Credit Union Managers Association

CUMA Submission

Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach

Overview of the Credit Union Sector incorporating the Credit Union Advisory Committee's (CUAC)report on its Review of the Implementation of the Recommendations of the Commission on Credit Unions

Tuesday, 21 March 2017

Credit Union Managers' Association

Mr. Chairperson, Committee Members,

Thank you for the opportunity to address you on the important issues of Credit Union Sectoral Overview and the CUAC Report on Implementation of the Commission on Credit Unions recommendations.

CUMA is the organisation for senior credit union managers, CEOs, CFOs, CIOs, Risk Managers, Compliance Managers and more.

CUMA has been a pro-active participant on the Commission and the Credit Union Restructuring Board. Our managers have carried much of the burden of change arising from the 2012 Credit Union Act and other legislative requirements. This monumental transition has come at a time of great upheaval in the economy. At the same time, credit unions have remained by far the most popular deliverers of service in Ireland.

The most recent statistics in the “Financial Condition of Credit Unions 2011-2016” report show that credit unions have come through that period very well.

In that period:

* Average Surplus grew from €0.32M to €0.73M.
* Average Return on Assets grew from 0.87% to 1.22%.
* Average Arrears fell from 18.15% to 9.69%
* Reserves grew from 13.35% to 16.48%.

The credit union sector going forward will be a mixture of large credit unions, many with their origins in mergers, and smaller credit unions also.

Credit unions will continue to have a vital role in the community, particularly in light of recent and future bank branch and post office closures.

The CUAC report is timely and accurate. Attention is drawn to areas that have been ignored, to the significant disadvantage of credit unions and of their members.

Tiered Regulation, proportionate to the scale and risk in each credit union, has not been delivered. This was a key deliverable of the Commission Report.

Consultation and Engagement have been less consistent and transparent than was originally envisaged. Consultation was expected to be meaningful, with clear impact analysis forming the basis for significant changes. Where consultation has been triggered, sector views have often been ignored, as was the case with CP88.

When it comes to engagements between individual credit unions and the Central Bank, service level agreements do not currently exist. Response times from the Central Bank can be overlong, resulting in indefinite delays around the holding of AGMs and other processes. Where significant issues arise, the American model of “prompt corrective action” is preferable to repetitive and expensive studies by various consultancy firms.

A one-size-fits-all approach to regulatory directives can have very significant adverse impacts on a credit union, both short and long term. Blanket lending restrictions on credit unions caused a loss of lending relationships for many years, which we are still suffering from.

Restructuring has gone some way to delivering changes necessary to deliver better services. We acknowledge the work of ReBo. We fear now that restructuring will stall. We believe that the legislative framework for restructuring needs to be revisited.

Business Model Development is the responsibility of credit unions. No other sector is as constrained from innovation as credit unions are under Sections 48 to 52 of the Act. The Central Bank's role should be to have clear frameworks available, so that development proposals are dealt with in a more structured, timely and appropriate manner.

Statutory Instrument 1 of 2016 limits our capacity to develop. For instance, the hard-coding of a 10% minimum regulatory reserve requirement puts us at a significant disadvantage in relation to banks.

There are significant prescriptions on lending in the Instrument, including limits on community lending, commercial lending and mortgage lending.

Meaningful consultation and a regulatory impact analysis in all cases would have made for better regulation and allowed a more varied approach to business model development to take place.

It is time that these many areas and others are addressed, and we look forward to engagement with CUAC and the Implementation Committee on the issues.