

Banking Department

# Regulation of Credit Servicing

## Regulation of Credit Servicing – Consumer Protection (Regulation of Credit Servicing Firms) Act 2015

As of the 8 July 2015, servicers of retail credit in Ireland will be required to apply to the Central Bank for authorisation pursuant to the Consumer Protection (Regulation of Credit Servicing Firms) Act 2015 (the “Act”). The popularity of high volume loan sales by regulated financial institutions to unregulated buyers over the past number of years has raised concerns around protecting consumers whose loans have been sold. The Act seeks to address these concerns by affording such consumers equal protection to which they would have been entitled had their loans not been sold.

The types of credit agreement which fall within the scope of the act are those under which cash loans (of any value) are provided to a natural person or a micro, small or medium sized enterprise (“SME”), but only to the extent that the credit was advanced to the SME by a regulated financial services provider. An SME is defined as an enterprise which employs fewer than 250 people and has an annual turnover not exceeding €50 million, and/ or an annual balance sheet not exceeding €43 million. This includes partnerships, unincorporated bodies and incorporated bodies engaged in an economic activity.

The term “credit servicing” is broadly defined as “managing or administering a credit agreement” and expressly includes notifying the borrower of changes under the credit agreement, taking any steps to recover amounts due under the credit agreement, day to day management of the loan and communicating with the borrower on these matters.

The Central Bank has confirmed that the Act provides for firms that were conducting credit servicing before 8 July 2015 to be deemed authorised until the Central Bank confirms the grant or refusal of an authorisation. This exemption will apply provided the credit servicing firm formally applies for authorisation on or before 8 October 2015. Where a firm is deemed authorised under the Central Bank’s authorisation process it must comply with financial services legislation and take steps to update its systems, policies, procedures, and documentation to ensure compliance with these requirements. The Central Bank noted that persons who had not been conducting credit servicing before 8 July 2015 cannot provide such services until authorisation to do so is granted by the Central Bank.

Consultation Paper 96 was published by the Central Bank concurrently with the Act. It seeks submissions from interested parties in respect of the authorisation requirements and prudential standards which the Central Bank will impose on credit servicing firms and the amendments to statutory codes required as a result. The Consultation Paper can be found [here](#) and the Central Bank is accepting submissions up to 30 September 2015 by email to [creditservicing@centralbank.ie](mailto:creditservicing@centralbank.ie) or in writing to PO Box 559, Dame Street, Dublin 2.

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