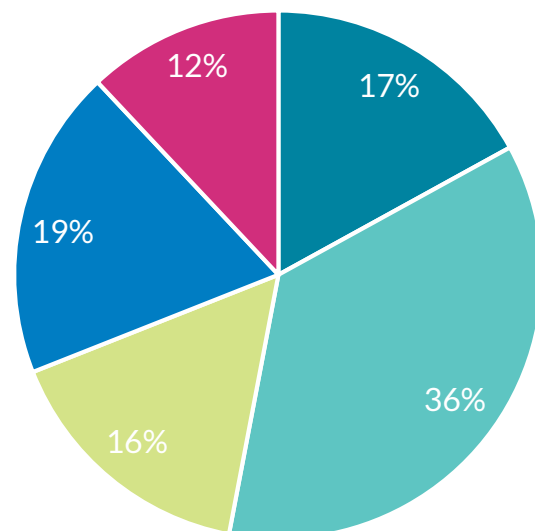


Figure 14 - Findings from our Public Survey – Source: Central Bank

It was noted that data and machine learning may provide opportunities for more targeted pricing models, particularly in the insurance sector, but that this may impact transparency

around firm pricing decisions. Some stakeholders welcomed recent Central Bank regulatory intervention on insurance pricing and suggested consideration of similar measures for other sectors.

In relation to the consideration of unfair practices and customer vulnerabilities, respondents raised issues in relation to a lack of clarity on terms and conditions which can significantly impact consumers, particularly those in vulnerable circumstances. Hire Purchase, Personal Contract Plans and Buy Now Pay Later were provided as examples where there are concerns in relation to disclosure of fees and charges and late payment penalties.

Other issues raised in the feedback included offers or incentives which were only made available to limited cohorts (for example on mortgage pricing and cashbacks) and how this impacts on consumer choice and competition. Concerns were also raised in relation to high cost credit providers and unregulated firms where high interest rates can expose customers in vulnerable circumstances to high credit costs, particularly those with a poor credit history.



## Theme 5: Informing Effectively

The Code seeks to ensure that consumers are provided with sufficient information, at the right time and in the right way, to enable them to make informed decisions in relation to financial products and services.



Respondents welcomed the shift in the Bank’s approach and agree that informing effectively should be less about ‘providing information’ and more about ‘seeking to support understanding’ by the consumer of the financial product or service.

Feedback in this area also consistently indicated that too many disclosure requirements are creating information overload, with many respondents referencing overlapping and sometimes contradictory requirements across different requirements.

There was a lot of support for a key information document-type approach adopted elsewhere (see below) to improve effectiveness of disclosure. This was also reflected in our online survey with 94% of respondents indicating that they agreed or somewhat agreed that the statement that “they would be more likely to read a one or two page summary of the most important information.”

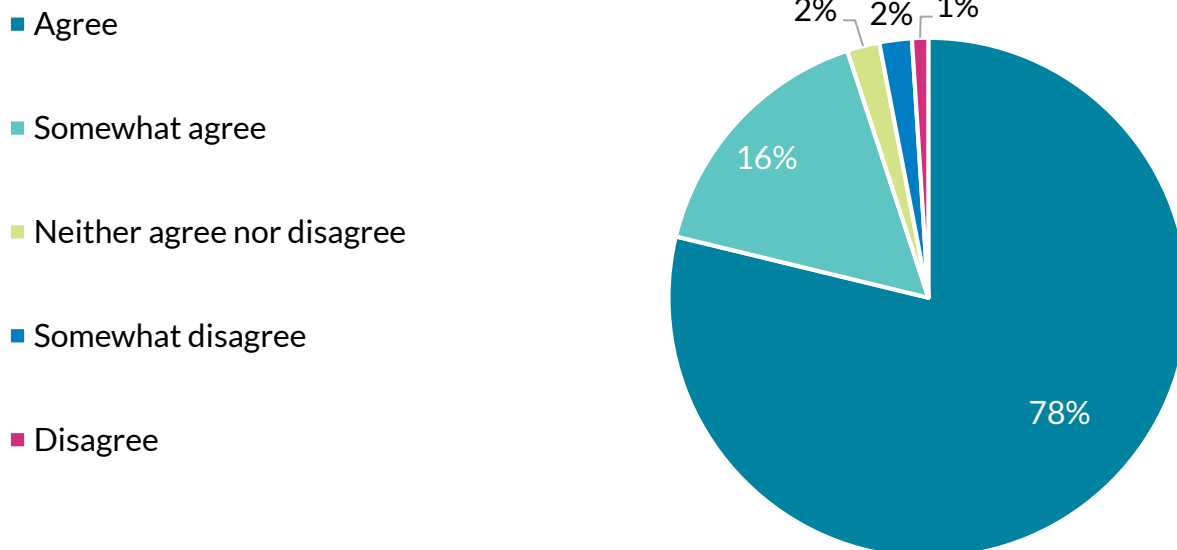


Figure 15 - Findings from our Public Survey – Source: Central Bank

The Insurance Product Information Document (IPID) was called out as a good example of such a document. There were also views expressed that a key information document should be principles-based and not prescriptive, and should result in the reduction of other disclosures.

The importance of clear, simple information, provided in line with literacy and numeracy guidelines (including NALA guidelines), and of the use of universal design principles, also came across clearly in responses.

There was generally strong agreement in the feedback that technology can play a significant role in supporting consumers' understanding of financial products and services. There were some caveats however, including that consumers should be offered a choice of access channels (digital, in-person and a combination of both) and alternative formats of information – consumer choice is key. Some respondents argued for a move towards a 'digital first' approach with a move away from paper communications, unless it is not in the best interests of the customer.

There are good examples in the feedback of how technology can be a positive addition. These include analysing consumer patterns and issues to help providers to tailor their approach to improve supports for consumers. Another example provided was the use of learning tools for customers with tests to 'unlock' access to new products once the consumer can demonstrate that they understand the characteristics, risks and costs of a product or service. However, some stakeholders expressed a need for caution and time to build confidence that these systems are used appropriately and ethically.

In response to a specific question on how disclosures around mortgage products might be enhanced, answers reiterated the importance of clear and understandable disclosures. A number of specific risks were flagged in relation to consumers' understanding of lifetime mortgages, and early repayment charges.

## Theme 6: Vulnerability

Firms securing the best interests of customers requires them to understand vulnerability and to ensure that their culture, policies and processes take account of the needs of vulnerable consumers.



The feedback showed overwhelming acceptance of the view that vulnerability is a spectrum of risk, and that consumers may move in and out of states of vulnerability, and may be vulnerable in respect of some categories of transactions but not others. In our bilateral engagements in particular, many stakeholders emphasised that this change in approach by the Central Bank was welcome.

Consistent messaging came through from many respondents that staff training and supports are key to empowering firms and staff to identify and deal effectively with vulnerable customers.

A number of respondents suggested that firms should develop and implement policies around vulnerability that are appropriate for their products and business models. They noted that such policies should be integrated into all stages of the customer journey, ensuring that customer needs are being met throughout, including at key decision points on that journey.

Respondents indicated that increased digitalisation can lessen the opportunities to proactively identify those in vulnerable circumstances. Concerns around digital only access in financial services and the gap for those who do not, or cannot, use or avail of digital choices was also emphasised. Stakeholders highlighted the risk that some customers may become financially excluded or placed in a vulnerable position due to technological advancements.

Respondents noted that providing a choice of ways to access financial services supported consumers' best interests; and that embedding a consumer-friendly approach in design and delivery of products and services ensures firms are acting in a customer's best interests.

There was an overall view in responses that any revisions to the Code should not conflict with the obligations under the Assisted Decision Making (Capacity) Act, to ensure coherence across the consumer protection framework.

In general, positive feedback was received regarding the facility to appoint a trusted contact person, as seen in other jurisdictions, with respondents highlighting the benefits that this proposal might bring. Some respondents however caveated their support with a note of caution that the perpetrators of financial abuse are often 'trusted' and are frequently family members. Responses to our online public survey showed that 95% of respondents agreed or

somewhat agreed with the statement: “Vulnerable consumers should be permitted to nominate a friend/family member to deal with financial services firms on their behalf.”

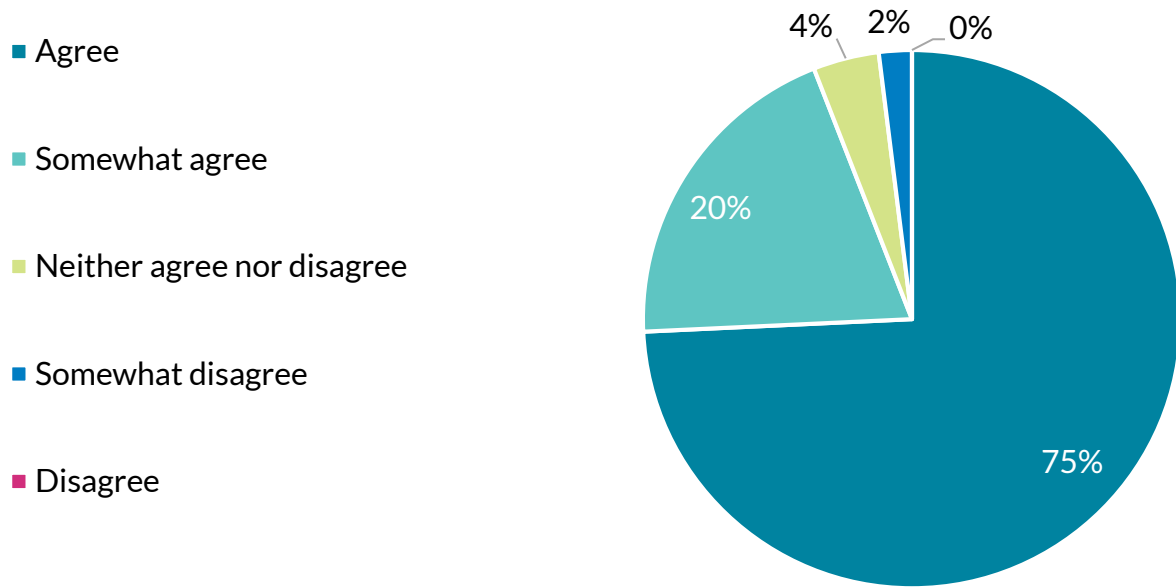


Figure 16 - Findings from our Public Survey – Source: Central Bank

A number of other issues, which are out outside the scope of the Code, were also raised on this theme including issues relating to identification requirements for vulnerable customers, and how the lack of acceptable photographic ID is a barrier to access to basic financial services for many of the most marginalised in society.

## Theme 7: Financial Literacy

Financial literacy can be described as people’s ability to process finance-related material and make informed decisions about financial planning, wealth accumulation, pensions and debt.



Responses under this theme demonstrate strong support for a national strategy and a multi-agency approach to dealing with financial literacy. There is a clear acknowledgement that responsibility lies across government, state agencies, regulatory authorities and financial service providers.

Responses highlighted the need for more focus on financial literacy in schools, not just at second level, but starting in primary school. It was also noted that proactive financial awareness and education campaigns can also play a role, not only through the school curriculum, and not necessarily through traditional written methods but through television, radio, internet and social media channels. Our online public survey showed that 85% agreed with the statement “Improved financial education can empower consumers to better protect their own interests when dealing with financial matters.”

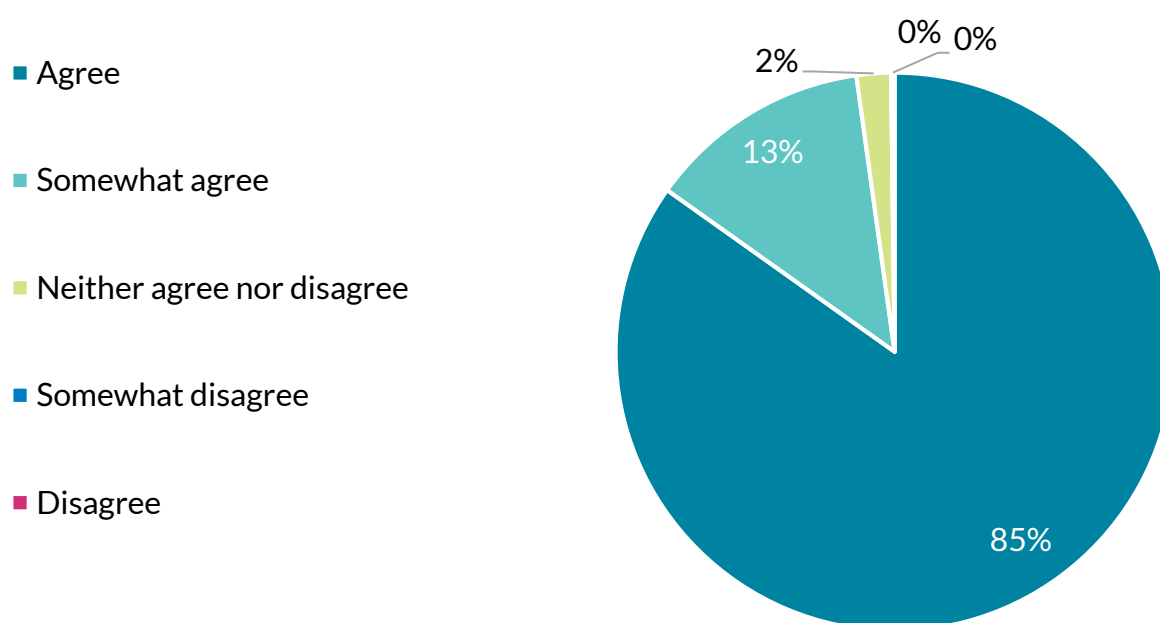


Figure 17 - Findings from our Public Survey – Source: Central Bank

It was recognised in a number of responses that consumers can be empowered to better protect their own interests when dealing with financial matters by having clear and accessible information available to them. The importance of firms recognising the differing levels of literacy and support needs of their customers, was also highlighted. The need for plain language, and materials prepared in line with NALA guidelines, was again highlighted

under this theme with respondents noting that this is key to supporting consumer understanding.

Respondents also suggested that there is a clear role for behavioural science, which can steer financial services firms towards the most effective methods of communication to support better consumer engagement and understanding.

It was also noted that there is a balance to be achieved between empowering consumers to understand financial information and concepts, and placing too much responsibility on them for the achievement of better outcomes.

## Theme 8: Climate Matters



It is clear that climate change presents significant impacts for all consumers. At a fundamental level, consumers want to see the financial system and its regulation evolving to support a climate neutral future. They also need to have confidence that financial services firms and the broader system are resilient to climate risks and that ‘greenwashing’ is avoided.

There was broad acknowledgement that the financial system has a vital role to play in supporting the transition to a climate neutral economy, by providing funding for alternative and sustainable economic development and developing supports, services, and products to facilitate change. A strong sense came through in the submissions that in order to achieve this, the focus should be on improving financial literacy amongst consumers and on empowering consumer choice through clear disclosures.

Respondents provided a clear message that when it comes to climate matters, a joined-up collaborative approach across numerous sectors is needed, and that any requirements that are imposed by the Central Bank on firms should align with measures adopted by the European Union.

In terms of how climate change may impact on availability, choice and pricing, some submissions suggested there was a need for additional financial support for consumers, which could take the form of government support schemes, when buying green products. This is on the basis that they tend to be more expensive.

A number of respondents noted that the availability of clear literature with accessible information was a key factor in avoiding greenwashing and a key contributor to increasing consumer confidence on climate issues. The importance of consumer understanding of Environmental, Social and Governance (ESG) terminology and the effects of greenwashing was highlighted, noting that this will in time impact on the choices consumers make.

On the pricing of insurance, a number of responses highlighted the importance of not penalising consumers in high-risk areas affected by extreme weather events.

The results of the online public survey undertaken by the Central Bank indicated that “65% of those respondents agreed or somewhat agreed with the statement that “Climate change has an impact on availability, choice and pricing for financial products and services.”

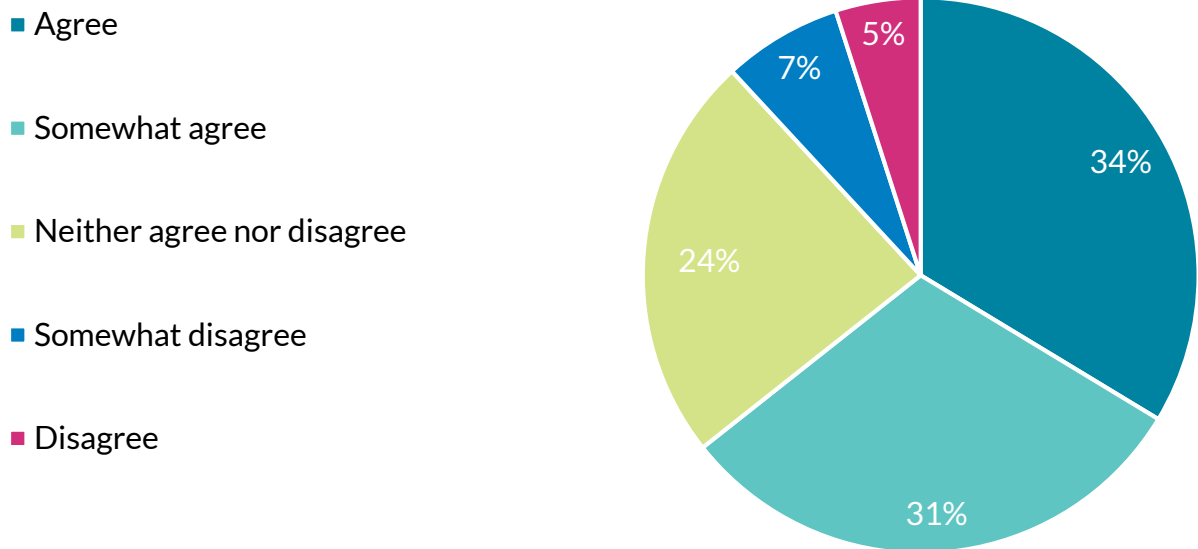


Figure 18 – Finding from our Public Survey - Source: Central Bank

Contributors indicated that the impact of climate change may require additional specific consumer protections, particularly for those who are most vulnerable to its effects. The importance of ensuring that the disclosure of information is made in an easily accessible and understandable format was also highlighted along with the need for public education on ESG issues and support for consumers to help them understand new regulatory concepts and terminology. It was noted that such measures would help to mitigate the risk of misunderstanding, the risk of greenwashing, and build trust in financial markets.





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