



national consumer agency
gníomhaireacht náisiúnta tomhaltóirí

putting consumers first

REVIEW OF MINIMUM COMPETENCY REQUIREMENTS

CONSULTATION PAPER – CP 45

SUBMISSION FROM THE NATIONAL CONSUMER AGENCY

12 AUGUST 2010

National Consumer Agency Response to the Consultation Document “Review of Minimum Competency Requirements – Consultation Paper CP 45”.

The National Consumer Agency (NCA) is a statutory body established by the Irish Government in May 2007. It aims to defend consumer interests and to embed a robust consumer culture in Ireland. In March 2010, the NCA assumed responsibility for the statutory information and education functions of the Financial Regulator.¹

The NCA provides free, independent information that helps consumers to understand financial products, ask the right questions and make the right choices about personal finances. The NCA’s personal finance website www.itsyourmoney.ie provides a range of information to consumers including cost comparisons on day-to-day banking, savings, credit and insurance where consumers can compare the costs of various products offered by various regulated financial institutions.

Our response to the proposals outlined in the draft revised Requirements are outlined below:

1. Continuing Professional Development (CPD)

We support the proposal to change from a three-year cycle for CPD to an annual requirement that will now capture formal and verifiable hours. The importance of a formal and recognised qualification should be a basic requirement for individuals who provide advice on or who sell retail financial products to customers/consumers – but it is only a starting point.

The majority of other professional bodies now operating in Ireland operate a system of exams and work experience to obtain a professional qualification. To ensure that the value of the qualification is maintained members must also participate in an annual CPD process. We would like to see a CPD process that is clearly structured to ensure that training objectives are identified and are relevant to the original qualification obtained. Awarding bodies should also have in place an evaluation process for assessing suitable training courses, for reviewing the accuracy of individual CPD returns and to ensure that courses taken are relevant for CPD purposes.

2. Grandfathering

We support the recommendations made by the Financial Regulator to phase out grandfathering arrangements and to replace this arrangement with a relevant recognised qualification by 2015.

The financial services industry in Ireland reaches out to customers/consumers through various information and sales channels. It is very important to ensure that users of these channels are being offered a consistent and knowledge based approach that is easily measured and comparable. The use of “grandfathering” has given rise to an inconsistent approach, which measures experience in place of

¹ This follows a Government decision to transfer the statutory consumer information and education functions of the Financial Regulator, including www.itsyourmoney.ie, to the National Consumer Agency.

formal qualifications. A better approach would be to measure qualifications that are supported by both relevant work experience and continuing professional development. It is for this reason we support the phasing out of this approach.

3. Registers

We support the retention of a public Register that members of the public can access and review. In particular we agree that consumers must be informed that they may request sight of the Register or an individual certificate.

However, we would welcome greater clarity on how regulated entities are informing existing or potential customers/consumers about the following:

- the existence of the Register,
- their rights to view the Register,
- at what stage in the customer relationship this should happen?

We would support the view that customers/consumers should have access to the Registers at point of sale, at interim reviews and when crucial personal finance decisions are being made.

4. Providing services via the internet

We would welcome Requirements where an interaction between a member of staff and a consumer takes place. This would also apply where an internet sales site provides advice to consumers. There should be consistency across the different delivery channels being offered.

5. Outsourcing

In relation to assessing whether an outsourced activity should be subject to the Requirements we would suggest a simple approach to clarify this issue – a view of the activity itself rather than focusing on the channel being used to deliver it.

If the outsourced activity would be subject to the Requirements if delivered by the regulated entities own staff – then the Requirements should apply to the outsourcer as well.

6. Loan restructuring

We would like to see the Requirements extended to capture the full relationship customers/consumers have with regulated entities. The emphasis on the point of sale relationship needs to be extended to the ongoing relationship with the customer/consumer so that serious issues such as dealing with mortgage/loan arrears, dealing with debt and the restructuring of loans are also addressed.

7. Investment Management

Our understanding of this part of the document is that it relates to the actual investment of client funds, rather than the sales or intermediary function. We would welcome more detailed specified competencies in relation to investment management to ensure that individuals have the necessary expertise to invest client assets in accordance with agreed mandates.

It would be reasonable to assume that regulated entities have already identified the competency requirements that are needed by their specialised staff, to ensure compliance with their own internal systems and the Financial Regulator's Consumer Protection Code. An audit of existing competency requirements in this area could be used to identify relevant subject areas and associated competencies. This would allow internal procedures – already in operation - to be strengthened by formally including them in the Minimum Competency Requirements set out by the Financial Regulator.

8. Other – Older and vulnerable customers/consumers

In relation to the areas of savings, investments and equity release products we would welcome more detailed competencies that capture the increased knowledge and awareness that is required by staff selling products to this group of customers. This awareness also needs to be extended past the initial contact/point of sale and into the ongoing relationship between the customer/consumer and the regulated entity.

9. Minimum Competency Requirements for Retail Financial Products - additional competencies that should be included in these areas:

a) Savings, Investments and Pension Products

(5) Savings and Investments:

To explain compensation schemes and how they work.

(7) Tracker bonds:

To explain the risks for older and vulnerable consumers.

b) Housing Loans, Home Reversions Agreements and Associated Insurances

(2) Housing loans and home reversion agreements:

To explain what a personal guarantee is, how it works and the implications they have on a consumer's estate.

(2) Housing loans and home reversion agreements:

To explain the impact the drawing down of funds through equity release² may have on a consumer's social welfare entitlements.

² Equity release means in this case lifetime mortgages and home reversion schemes.