

Credit: Challenges  
and Opportunities  
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FINANCIAL REGULATOR  
*Rialtóir Airgeadais*

*Presenter:*  
Mary O'Dea  
Consumer Director  
Financial Regulator (Ireland)

# Some future Irish consumers



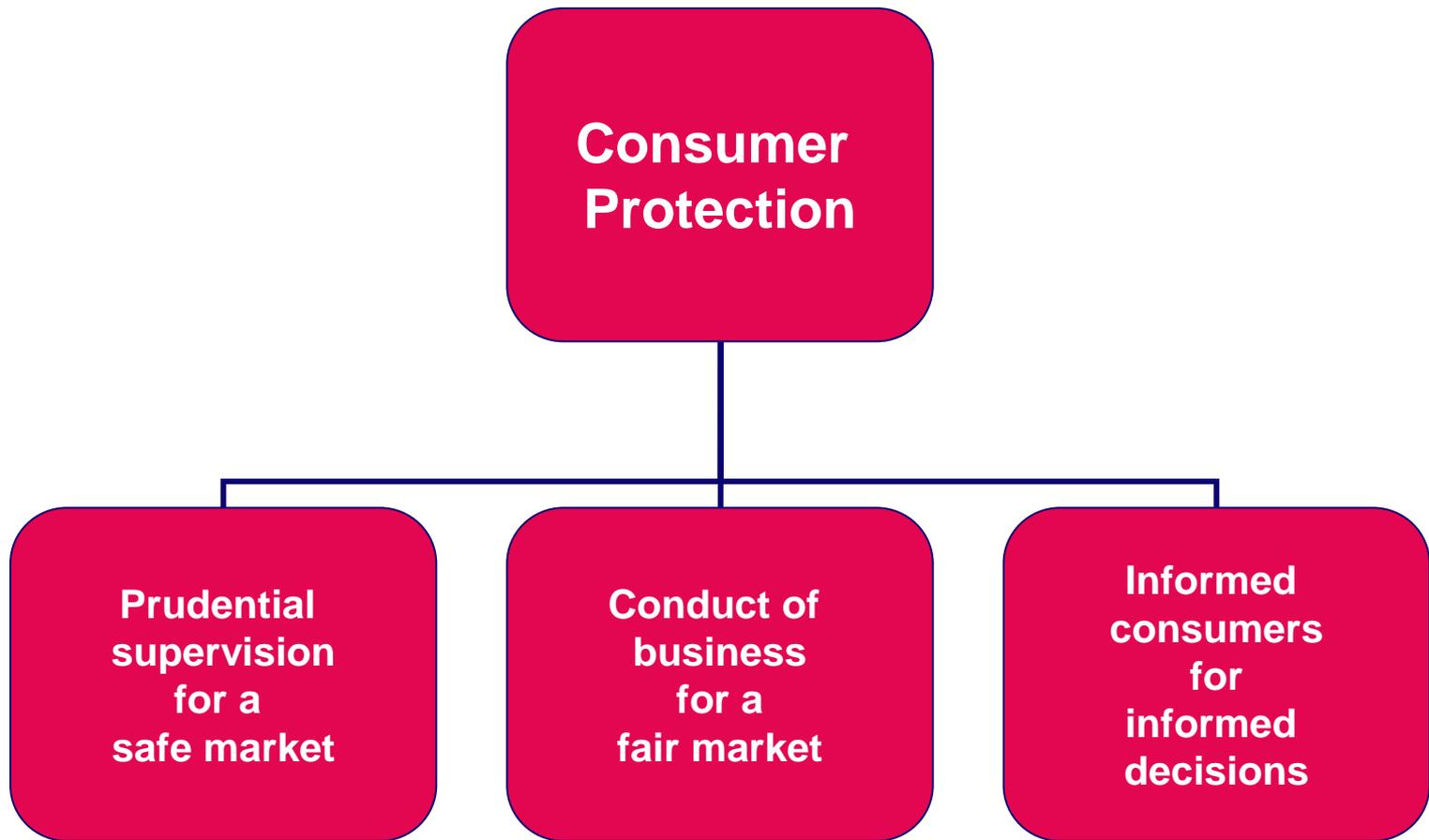
# Financial education and what it means

- Borrowing from the OECD definition:
  - *a process by which consumers improve their understanding of financial issues and*
  - *through information, instruction and objective advice,*
  - *develop the skills and confidence to become more aware of financial risks and opportunities.*
  - *Consumers can then make informed choices, know where to go for help, and to take other effective actions to improve their financial well-being.'*

# Financial education and what it means

- But remember that:
  - for adults education is a choice;
  - providing education is expensive and resource intensive
  - most regulators do not have a competence in education – other stakeholders must be involved; and
  - it is vital that the importance of financial education is fully appreciated by the education sector.

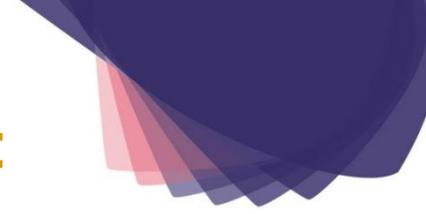
# Financial education in a wider consumer protection framework.



# The Consumer Protection Code and the provision of Credit

- Statutory **Consumer Protection Code**
- The Code covers banks, insurance companies, brokers and other retail financial services providers.
- Lending provisions in the Consumer Protection Code include:
  - 'know your customer' and suitability requirement – affordability a key factor in the granting of credit
  - ban on unsolicited, pre-approved credit and unsolicited increases in credit card limits
  - Statutory disclosure notices for mortgage and debt consolidation advertising
  - requirement to give important information 'in a way that seeks to inform'
  - Arrears handling procedures must be in place
  - Complaints handling procedures must be in place

# Challenges in the regulation of credit



- Striking the right balance
  - Stakeholder expectations – calls for caps on interest rates – not the answer
  - Consumers want credit – refusal often offends even if it may be in their best interests
  - Avoiding a rush to unregulated lending
- The role of regulated firms in helping consumers meet the challenges and opportunities afforded by credit.
  - Compliance with the Code and other legislation
  - Minimum competency requirements
  - Unparalleled access to consumers at the point of purchase

# How financial education can also help consumers meet the challenges and opportunities afforded by credit

- What do consumers need to become financially capable?
  - Basic budgeting and money management skills
  - Planning ahead
  - Broad understanding of financial products
- What knowledge should consumers have when buying credit?
  - The cost and how it compares to alternatives
  - The key features of the agreement and what they mean
  - The terms and conditions (but who reads them?)
  - Credit records and the consequences of not making repayments

# What is Ireland doing in the area of financial education?

- Statutory role in 'raising awareness among consumers of the costs, risks and benefits of financial products and services'.
- National Steering Group on Financial Education comprising key stakeholders in the area of financial education.
- Money Advice and Budgeting Service –MABS
- These three strands make broadly meet the elements of the OECD definition of information, instruction and generic advice
- Financial Capability Research Study

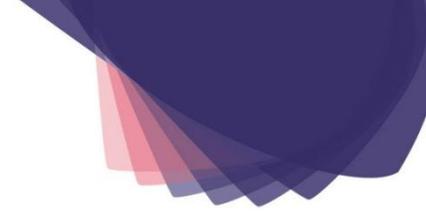
# Raising awareness of the costs, risks and benefits of credit

- The Financial Regulator has a public information service comprising
  - Suite of publications on financial products
    - Credit publications include guides on mortgages, personal loans, credit cards and your credit record.
  - Personal finance website for consumers
    - Features include, information on credit products, cost comparisons of personal loans and credit cards, tools such as budget planner and loan / mortgage calculators.
  - Contact points
    - For consumers to contact us and ask questions or seek guidance, we have a personal finance help-line and an Information Centre in Dublin city centre.
- Advocating and setting standards for financial education via the National Steering Group – a competency framework

# Draft competency framework – focus on credit

<b>Areas of learning</b>	<b>Foundation knowledge, skills and concepts</b>	<b>Researching and evaluating information and advice</b>	<b>Coping with problems and the unexpected</b>	<b>Social and personal issues about finance</b>
<b>Broad learning outcomes</b>	Budget for daily spending	Critically evaluate and compare information	Plan for changes in their personal circumstances	Analyse their own financial needs and wants
<b>levels leading to specific learning outcomes</b>	<p>Understand the basic types of borrowing</p> <p>Manage an appropriate level of debt</p> <p>Plan to absorb rising interest rates</p> <p>Understand the consequences of defaulting</p>	<p>Access information provided by firms and other sources</p> <p>Compare costs and benefits</p> <p>Compare how different forms of credit affect the ownership of assets</p>	<p>Prepare for a loss in income</p> <p>Anticipate and plan for growing expenditure</p> <p>Understand that options for dealing with debt problems</p>	<p>Prioritise needs over wants</p> <p>Explain life events that lead to the need for planning</p>

**And finally.....**



*Thank you*



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