



Review of the Standard Financial Statement

Submission to Central Bank of Ireland

Consultation Paper 139



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Competition and
Consumer Protection
Commission



Introduction

The Competition and Consumer Protection Commission (CCPC) welcomes the opportunity to respond to Central Bank of Ireland's (CBI) Consultation Paper 139 on the Standard Financial Statement (SFS). Under s.10 (1) of the Competition and Consumer Protection Act 2014, the CCPC has a statutory function to promote competition and to promote and protect the interests and welfare of consumers. The CCPC has a specific function under s.10 (3) (j) (ii) to (ii) promote the development of financial education and capability. The CCPC's response to the consultation paper reflects this mandate.

The revising of the SFS in line with consumer shifts in behaviour is welcomed by the CCPC, as are the alterations aimed at making the form more consumer-friendly.

The CCPC's views relating to wider issues and implications of the Code of Conduct for Mortgage Arrears (CCMA) and Mortgage Arrears Resolution Process (MARP) will be referred to further in the section "CCMA & MARP".

The CCPC's response to the proposed alterations are grouped by theme below. In providing a response, the CCPC acknowledges the work of the stakeholder working group which informed the proposed changes in this consultation.

Proposed revised Standard Financial Statement

The CCPC agrees with the changes outlined in the consultation paper and has included further suggestions below for consideration by the CBI. In particular, the CCPC welcomes the recognition of the importance of Plain English and the use of insights from behavioural science in the content and structure of the document. The CCPC is of the view that the additional information provided in the revised SFS will be of assistance to consumers in understanding the terminology used and the structure of the document.

The CCPC has a statutory function to promote financial education and capability and recognises the importance of financial literacy in consumer decision making. The importance of improving financial literacy has also been acknowledged at an international level by the OECD¹. The CCPC report “*Financial Capability and Well-being in Ireland in 2018*”² showed a “strong link between formal financial education and financial well-being”. The adjustments proposed would help to increase the accessibility of the form to those with lower financial literacy, which is welcome.

The below points outline the areas in which the CCPC is in agreement with the proposed amendments:

- a) *Structural Changes* – The consolidation of mortgage information into one section would be a sensible approach for consumers. Likewise the inclusion upfront of the revised “Important information for completing your SFS” page is likely to be helpful to consumers looking for clarity and instruction. The structure of this page also better suits a financial literacy-focused and Plain English approach than the previous version.
- b) *Field Removal* – The removal of several fields which are no longer relevant is also welcome and increases the simplicity of completing the form. This is also in line with broader data minimisation requirements as set out in the General Data Protection Regulation (GDPR).
- c) *New fields* – The inclusion of moneylending (along with Personal Contract Plans (PCPs)) as a field reflects the changing consumer credit experience. However, the

¹ <https://www.oecd.org/finance/OECD-Recommendation-on-Financial-Literacy.htm>

² <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf>

CCPC would suggest that any guidance for consumers to aid completion of the SFS should include a definition of moneylenders/high-cost credit providers and relevant examples, e.g. some catalogue firms are regulated as moneylenders.

The CCPC suggests additional changes or further clarification, as set out below:

- a) The CCPC suggests that the form be further amended to contain a link to the CCPC website which contains financial information for consumers to refer to and which may be of value to them when completing the form³. This could be done at the section outlining *“Important information for completing your SFS”*, or in the revised *“Section D My Monthly Household Expenditure”*.
- b) The consultation paper makes reference to the availability of the SFS through a digital medium. The CCPC suggests that there may be applications for information consolidation which could aid accuracy and efficiency in processing. Digital platforms are a significant focus at both a national and EU level, and Open Banking⁴ is likely to lead to the ability to securely share information across institutions in the future, potentially negating the requirement for consumers to collate this information themselves⁵. Prior to Open Banking advancements, there may be aspects of the form which can be automated or pre-populated by the regulated entity to aid consumers. This would most obviously refer to the specific mortgage in arrears or pre-arrears. The regulated entity would be aware of, and could have more ready access to, information relating to a number of fields in *“Section B My Mortgage”* such as monthly repayments, current interest rate, arrears balance and whether the mortgage is currently restructured. The consumer is likely to need to contact the provider for this information.
- c) Consideration could also be given to whether the regulated entity could pre-populate or provide information to consumers on other aspects of expenditure (such as utility costs) which may be included in their current account statements

³ <https://www.ccpc.ie/consumers/money/>

⁴ Open Banking Europe states that “Open Banking” generally refers to the way in which banks can make data and services available via interfaces (generally APIs) to authorised service providers or third parties who act on behalf of the customer who owns the account.

⁵ Given the need for privacy and confidentiality in these matters, consent will likely play a key role in any processing.

(rather than directing consumers to such documents, as currently suggested). Such costs can generally be easily identified through categorisation codes by the regulated entity. This could be offered on an opt-in basis to consumers as it may not be applicable to those with current accounts with other providers, or those who have billing arrangements which are not suited to such classifications (e.g. prepay phone or energy bills).

- d) The additions to the *“Supports for Consumers”* suggest that “Consumer testing is an important tool that can be employed in this context [of visual design].” Given the importance of the document and the level of financial literacy which some consumers may have, the CCPC suggests that consumer testing with a representative group of consumers should be a requirement for anything which deviates from the template, rather than an advised option which entities may not take.
- e) The CCPC notes the provision in the UK of the Money and Pensions Service’s SFS is through a dynamic spreadsheet. This provides the opportunity to insert checks and balances throughout the sheet (e.g. ensuring that the number of people in the household is not less than the number of dependents listed plus the consumer) something which could be of benefit in expediting completion. Due notice should be taken of consumers who may not have access to this format or may be more vulnerable.
- f) While not specifically mentioned within the guide, the *“Important information for completing your SFS”* now contains a reference to the institution providing “a range of supports available to help you complete the SFS. You can find information on the supports we provide on our website [insert link].” The CCPC would recommend that institutions are instructed to ensure that this link leads directly to a page outlining those supports and cannot be a generic homepage or product page link which consumers will then need to navigate from.

CCMA & MARP

The CCPC will engage with any future consultations on the CCMA or MARP as appropriate. There are a number of current developments of relevance which may in turn inform such a review:

- a) The CCPC is aware of several developments within the mortgage market which may have near and/or long term impacts on consumers and competition within it. These include the proposed exits from the market of two retail banks and the potential further digitisation of banking. The CCPC will take these and any future developments into consideration should the new competitive landscape have direct or indirect implications for the CCMA or MARP.
- b) Another point of consideration may be the impact of dual pricing within the mortgage market. An example of an adverse consumer effect of this type of practice could be a situation where a consumer in arrears is excluded from switching to another provider where the cashback and introductory rates for new customers with that provider may assist them in being able to meet their regular payments without an alternative repayment arrangement (ARA). Conversely, a consumer could find themselves unable to pay the standard variable rate offered by their lender, but may be able to meet repayments at the rate offered to new customers of the same bank on either fixed or variable terms. The CCPC is aware that the CBI is reviewing 'differential pricing' in insurance markets and awaits the results of that review. The CCPC in turn is conducting a research project examining pricing practices and strategies in a range of markets, including mortgages. Any findings or recommendations of that review may be of relevance to a future review of the CCMA.



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