Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Central Bank of Ireland
Consumer Protection Outlook Report 2023

March 2023

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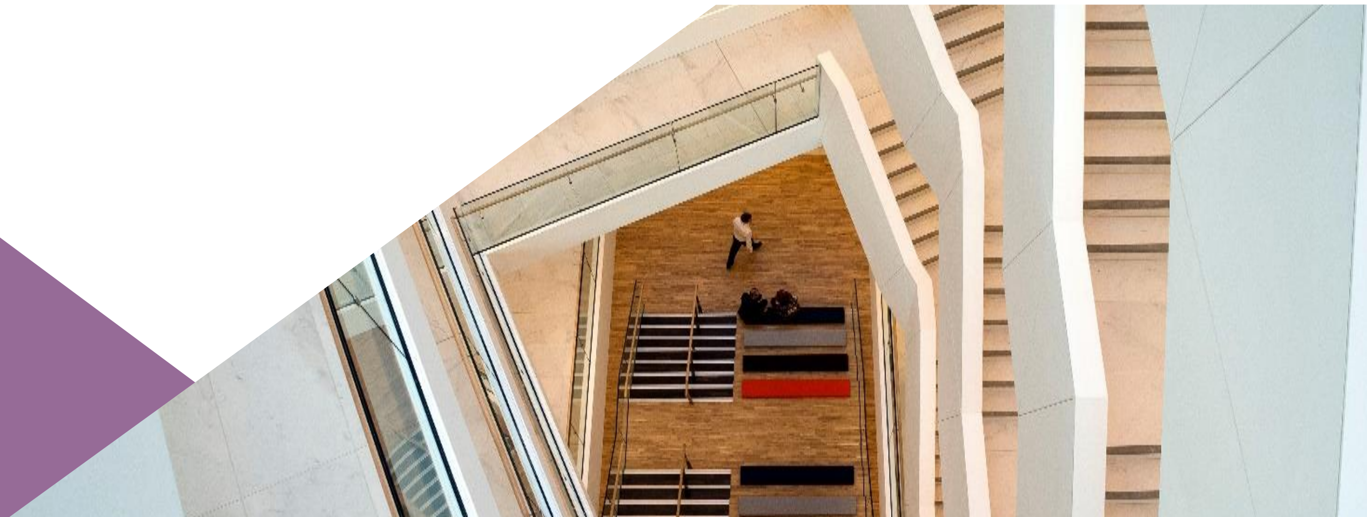

Foreword

The Central Bank of Ireland works to ensure the financial system operates in the best interests of consumers and the wider economy. This requires that consumers are treated fairly and that the financial system is safe and resilient for the future, recognising that we rely on financial services in our daily lives and to provide for our future needs.
All our work, from our economic analysis and publications, to our macro prudential and micro prudential requirements, to our conduct requirements and our ongoing supervision of firms helps to ensure the best interests of consumers are protected.

This is our second Consumer Protection Outlook Report since the launch of a new Central Bank Strategy. In the first Report, we set out what we saw as key drivers of risk to consumers across all the sectors we regulate and sought people's views on them. In developing this second Report, we reflected on the insights we gathered from the submissions we received, the people and organisations we met this past 12 months to discuss these issues and of course our own supervisory work. I want to thank everyone who engaged with us; your insights were extremely helpful.

As you will see from the report, these insights have enabled us to anchor on five "Key Drivers of Consumer Risk". These are underlying drivers of the issues of consumer harm (or risk of harm) that we encounter in our work where your inputs indicate more could be done to protect consumers and the integrity of the financial system.

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We believe sustained concrete action by the firms we regulate on these Key Drivers of Consumer Risk would make a material positive difference for consumers of financial services.

Notwithstanding our assessment that the Key Drivers of Consumer Risk remain substantially unchanged, there are significant changes in the environment influencing these risks (e.g. rise in cost of living, interest rates and continuing developments in digital financial services). The developments that could impact how the risk drivers may affect consumers in the year ahead are outlined in this Report.

In anchoring on these risk drivers for our work in 2023 and beyond, we hope to also provide a degree of predictability and certainty for regulated firms. This will mean regulated firms can similarly devote their efforts to making long-term sustainable improvements under these headings. For our part, we will continue to set high expectations of the firms we regulate and scrutinise how they meet those expectations. This Report includes a description of key bodies of work we will do this year to deliver on our Strategy with respect to the Key Drivers of Consumer Risk.

We will continue to refine our understanding of these risk drivers and our approach to supervising firms with respect to them. Key to this will be a continued dialogue with the firms we regulate, consumers and other bodies and consumer advocates about what we have outlined in this Report. To this end, we aim to keep open the facility we introduced in 2022 for you to provide us with your views on our risk outlook. So please send us your views or get in touch if you would like to discuss any aspect of the Report.

Our constant and predominant aim is the welfare of the people as a whole, and protecting the interests of the people who use financial services is at the heart of everything we do. I look forward to working with regulated firms, consumer groups, other State agencies and stakeholders on the important matters described in this Report.

Colm Kincaid

Director of Consumer Protection

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Introduction

In March 2022, we published a Consumer Protection Outlook Report framed against a backdrop of a rapidly changing financial services landscape, citing what we saw as the key drivers of risk to consumers of financial services in that context. The need for regulated financial service providers to do more to help support consumers to navigate this changing landscape was a key theme in the report. This included for firms to actively identify and address risks to consumers that may potentially emerge from changes in the landscape within which the firm and/or its consumers are operating.

To guide the firms we regulate, we structured our expectations of firms under what we saw as the five primary drivers of risk for consumers of financial services in Ireland today across all the sectors we regulate:

Key Drivers of Consumer Risk

- **Poor business practices & weak business processes**
- **Ineffective disclosures to consumers**
- **The changing operational landscape**
- **Technology-driven risks to consumer protection**
- **The impact of shifting business models**

These are the things we see as the primary drivers of risk for consumers of financial services today, looking across all the types of financial service we use in our daily lives, and all the types of firms that can provide those services. In other words, these are the

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fundamental themes we see running through the consumer protection issues we encounter as supervisors of regulated financial service providers. As such, they form a core focus for us in our work in supervising how the firms we regulate meet the requirements of the regulatory framework that is there to protect consumers.

In this Report, we refer to these as 'Key Drivers of Consumer Risk' for consumers of financial services today. In an Appendix to this Report we set out specific expectations for how regulated firms should act to identify, mitigate and manage these drivers of risk for consumers. We will hold firms to account to deliver on these expectations, as we have done in our work over the course of 2022. Examples of how the Central Bank has delivered for consumers are also set out in an Appendix.

Get in touch

You can send us your views or discuss the Key Cross Sectoral Risk Drivers with us through our dedicated contact point

outlookreport@centralbank.ie

Engaging and listening to our stakeholders

When publishing the 2022 Consumer Protection Outlook Report, we actively sought the views of our stakeholders and incorporated them into our annual sectoral risk assessment process and review of the Key Drivers of Consumer Risk. We did this because we value the experience and insights we get from our engagement with a wide range of organisations, consumer representatives bodies, civil society groups, regulated firms and individuals.

In particular, we wanted to hear whether we had captured the key drivers of risk facing consumers of financial services. Had we missed any important drivers of risk across financial services and should all drivers of risk be treated with the same priority?

To answer these questions, we met with stakeholders to hear their views and perspectives in a series of dedicated sessions. We also used the insights from over 300 consumer contacts we have received, our ongoing analysis of social media activity with regulated firms, and the over 160,000 consumer complaints to regulated firms in 2022.

We also considered the commentary and feedback we heard from stakeholders through our organisation-wide engagements, including the Central Bank's Financial System Conference in November, financial industry forum meetings, external stakeholder events, and engagement with other peer regulators and authorities.

As well as informing our supervisory work with respect to the Key Drivers of Consumer Risk, these stakeholder engagements also informed how we framed our Consumer Protection Code Review, where we are also in the process of seeking the views of stakeholders on the principles and rules that govern the protection of consumers of financial services.

We heard from stakeholders that despite the uncertain and changing environment, these five Key Drivers of Consumer Risk were relevant, robust and reflected the broad experience of stakeholders in those cases where there had been consumer detriment or a risk of such detriment. There was also an acknowledgement that the changing economic environment would have an impact on how regulated firms need to act to identify, mitigate and manage these risks in a specific context, as well as how we carry out our work as regulator. We also heard a wide range of views of consumers' experiences and how the changes we are seeing in the economic environment, technological advances and innovation are affecting those experiences. A summary of the views shared in these engagements is included in the Appendix to this report.

We found this process of engagement extremely valuable. So, we are extending it out into 2023 and we plan to make this mode of engagement a standing practice in our approach to consumer protection supervision.

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Our risk outlook

Our assessment this year is that the key cross-sectoral risks and their associated themes remain substantially unchanged, albeit there are significant changes in the environment driving these risks (e.g. rise in cost of living, interest rates and continuing developments in digital financial services). Our supervisory expectations of firms relating to Key Risk Drivers of Consumer Risk are set out in Appendix 1. In this section, we outline our risk outlook and how changes in the environment and other developments may affect consumers in the year ahead.

The risk of the changing operational landscape

Since the publication of the Consumer Protection Outlook Report in 2022, we have seen a range of economic changes, and continuing uncertainty, which have changed both the landscape for consumers and the implications of decisions by financial firms.

This has included:

- The continuing war in Ukraine has resulted in a number of economic effects, most notably rising energy prices and uncertainty about energy supplies;
- The resulting energy-driven inflation has driven significantly higher consumer prices and business costs with impacts on both household spending and business investment in the short-term;
- The post-pandemic recovery and tightening labour market has resulted in staff shortages and growth in wages; and
- Rising inflation has required central banks, including the European Central Bank, to raise interest rates. On foot of these rate increases, we have seen increases in interest rates charged by lenders. Inflation also has an impact on other aspects of financial services pricing, as well as consumers' own needs (as evidenced in our Review of Underinsurance in the Home Insurance Market).

This has elevated the **Key Risk Driver: Changing Operational Landscape.**

Recognising the impact of these significant changes on consumers, in November 2022, we issued a Dear CEO letter to the firms we regulate to reaffirm the Central Bank's expectations of how firms treat consumers in the context of this more challenging economic environment, and their responsibility to navigate this change in a manner that places the best interests of consumers at the heart of their commercial decision-making. The letter set out a series of specific expectations in the areas of:

- Affordability and sustainability;
- Provision of relevant, clear and timely information;
- Effective operational capacity; and
- Sales and product governance.

These expectations, in addition to those outlined in the Appendix, will underpin our supervisory engagement with firms in 2023 as we work to ensure firms take tangible action to meet them.

The risk of continuing financial innovation coupled with a wide variety of information sources

The risk for consumers arising from these economic developments is increased, as they are taking place while financial services is itself evolving at an accelerating pace. Along with this, the scale of financial innovation is leading to increased availability of a wide variety of regulated and unregulated information for consumers of financial services. This has meant that, increasingly, consumers are managing changes in their economic circumstances while the way they access, use and inform themselves about financial services are also changing around them.

This has elevated the **Key Risk Driver: Ineffective Disclosure**, meaning that regulated firms will need to be especially vigilant to ensure that their communication and advice is clear and is used to support consumers in making well-informed decisions in the specific context of this changing economic landscape and continuing pace of innovation in financial services. Firms are also expected to be proactive in identifying emerging risks to consumers and to support their customers in mitigating those risks.

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Innovative products on the fringe of the regulatory perimeter and unregulated products provided by regulated firms also present challenges to effective disclosure, particularly in cases where social media is used as a promotional platform and channel for delivering financial advice and commentary. We continue to see significant risk for consumers in the field of crypto assets in this respect, including as illustrated by notable market failures for crypto assets in 2022 and the continuing proliferation of crypto products, which are not regulated. While these are not regulated financial services, we expect all firms that offer these products to make clear to consumers that these products carry significant risk. To support consumers we have published an explainer for consumers on cryptocurrencies.

Technology-Driven Risks

We see that the **Key Risk Driver: Technology-Driven Risks remains relevant though substantially unchanged**. Cyber-security and the potential for technological delivery to be a focus for frauds and scams continue as key concerns under this heading. We have been encouraged to see cases where firms have been proactive in informing consumers of these risks, the practical steps consumers can take to protect themselves and the support that is there from their regulated provider should an incident occur.

At a time where consumers are especially active in seeking to change their financial service arrangements, we also see a heightened risk of financial exclusion. It is important that the benefits of technology are balanced with ensuring new digital channels do not prevent meaningful access to services through other channels. This includes anticipating that consumer requirements for an in-person engagement (be that face-to-face or virtual) will be elevated during a period of such significant change, including amongst consumers who are otherwise generally happy to receive a financial service digitally.

We also see instances of firms putting technology to good use to support consumer decision-making, in the area of online switching services and prompts to consumers with Ulster Bank and KBC bank accounts of their need to make new payment arrangements. This can be especially powerful when coupled with a targeted and well-coordinated information campaign for consumers led by regulated firms and their industry bodies, as we have seen in the case of bank

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account migration and underinsurance in the home insurance market. As well as being vigilant to ensure greater use of technology does not lead to financial exclusion therefore, we should also recognise and harness the great potential of technology to enhance inclusion. This includes through the means of financial education, so that consumers are better equipped to get the most benefit from financial services. The 2022 Report by NALA on Financial Literacy in Ireland and the 2022 MABS Money Attitudes and Behaviours of Young People living in Ireland includes a range of recommendations and findings to support consumers and we recommend regulated firms consider these findings in their own activities.

Finally, as the changing economic landscape also has an impact on regulated firms themselves, we see firms revisiting aspects of their business models (including pricing) and the products they offer. This is of increasing relevance as financial service providers pursue strategies and implement business models in response to the changing economic environment. Where firms pursue revenue-protecting operational and service delivery strategies, these may not prioritise consumers' best interests. This can create access challenges and difficulties around the availability of basic customer services and a deterioration in the support traditionally provided to consumers. It can also introduce new consumer vulnerabilities. This emphasises the need for senior management in regulated firms to foster a consumer-focused culture so that financial services can play its proper purpose for society during this period of economic change.

Shifting Business Models and Poor Business Practices

We also see new issues emerging in relation to the **Key Risk Driver: Shifting Business Models**, including the risk that firms do not keep their pre-existing product suites up to date as they themselves deal with wider developments in the economy and financial services. This risk driver is especially elevated in the context of investment products but can be relevant elsewhere. Products that may have been considered suitable for sale to retail clients previously may no longer be suitable in the current economic context. Firms must ensure their due diligence on products takes account of all relevant factors, including risk-return profile, liquidity, costs and charges, and any 'kick-out' or 'trigger' features that may alter the nature of an investment product under certain conditions. The risk to consumers

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under this heading is especially elevated where combined with the **Key Risk Driver: Poor Business Practices and Weak Business Processes**.

Finally, on **Key Risk Driver: Poor business practices and weak business processes**, we have identified two distinct issues. The first is where firms pursue strategies and employ practices that are unfair or problematic for the consumer, as was seen in the recently banned practice of price walking in home and motor insurance. We will continue to scrutinise business practices and intervene where necessary to ensure the aims of the regulatory framework are truly being met.

The second is where inadequate or ineffective internal processes and controls result in consumer detriment. We have seen this in cases where firms did not have sufficient resources or appropriate processes in place to deal adequately with a surge in consumers needing a certain service or support, where a more consumer-centric approach would have shown that this would be a likely outcome. In cases where we have seen better business practices and processes, this has tended to be underpinned by a more embedded consumer-focused culture at senior management level – be that to anticipate the issue in question and avoid it or deal promptly and comprehensively with the issue when it occurred.

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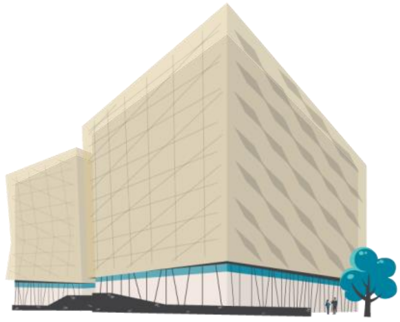
Our work in 2023



As the financial sector continues to evolve, we will continue to prioritise our work to see that the expectations we have set with respect to the Key Drivers of Consumer Risk are being met. Firms should keep these expectations to the forefront of their approach and in how they explain to us how they have implemented the requirements of the regulatory framework. We will take into account the manner and extent to which firms have done so in deciding on our supervisory approach to any issues we identify. We have also further developed our own supervisory priorities and work plans to focus on the Key Drivers of Consumer Risk, with a view to identifying risks and raising standards across the firms we supervise.

In framing this plan, we had regard to the feedback received since the publication of the Consumer Protection Outlook Report 2022 and the need for us to prioritise making meaningful long-term improvements for consumers under each of the Key Drivers of Consumer Risk over this strategic cycle to 2026.

Our priorities include:

- Carrying out our programme of firm-specific and thematic supervisory engagements in line with our risk-based supervisory frameworks across each sector we regulate, aligned with the output from our annual and ongoing risk assessment exercises (including having regard to macro-environmental issues). This will include both proactive and trigger-based interventions on firm-specific issues across the full range of our statutory responsibilities, as well as continuing to enhance our approach to how we supervise in line with the ambitions and goals we have set in our Strategy.
- We will continue to engage with firms on risks to consumers as a result of the changing operational landscape, with an emphasis on regulated firms supporting consumers to navigate a more challenging economic outlook as set out in our November 2022 Dear CEO letter.

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- We will seek to ensure that withdrawing and remaining retail banks have taken all reasonable actions to ensure consumers' interests are protected and financial stability is maintained throughout the exit/migration process. We will also engage with other regulated firms to play their part in ensuring a smooth transition for consumers to a new banking provider.
- We will implement our supervisory oversight of the new categories of retail credit firms (BNPL, PCP, HP) and new requirements for high-cost credit providers. This work is of special importance at a time when consumers may have increased recourse to short-term lending to meet their needs and we see the non-bank retail credit sector continue to grow.
- We will advance our work to implement new Crowdfunding Regulations and the Markets in Crypto Assets (MiCA) Regulation, enhancing the reach of regulation for consumers of those services given the specific risks they present.
- We will deliver against MiFID safeguarding of client asset rules and new domestic Client Asset Regulations (CAR).
- We will continue to place a primacy on the boards and senior management of firms taking responsibility for ensuring the best interests of consumers are protected. This will include enhancing how we assess behavioural and cultural risk in firms of highest impact on the consumer population as well as preparing for the new Individual Accountability Framework.
- We will work with the Department of Finance to address the recommendations of the Retail Banking Review. Of particular focus is the need to address continued access to basic services, protecting the consumer and, in line with our mandate, assessing the impact of our regulations on competition.
- We will assess the implementation and effectiveness of the differential pricing measures in the Insurance Regulations 2022.
- The European Union provides core benefits to consumers of financial services in Ireland and across the EU. As an EU National Competent Authority, we will continue to support the European Supervisory Authorities' (ESAs) ongoing work on supervisory convergence. This will include completing ESMA Common Supervisory Actions on product governance, costs and charges, marketing and advertising. We will also work to support the development of the EU regulatory

framework on areas such as greenwashing, capital requirements and disclosures.

- We will continue to enhance how we conduct our work as a gatekeeper, including how we align it with our supervisory risk appetite and create a better feedback loop between supervisory experience and gatekeeper assessment.
- We will undertake thematic supervisory work in the areas of:
  - Certain insurance pricing risks;
  - Ongoing suitability of long-term life assurance products;
  - Value for money, in line with the approach set out by EIOPA, and commission levels in unit-linked funds;
  - Product governance in MiFID investment firms;
  - Costs and charges in MiFID investment firms; and
  - Marketing & advertising in MiFID investment firms.

In each of these pieces of work and our day-to-day supervisory activities, we will look to see how well firms identify, mitigate and manage the five Key Drivers of Consumer Risk identified in this Report. This will include scrutinising the extent to which firms have embraced and implemented the expectations we have set out for regulated firms with respect to those drivers of risk, which we have listed in an Appendix to this Report.

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Appendices

Appendix 1: Our expectations of regulated firms to address the Key Drivers of Consumer Risk

In our Consumer Protection Outlook Report 2022 we detailed our expectations of the actions firms should take to avoid consumer harm with respect to each of the drivers of consumer risk identified. In this Appendix, we have pulled these expectations together into one consolidated list under the Key Drivers of Consumer Risk, so regulated firms can use this as a resource in guiding their work to support consumers of financial services. We have also highlighted the outcomes of some of our recent work in relation to these expectations, which show how these risks can have an impact on consumers and details some of the specific actions we have required of firms.

Key Drivers of Consumer Risk

- **Poor business practices & weak business processes**
- **Ineffective disclosures to consumers**
- **The changing operational landscape**
- **Technology-driven risks to consumer protection**
- **The impact of shifting business models**

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Poor business practices and weak business processes

We expect firms to:

- Put in place robust product governance and oversight arrangements covering the design, sale and delivery of the product.
- Design and bring products to market in a responsible way with features, charges and risks that meet the needs of the individual consumers identified for the product.
- Comply with the legislative requirements to assess the suitability of their products and services to each individual consumer.
- Be clear on the reasons why a product or service is being offered to a consumer and why it is suitable for that consumer.
- Monitor products over time to ensure the product is performing as intended and remains suitable for the target market.
- When errors or operational incidents occur, ensure that consumers are treated fairly and put back in the position they would have been in had the error or incident not occurred.
- Ensure proper resources are deployed to deliver a high quality service.
- Place the best interests of consumers at the heart of their commercial decisions and how they provide services to consumers.

Thematic review shows increased risk to consumers from complex investment products

The retail investment market is changing rapidly, with an increasing shift away from traditional, capital protected products to more complex, capital at risk products. As complexity increases, so too do the risks to investors and the responsibilities regulated firms have to protect those investors' best interests.

A review of some complex investment products (known as Structured Retail Products) found a number of poor practices and weaknesses in firms which increase risks to investors. In response, we required firms to identify a sufficiently granular target market for SRPs and to drive improvements in the quality and transparency of disclosures to investors of the risks relating to these products.

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Ineffective disclosures to consumers

We expect firms to:

- Provide clear information in a timely manner to consumers, disclosing the key information upfront (i.e. risks and benefits, fees and costs).
- Support consumers in making fully informed decisions by ensuring that information is provided in a way that it can be easily understood.
- Ensure that statements of suitability and other disclosures provided to consumers are fully compliant with legislative requirements.
- Disclose exclusions to financial products in an effective manner at the outset to support consumers in making good decisions.
- Ensure disclosure is as clear on digital media as with more traditional communications channels.
- Avoid greenwashing by producing disclosure documents that are clear, not misleading and fully compliant with the most recent legislative disclosure requirements.

Risk of underinsurance for home insurance consumers

Throughout our engagement with firms on this review, the importance of effective disclosure to consumers was a key theme. Effective disclosure is a critical element in identifying the suitability of financial products for consumers. In 2022, we examined the effectiveness of disclosures to consumers in the insurance sector, and set specific expectations where greater attention is needed to ensure consumers are adequately protected.

A review of the risks posed to consumer of not having sufficient home insurance cover found that more could be done to inform consumers of the potential risks. The review was undertaken in response to increasing rebuild costs over the last year, which affects the level of insurance cover that a consumer should have on their property. This can leave consumers at risk of not being fully covered for their losses if they have to make a home insurance claim. As a result, we identified further action for firms to communicate and disclose the risks of underinsurance to consumers in a clear and understandable way.

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The changing operational landscape

We expect firms to:

- Actively identify and address risks to consumers that may potentially emerge from changes in the landscape within which the firm and/or its consumers are operating.
- Have sufficient operational resilience to manage change without creating risks to consumers.
- Engage with financial innovation from the perspective of consumers' needs and best interests.
- Clearly delineate for the consumer between regulated and unregulated products, especially where they are offered within the same digital environment. This is especially important in the case of unregulated products carrying special risks such as virtual assets.

The provision of short-term credit

This year, the Central Bank's consumer protection framework was extended to consumers who enter into hire purchase (HP), including personal contract plans (PCP), consumer hire and indirect credit (e.g. Buy Now Pay Later (BNPL) agreements. These types of credit have become increasingly popular with consumers in recent years to buy goods and services, such as cars, furniture, electrical and consumer goods and is increasingly available through digital channels.

We have developed a supervisory strategy for retail credit which focuses on the potential risk of borrower over-indebtedness, which is now heightened due to the increasing cost of living, increasing availability and ease of access to micro-credit, coupled with consumers' poor understanding of the products.

We also produced **a new consumer targeted campaign** on short-term credit which was launched in November. The purpose of the campaign is to inform consumers of regulated firms' obligations, and build awareness of the implications of buying goods on short-term credit. The campaign was timed to coincide with the Black Friday/Cyber Monday promotional period ahead of the Christmas shopping period, with digital communications, including a short video and infographic, targeted to online audiences.

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Technology-driven risks to consumer protection

We expect firms to:

- Have well-defined and comprehensive information technology and cybersecurity risk management frameworks, supported by sufficient resources to achieve resilience and protect the interests of consumers.
- When designing and providing financial products digitally, ensure consumers' needs and interests are central to the firm's considerations and that the product will only be provided to consumers for whom it is suitable.
- Have effective measures to mitigate the risk of fraud and scams, and be proactive in identifying and dealing with cases of fraud or scams including engaging effectively with consumers affected.
- Demonstrate that they have appropriate oversight of any delegated or outsourced arrangements and can provide evidence that the risks associated with outsourcing and delegation have been appropriately considered and are being managed effectively.

Crypto assets and effective disclosure

In Ireland and across the EU we have seen increasing levels of advertising and aggressive promotion of crypto asset investment. These products are unregulated and where things go wrong, consumers do not have the protections they would have if they invested in a regulated product. The growth of these types of products highlight the importance of providing clear information to consumers, to ensure they understand the risks of investing in crypto assets and are fully informed when making their decisions.

In March 2022, we issued a warning to consumers, emphasising that that crypto assets are highly risky and speculative, and may not be suitable for retail customers. In particular, people need to be alert to the risks of misleading advertisements, particularly on social media, where influencers are being paid to advertise crypto assets.

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The impact of shifting business models

We expect firms to:

- Proactively assess the risks and consumer impact a commercial decision may pose to new and existing customers, and develop comprehensive action plans to mitigate these risks whilst ensuring that customers understand what changes mean for them.
- Have the customer service capacity and structures in place to meet expected service levels to provide a timely and customer-focused service through all channels.
- Consider the impact of their decisions on vulnerable customers and provide the assistance necessary. This should include specific and effective processes and communication plans to support vulnerable customers.
- Only design and bring to market products with features, charges, and risks that meet the needs of consumers identified for the product.

The changing retail banking landscape

The departure of Ulster Bank and KBC Bank Ireland from the Irish market represents a significant change for retail banking customers in Ireland. Over the last year, this has been a priority for the Central Bank given the potential risks to consumers. We have been actively engaged with the five main retail banks, and their representatives, to ensure that this was managed in line with customer needs and expectations. This included having regard to the Key Drivers of Consumer Risk and the expectations we set in the Consumer Protection Outlook Report in 2022.

We took a phased approach to our work, with a focus on the areas that were likely to have the greatest impact on consumers. This included the transfer of over 1.1 million customer accounts to new providers. We met with the CEOs of the five banks twice collectively and bilaterally over the course of the year, to ensure that a system wide plan and appropriate resources were in place to support customer through this significant change, where individual customer experience and service levels are of a standard that customers rightfully expect and are entitled to. We were clear in our expectation that banks must ensure that all and every reasonable measure is taken to ensure that customers were enabled to switch.

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We also intervened on specific issues of concern as we identified them. This included our intervention on call waiting times, in anticipation of the call volumes we saw coming. This resulted significant increases in resources dedicated to supporting customer phone lines, but with more needed in a context of rising call volumes. We also reviewed the plans of direct debit originators we regulate and issued specific instructions to them on what they need to do. We issued instructions to lenders on the steps they need to take to make sure that borrowers' credit records are not affected by operational issues arising from the account migration. We also reinforced firms' obligations to facilitate customers who choose to open an account with a bank or payment firm in another EU country (making it clear that IBAN discrimination is illegal). Finally, as the exercise moved into the account-closing phase we scrutinised the plans of the banks to ensure that before an account was closed every reasonable step had been taken to enable the consumer to switch.

The sustained focus on this issue over the last year has seen a significant proportion of customers move their accounts. However, we will continue our work to ensure our expectations are being met and that customers are properly supported.

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Appendix 2: Delivering for consumers in 2022

We set clear expectations for firms on **supporting their customers in a changing economic environment**.

We have required the banking sector put in place **a customer-focused approach on account migration** supports for their customers in line with their needs and expectations.

Our review of **call waiting times identified the need for greater resources and improvements** by the banks to ensure they were prepared for the increased levels of customer engagement.

Expectations set for **all regulated financial firms providing direct debit services to support their customers** during this period of change in the banking sector.

Instructions given to lenders to **amend the Central Credit Register** in the event that more than one monthly payment is missed because of operational issues related to bank account migration.

We warned consumers on the particular **risks of investing in highly speculative unregulated crypto assets.**

Banned the practice of 'price walking' in motor and home insurance covering 3.5 million policies.

Short-term credit providers must now comply with specific consumer protection requirements; firms in scope include Buy Now, Pay Later, hire purchase, PCPs and in-store credit providers. 28 existing firms have applied for authorisation under the transitional arrangements and in 2022 we revised the licences of high-cost credit providers to make sure they meet the new legislative requirements.

Review identified the **risks to consumers of not having sufficient home insurance** cover and set expectations for firms to lessen the risk and inform consumers.

Set out specific **expectations of investment firms selling complex investment products** to consumers as well as intervening to require enhancements to product documentation so it is clearer for investors.

112 warnings notices issued to warn consumers about unregulated activity, unauthorised firms and financial scams.

Completed the review of the **mortgage measures** which introduced targeted changes to the measures.

€209 million (to-date) paid in insurance claims related to business interruption.

Continued progress in reducing cases of long-term mortgage arrears, including through challenging lenders to enhance their strategies and range of solutions to support borrowers in or facing financial distress.

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Appendix 3: Our engagement programme

Our engagements with stakeholders on our risk outlook in 2022 indicated that the Key Drivers of Consumer Risk provide a valuable structure to improve how consumers are protected against the risks financial services can present.

We held dedicated stakeholder engagement meetings to discuss our risk outlook[1], received a number of written submissions from interested parties, and also received advice on our risk outlook from our Consumer Advisory Group at two specific sessions over the course of 2022.

We were given examples of a number of areas where some stakeholders thought more work was needed to strengthen protections or streamline approaches. This included views on the area of disclosures and ensuring the information provided to consumers was weighted towards supporting them to make informed decisions rather than simply disclosure or information overload. We also received feedback on how we manage applications for authorisation, which we have incorporated into enhancements to our overall approach to authorisation across the sectors we supervise.

We heard concerns about the level of unregulated financial products and services being offered to consumers. Stakeholders emphasised the importance of making clear the risks and reduced consumer protections available to consumers when they engage with unregulated products or services.

Issues related to digitalisation and technology driven risks were also discussed. Here, stakeholders emphasised the importance of harnessing the benefits of new technology while managing concerns around access and the potential reduction in service and accountability associated with the evolution of digital services.

All discussions referenced the changing operational landscape. Some stakeholders noted in particular the extent to which the current environment is characterised by flux and significant disruption, citing a heightened risk that firms will fail to adequately support consumers who have additional or atypical needs. Concerns were raised that a surge in consumers seeking value through switching due to rapid increases in cost of living could increase the potential for poor advice or mis-selling. The point was made that this flux also leads to the potential for increases in fraud and other financial

[1] Dedicated engagement meetings were held with the Consumer Advisory Group, Irish Banking and Culture Board, Financial Services and Pensions Ombudsman, Insurance Ireland, Brokers Ireland, Compliance Ireland, MABS, Financial Services Union, CCPC, Safeguarding Ireland, Consumer Advisory Group, CUDA and the ILCU Chapter.

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abuses, with the impact of digitalisation being cited as a potential aggravating factor here.

As well as speaking with our stakeholders, we continued to learn from our supervisory engagements with the firms and sectors we regulate and our own risk analysis (including considering the views of consumers from our own contacts, through social media and complaints data). Our analysis included the assessment of 112 specific risks across the sectors we regulate as part of the Sectoral Risk Assessment we conduct each year to inform our annual work plan. This Sectoral Risk Assessment also supported our supervisory judgment on the importance of regulated firms making progress on the five Key Drivers of Consumer Risk we identify in this Report. Of the total 112 specific risks we identified and assessed in the exercise, 87 were directly attributable to one or more of these five Key Drivers of Consumer Risk. Moreover, risks directly attributable to the Key Drivers of Consumer Risk made up 10 of the top scoring 14 sector-specific risks in terms of consumer impact.

The EU framework for the regulation of financial services provides core benefits and protections to consumers, and we take very seriously our role as a national competent authority under that framework. In preparing this Report, we also had regard to the analysis and publications of the European Supervisory Authorities on trends, risks and vulnerabilities facing consumers across Europe. This included in particular the Autumn 2022 Joint Risk Report of the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs), which the Central Bank contributed to as a member of those Authorities. Consistent with our own cross-sectoral risk outlook, the ESA's joint report highlights that the deteriorating economic outlook, high inflation and rising energy prices have increased vulnerabilities across the financial sectors. The ESAs advise national supervisors, financial institutions and market participants to prepare for challenges ahead. The expectations we have set for how the firms we regulate should identify, mitigate and manage the Key Drivers of Consumer Risk are a core element of how firms regulated by the Central Bank of Ireland should act to meet these challenges.

In this Strategic Cycle to 2026, we will continue to evolve our thinking and approach to the Key Drivers of Consumer Risk, including as circumstances and events unfold. Consistent with our Strategy, central to this will be adopting an open and engaged approach to discussing these risks drivers with stakeholders, what should be expected of regulated firms with respect to them and what our approach should be as regulator. We also want to ensure that our approach is sufficiently predictable and permanent that firms can concentrate their efforts on making long term sustainable improvements to how they identify, mitigate and manage the Key Drivers of Consumer Risk. This approach recognises that the work to make these improvements will require a sustained effort on the part of regulated firms over the years to come.

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