

// FINANCIAL REGULATION

Securing authorisation as a retail credit firm in Ireland

May 2022



INTRODUCTION

- The Consumer Protection (Regulation of Retail Credit and Credit Servicing Firms) Act 2022 (the “**Act**”) was signed into law on 11 April 2022 and fully commenced on 16 May 2022.
- The Act extends the scope of firms which are required to secure authorisation from the Central Bank of Ireland (the “**CBI**”) as a retail credit firm and as a credit servicing firm.
- In this briefing we provide:
 - › an overview of the extension of the scope of firms requiring authorisation as a retail credit firm; and
 - › a summary of the requirements, process and timing for securing authorisation as a retail credit firm in Ireland.

EXTENSION OF SCOPE OF THE RETAIL CREDIT FIRM REGIME

- The Act extends the scope of firms requiring authorisation as a retail credit firm beyond those which already fall within the scope of the retail credit firm regime, namely, firms providing credit in the form of cash loans directly to natural persons in Ireland.
- The Act will extend the requirement to secure authorisation as a retail credit firm to:
 - › providers of hire-purchase and consumer-hire agreements (including PCP agreements) to natural persons (with limited exceptions) in Ireland; and
 - › other providers of indirect credit (e.g. buy-now-pay-later agreements) to natural persons (with limited exceptions) in Ireland.
- The Act provides for transitional arrangements for firms which are brought within the scope of the retail credit firm authorisation requirement by the Act. From 16 May 2022, such firms will have three months to apply to the CBI for authorisation as a retail credit firm.
- Firms engaging in these activities, which intend to apply for authorisation as a retail credit firm, should be mindful of the 16 August 2022 deadline. Further information on transition arrangements can be found on the Central Bank [website](#).

AUTHORISATION AS A RETAIL CREDIT FIRM - PROCESS AND TIMELINES

Stage	Timeline
Initial preparation of application for authorisation	Up to 2-3 months may be required to prepare a sufficiently detailed application for submission to the CBI.
Optional pre-application meeting between CBI and applicant	The draft application should be at an advanced stage when this meeting takes place.
Submission of completed application to CBI	The CBI will acknowledge receipt of the application within 3 working days.
Key information check	Within a further 10 working days, the CBI assesses whether the application submission contains the key information and documentation required to progress to the assessment stage.
Submission of individual questionnaires (“IQs”)	The applicant then has 20 working days to submit all IQs and Garda Vetting Form.
Assessment phase	The CBI has committed to completing the assessment phase within 90 working days of receipt of the completed application. However, if the CBI seeks further information, this 90 day ‘clock’ is paused until such information is received by the CBI.
Notification of assessment	The CBI will notify the applicant of whether its assessment of the application is favourable or not. A further round of submissions may be required from the applicant.
Notification of decision in respect of the application	The CBI’s final decision in respect of the application is made (i.e. approval, approval subject to conditions, or refusal).

MAIN FEATURES OF THE APPLICATION

- Fully completed and signed application form.
- Business plan.
- Programme of operations.
- Structural organisation.
- Financial information.
- Compliance procedures.
- Outsourcing arrangements and oversight (where applicable).
- Fitness and probity of directors and managers.
- Shareholders/members (including qualifying shareholders).
- Regulatory background (where applicable).

MAIN PRINCIPLES OF THE CBI'S CONSUMER PROTECTION CODE 2012

- In March 2022 the CBI confirmed its intention to broaden the scope of the Consumer Protection Code 2012 (as amended) (the **Code**) to bring the types of firms which will require authorisation as a retail credit firm under the Act within the scope of the Code.
- Regulated entities which are subject to the Code are required to comply with the "*letter and spirit*" of the Code which provides that a regulated entity must, in all its dealings with customers act honestly, fairly and professionally in the best interests of its customers and the integrity of the market.
- Regulated entities must also act with due skill, care and diligence in the best interests of their customers and must not recklessly, negligently or deliberately mislead a customer as to the advantages or disadvantages of any product or service.
- Firms must also ensure they have and employ the resources, policies and procedures, systems, control checks and staff training necessary for compliance with the Code.

- Firms must provide customers with all relevant information including in relation to charges.
- Firms must correct errors and handle complaints speedily, efficiently and fairly, avoid conflicts of interests and must not exert undue pressure or influence on customers.
- The Code also imposes requirements in relation to outsourced activities and prohibits firms from preventing access to basic financial services without prejudice to firms’ legitimate commercial aims.
- Firms must ensure that they gather and record sufficient information about the consumer and assess whether the product is suitable for that consumer.

KEY ISSUES FOR THE APPLICANTS

1 SUBSTANCE IN IRELAND

“Mind and management” must be based in Ireland including board meetings and heads of certain senior management functions (finance, legal, compliance, risk) located in Ireland.

2 OUTSOURCING

Firms must demonstrate adequate supervision and oversight of outsourced functions through comprehensive outsourcing agreements which are compliant with regulatory requirements.

3 SHAREHOLDERS

Detailed information will be required regarding qualifying shareholders, including direct, indirect, legal and beneficial qualifying shareholders all the way up the chain of ownership.

4 CONDUCT OF BUSINESS AND SAFEGUARDING CLIENT FUNDS

Firms must evidence compliance with Irish regulatory conduct of business rules and minimum standards for safeguarding client funds.

CONTACT US

William Fry's Financial Regulation Unit has vast experience of working with applicants' in-house teams to navigate the authorisation process efficiently and cost-effectively. We can advise you on all aspects of your application for authorisation as a retail credit firm in Ireland. Please contact Shane Kelleher or Louise McNabola or any member of William Fry's Financial Regulation Unit for legal advice.



Shane Kelleher
PARTNER
Head of Financial Regulation
+353 1 639 5148
shane.kelleher@williamfry.com



Patricia Taylor
PARTNER
Asset Management & Investment Funds
+353 1 639 5222
patricia.taylor@williamfry.com



Louise McNabola
PARTNER
Banking & Finance
+353 1 639 5196
louise.mcnabola@williamfry.com



Lisa Carty
PARTNER
Litigation & Dispute Resolution
+353 (1) 639 5386
lisa.carty@williamfry.com

WILLIAM FRY

DUBLIN | CORK | LONDON | NEW YORK | SAN FRANCISCO | SILICON VALLEY

William Fry LLP | T: +353 1 639 5000 | E: info@williamfry.com

williamfry.com

This briefing is provided for information only and does not constitute legal advice

