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Welcome to the FinCoNet newsletter

Dear FinCoNet members,

I trust this edition of the FinCoNet newsletter finds you and your families keeping safe and well during these challenging times.

In this edition, many of the articles address different actions or measures being taken by FinCoNet members in response to the COVID-19 pandemic. The In Focus section sets out how FinCoNet itself has been supporting members at an international level. Please feel free to contact the OECD Secretariat for any more information.

Regarding this year's AGM, scheduled for 11-13 November 2020, due to ongoing travel and sanitary restrictions and uncertainty this year as a result of the pandemic, we have decided to hold the 2020 AGM exceptionally as a virtual meeting. I'm sure you will agree with me that, while it is disappointing not to meet in-person this year, it is wise to take a prudent approach. The programme will be adapted so that the important business of FinCoNet can be achieved, while working within the constraints of a virtual meeting. More information will be available in due course. In the meantime, a reminder to save the dates for this important event.

I am, however, pleased to inform you that the Central Bank of Portugal will defer hosting the AGM in person to 2021, and so we look forward to welcoming you all to Lisbon next year!

Best wishes,

Maria Lúcia Leitão, FinCoNet Chair

Responding to COVID-19: FinCoNet support for members

The COVID-19 pandemic is impacting all aspects of our societies and economies, including the financial services sector and, of course, financial consumers themselves. Many consumers are experiencing financial difficulty as a result of lost income or other lockdown impacts. Market conduct supervisors around the world are working with governments, regulators and the financial services industry to implement various measures in their jurisdiction to respond to the impact of COVID-19 and protect consumers.

It is in times of crises such as these that the importance of organisations like FinCoNet becomes more obvious than ever as we help members share information on their COVID-related responses so that we can all benefit from each other's experience and insight

To facilitate this, the Governing Council working closely with the OECD Secretariat has been engaged in a number of activities to support FinCoNet members. We have also been collaborating with the G20/OECD Task Force on this issue, which comprises policy makers and regulators, to ensure coordination and efficient information sharing.

The OECD Secretariat has been undertaking a set of different activities:

- On 27 March 2020, the OECD Secretariat issued a guidance note setting out options for policymakers and public authorities to protect and support financial consumers experiencing financial difficulty resulting from COVID-19. The guidance note was updated on 17 April 2020 and is available on the FinCoNet website.
- The OECD Secretariat has launched a questionnaire on financial consumer protection measures regarding COVID-19. This facilitates the sharing of information about initiatives being implemented by various jurisdictions. The questionnaire has been circulated widely to participants of the G20/OECD Task Force on Financial Consumer Protection, FinCoNet and other international organisations and standard-setting bodies. Members who have responded are welcome to update information as appropriate.
- An updated file of responses to the questionnaire is available on the FinCoNet Community site and has been circulated to members on a regular basis. Members can consult the responses to see what different jurisdictions are doing.
- Links to information published by FinCoNet for consumers or industry relating to COVID-19 measures are available on the FinCoNet website. Any member who wishes to update links or information is welcome to do so.

- Finally, the OECD Secretariat organised a Special Session meeting of the G20/OECD Task Force & FinCoNet on 15 April 2020 to provide a forum for sharing information about jurisdiction experiences and responses to the crisis. The Special Session was held virtually via Zoom with strong attendance across the membership. The minutes of the Special Session are available on the FinCoNet Community site. A second Special Session meeting was held on 24 June 2020.

Current issues forum

Banco de Portugal is working to mitigate COVID-19's impact on bank customers

Contributor: Filipa Leal Alves, João Pedro Meira, Marina Teixeira, Banco de Portugal

In the COVID-19 context of stringent public health measures and a slowdown in economic activity, consumers' financial resilience is under pressure. Many face unemployment and have seen their incomes fall, which is affecting their capacity to reimburse mortgages and consumer credits.

Competent authorities are being called upon to take urgent, temporary measures to decrease consumers' financial vulnerability and prevent over-indebtedness.

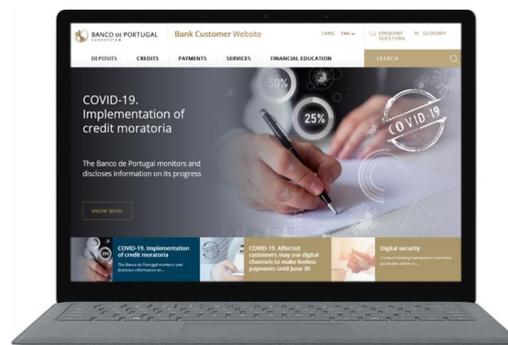
The Portuguese Government approved a public moratorium, which allows for a suspension of the repayment of capital, or capital and interest, on credit agreements. It applies to enterprises and households for mortgage credit and loans to finance education. Bank customers who comply with the access requirements may benefit from the suspension provided by this measure until the end of March 2021. This follows a recent amendment to the law that extended the initial fixed term from September 2020. In parallel, Portuguese industry associations, through self-regulation, developed private moratoria, covering credit agreements that do not fall within the scope of the public moratorium.

Considering that access to public and private moratoria depends on the customers' initiative, it was clear from the outset that the effectiveness of any measures would depend greatly on public knowledge of their existence and main

features. Bearing that in mind, the Banco de Portugal made available on the Bank Customer Website

(<https://clientebancario.bportugal.pt/en>)

updated and detailed information on the credit moratoria, including a set of frequently asked questions (FAQs).



Additionally, the Banco de Portugal, making use of its regulatory powers, required institutions to provide information on the public and private moratoria applicable to credit agreements, establishing the compliance requirements in the disclosure of such information.¹ According to the rules set out by the Banco de Portugal, institutions must disclose information on the moratoria features applicable to the credit agreements they enter into with customers, clearly identifying whether they are public or private in nature, and specifying the impact of their implementation to borrowers and guarantors of those credit agreements. Such information should be publicly disclosed in the institutions' branches,

¹ Notice no. 2/2020, available at (only in Portuguese):

https://www.bportugal.pt/sites/default/files/anexos/cartas-circulares/411119318_3.docx.pdf.

websites, home banking and mobile applications. Borrowers in credit agreements falling within the scope of the moratoria should receive a direct notice, by email, short message service (SMS) or other means of communication commonly used by the institution, informing them of the existence of the moratoria and inviting them to consult the information available.

Given the importance of information disclosure to bank customers, the Banco de Portugal promptly carried out a remote inspection of institutions' websites to assess compliance with those rules. Following this assessment, the Banco de Portugal required institutions to introduce adjustments to the website information so they would be fully compliant with the new regulatory framework.

The Banco de Portugal has also given special importance to respond to enquiries and complaints submitted by bank customers in relation to their rights under the moratoria. As regards complaints on the application of the public moratorium, institutions were required to provide an answer to the complainant within an exceptional deadline of five business days, to ensure that the interests of bank customers trying to benefit from this moratorium were not affected.

The information Banco de Portugal collects through bank customer enquiries and complaints is complemented by data reported by credit institutions on the implementation of the public and private moratoria. Together, these support comprehensive and continuous monitoring of these measures' effectiveness.

Twice a month, credit institutions are required to provide to the Banco de Portugal² data on the number of moratorium application requests submitted by bank

customers and the credit agreements relevant to those requests. These reports include details on the number of application requests accepted, and the support measures implemented. Data on requests rejected and the reasons for rejection are also included.

Based on the information reported by credit institutions, the Banco de Portugal discloses on the Bank Customer Website³ data on the evolution of credit-moratoria-application requests. The Banco de Portugal uses the information to monitor the application of public and private moratoria in order to assess the extent of the economic and social consequences of the COVID-19 pandemic.

At the same time, due to social-distancing and population-confinement measures, the use of digital channels has grown. As a result, authorities must tackle cybersecurity risks and promote digital financial inclusion.

In Portugal, the charging of fees on payment transactions through digital channels to consumers affected by the pandemic was forbidden until the end of June 2020. Financial industry associations, with the support of the Banco de Portugal, took the initiative to raise the maximum amount for card-based payments using contactless technology from €20 to €50. The Banco de Portugal also reinforced its digital financial literacy initiatives, namely through awareness campaigns on the Bank Customer Website regarding fraud on digital channels and other cybersecurity risks.

Through the Banking Conduct Supervision Department, the Banco de Portugal has been carrying out financial consumer protection initiatives to help mitigate the impact of the COVID-19 pandemic. In doing so, it relies on the three main pillars of its

² Instruction no. 13/2020, available at (only in Portuguese): https://www.bportugal.pt/sites/default/files/anexos/instrucoes/412916920_1.docx.pdf

³ Available at: <https://clientebancario.bportugal.pt/en>

mandate: regulation, oversight and financial information and literacy.

COVID-19's effects on bank customers are still uncertain, requiring banking conduct supervisors to remain vigilant and to act

prompt to ensure adequate consumer protection and to promote financial stability. Supervisors must be ready to help mitigate the detrimental effect of the current exceptional circumstances on consumers.

Credit holidays as a protective measure for financial consumers in response to the coronavirus pandemic

Contributor: Bank of Russia

To limit the expansion of outstanding debt on credit agreements, particularly during the period of restrictive measures related to the coronavirus pandemic, the Government of the Russian Federation adopted Federal Law No. 106-FZ of 03.04.2020. It provides flexible loan repayment arrangements for citizens, individual entrepreneurs and small- and medium-sized enterprises (SMSEs).

Citizens and individual entrepreneurs may apply for a break in loan repayment if the size of the extended credit does not exceed limits set out by the Government. Another condition is that the decrease in the borrower's income registered in the month previous to the month of the application cannot be less than 30 percent of their 2019 average monthly income. There must be no other payment holidays in effect in relation to the credit at the time of the application.

The deferral period is suggested for up to six months. The start date of the repayment break may not be earlier than 14 days before the date of the application for consumer loans and 30 days for mortgages.

The lender shall consider the application for no more than five days. The lender has the right to request supporting documents from the borrower, and the borrower shall provide it within 90 days after the application.

Documents confirming the decrease in income are certificates from the tax authorities, registration certificates from the unemployment office, official sick leave certificates and other documents.

Within the deferral period, the lender may neither charge any fees or penalties to compensate for delayed payments nor exercise its foreclosure rights (for mortgages). However, the borrower may, at any time, terminate the moratorium by informing the lender.

The use of the credit holidays shall have no negative effect on the borrower's credit history. The borrower may file an application until 30 September 2020.

In accordance with the legislative changes, SMSEs may also apply to their lenders (banks, microcredit institutions or consumer credit cooperatives) for a period of temporary concessions to repayment terms for up to six months if the SMSE's activity belongs to the list of economic sectors defined by the Government of the Russian Federation.

In addition to the above, the Bank of Russia recommends that lenders and insurers:

- give the most expeditious and favourable consideration to applications for payment reduction or deferral received from customers with confirmed COVID-19
- waive all possible sanctions, including higher interest rates, fees or penalties for payment delays against borrowers if the borrowers provide official confirmation of coronavirus infection

do not, until 30 September 2020, foreclose on credits backed by an immovable that is

the only suitable to be the permanent residence of the sick borrower and his/her family members.

OJK's responses: striving to reduce pandemic impacts

Contributors: Aldi Firmansyah Rubini, Maria Goretti, Nita Astria Tah Indonesia Financial Services Authority (OJK)

COVID-19 has impacted many groups in Indonesia, not only entrepreneurs across various sectors but all levels of society, too. The government's social-distancing policy and "working from home"—steps taken to break the domestic chain of transmission—have had a deleterious effect on income among certain groups. Daily workers as well as micro-, small- and medium-sized enterprises (MSMEs) have lost income, with some businesses forced to close. The most affected groups are middle- to low-income earners, such as daily wage earners and businesses in the informal sector. The decline in income affecting these workers and business owners has undermined financial conditions, thus posing a risk of default on the loans taken.

As a regulator, OJK has had to adapt quickly to new circumstances in order to protect the public and maintain financial stability. This includes providing support to help the country weather the impact of COVID-19. OJK has issued policies to mitigate the risks and protect both consumers and financial firms. These include two regulations:

- the National Economic Stimulus as Countercyclical Policy against the Impact of Coronavirus Disease Transmission for the Banking Sector
- the Countercyclical Policy against the Impact of Coronavirus Disease Transmission for Non-Bank Financial Services Institutions

The regulations specifically clarify the "loan or financing restructuring" policy. Credit restructuring is an OJK concern to improve credit activities for borrowers experiencing

potential difficulties in fulfilling their debt obligations.

The types of credit restructuring available to consumers include reducing interest rates, extending the term, reducing principal arrears, adding credit/financing facilities and converting credit/financing into temporary equity investment. The policy does not eliminate the debtors' obligation to repay their loans; rather, it is limited to providing relief and greater convenience to debtors.

OJK's credit restructuring policy is certainly good news for borrowers. Notwithstanding, the policy also poses new challenges for financial firms and OJK. Along with the consumers affected by COVID-19, demand for credit relaxation has also come from financially sound debtors who are able to repay their loans. It appears the latter are planning to not repay their debt by submitting credit relaxation applications to financial firms. They flocked to financial firms and claiming that they are deserved to receive credit relaxation. Consequently, financial firms have to carefully assess massive amount of debt restructuring applications by using their limited resources. In addition, some debtors who had difficulty repaying loans before COVID-19 are being uncooperative. With or without obtaining prior assessments and evaluations from financial firms, they do not want to repay their loans immediately and insist that they are eligible for debt relaxation. Meanwhile, the credit restructuring policy is only applied for the debt affected by COVID-19, so they still have to repay their past loan. OJK has received several questions and complaints regarding these issues.

Most debtors are unaware that credit restructuring is available only to good-faith debtors (including MSMEs) experiencing difficulties fulfilling their obligations to a bank or finance company because they are directly or indirectly affected by the COVID-19 pandemic. Priority has been given to debtors from tourism, transportation, hospitality, trade, manufacturing, agriculture and mining. Debtors unaffected by COVID-19, who can still run their businesses and have the financial capacity to pay, are expected to continue fulfilling their obligations in order to avoid negative records in the Financial Credit Information Report System (SLIK). It is up to each bank to decide which debtors are eligible for loan restructuring under the policy; in making these decisions, the banks must take into account moral hazard considerations. Consequently, not all debtors are directly eligible for credit restructuring facilities from the banks.

OJK maintains maximum effort despite the difficulties. The aforementioned policies have had an extraordinary impact on consumer information and complaint handling at OJK, namely through Kontak OJK 157. Accessible to consumers through various channels, such as telephone, mail, e-mail, WhatsApp and various social media platforms, Kontak OJK 157 has been met with great enthusiasm by consumers, especially borrowers seeking information on OJK's credit restructuring policy. Currently, meeting OJK's obligations in terms of serving consumers and responding to enquiries and information requests through those channels is one of the main priorities that must be resolved and a formidable challenge for OJK's internal customer service team.

In response to the influx of service requests submitted to Kontak OJK 157, the system has been honed several times. OJK has upgraded the system and added more agents to help speed up the response time, while providing other services as required by consumers. Through varied and continuous efforts, Kontak OJK 157 services

remain normal. Although many service requests are still being processed, the Kontak OJK 157 team has begun to handle requests more quickly and the number of outstanding service requests has fallen dramatically. Furthermore, OJK is conducting massive public education and socialisation activities specifically relating to the credit restructuring policy. This incident has become a very important learning and evaluation opportunity for financial regulators, especially OJK, in terms of mitigating and addressing the consumer response induced by policies issued during the pandemic.

Another challenge OJK has encountered during these difficult times is the emergence of financial sector scams and fraud. In recent years, unbanked communities have benefited from the proliferation of financial technology (fintech), particularly peer-to-peer (P2P) lending platforms, to secure loans. Fintech fills the void left by traditional lenders, providing more convenient access to loans.

Nonetheless, the convenience afforded by fintech has been exploited by scammers to ensnare people and businesses impacted by COVID-19. The scammers trick victims, who think they are applying for loans, into paying administrative fees but after the fee-money has been transferred, the platform does not disburse the loan as promised. Kontak OJK 157 has received numerous enquiries concerning this topic. Therefore, OJK continues to issue warnings and provide extensive educational information about virus-related scams through various channels, including the official OJK website, television, radio, articles in newspapers and online media and social media. The information also details fraudulent donation campaigns and crowdfunding activities.

The Government is currently preparing gradual implementation of a "new normal" protocol in Indonesia. Meanwhile, OJK continues to develop extraordinary and unconventional policy measures while working closely with the financial industry

and other stakeholders to alleviate the economic impact of the pandemic on the public and businesses.

Supervisory review of the implementation of COVID-19 financial measures in Spain

Contributor: Lucia Diez San Millán, Banco De España

The Spanish Government has enacted several packages of extraordinary economic and social measures to tackle impacts of the shutdown under the COVID state of alarm declared on 14 March. These measures are to protect vulnerable groups, individuals and small- and medium-sized enterprises (SMSEs) and support the continuity of economic activity and employment. In this context, financial services have been classified as essential services.

From the banking perspective, the main measures consist of the deferral of repayment of mortgages and non-mortgage loans, and the publicly endorsed guarantee provided by the State Finance Agency (Instituto de Crédito Oficial) of up to EUR 100 billion, through which it assumes up to 80% of the risk of bank loans for companies, SMSEs and the self-employed.

The “legal moratorium” addresses debtors and their guarantors who are in a situation of “financial vulnerability”; among other requirements, this must involve unemployment or a substantive loss of income as a consequence of the coronavirus crisis. For a three-month term, they can obtain suspension of their obligations derived from certain credits or loans. For that term, the lender will not require periodic payment, no ordinary or default interest will accrue, nor can the loan be accelerated.

This repayment deferral will benefit debtors whose mortgages were granted for the acquisition of their main residence, for real estate assets used for their economic activity, or for housing units in a rental

situation when their owners have ceased to receive the rental income. Additionally, the moratorium can be applied to periodic payments to redeem an unsecured loan or credit.

Royal Decree-Law 8/2020 of 17 March established for the first time the application of a moratorium on the repayment of mortgage loans. The scope of these measures was later extended to include consumer loans. And lastly, Royal Decree-Law 19/2020 of 26 May introduced a specific regime for the so-called sectoral moratorium, a set of voluntary and complementary measures applied by lending institutions belonging to industry associations.

These sector-wide agreements were inspired by the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of COVID-19. As a general rule, they involve the deferral, for up to 12 months, of capital repayments for clients who are not in the legally defined situation of vulnerability but have suffered a decrease in payment capacity or whose vulnerability extends beyond the legal moratorium time limit.

Without prejudice to any future supervisory inspections to ensure that the application of the described measures was correct, Banco de España is applying a preventive approach to contribute to the swift application of the measures during the implementation phase. It is monitoring risks to financial consumers during this implementation phase. For this purpose, it

has established a surveillance structure to assess, on a continuous basis:

- the daily reports required from supervised institutions under the Royal Decree laws on the application of moratoria
- the queries and complaints received from consumers

- the information published on the institutions' websites
- their internal procedures for applying COVID-19 measures.

Banco De España is holding bilateral meetings with institutions to ensure early management of any relevant findings and prevention of any related dysfunction.

Moratorium for consumer loan agreements in Germany

Contributor: Dorothee .Kohleick, Barbara Pohl, BaFin Federal Financial Supervisory Authority, Germany

In Germany and worldwide, the COVID-19 pandemic has led to considerable restrictions on private and economic life that were unthinkable just a few months ago. To curb the massive increase in virus infections, in March 2020 German public authorities closed a large number of leisure, cultural and childcare facilities, schools, restaurants and retail outlets, and prohibited public events. People infected with the virus or who had contact with infected people are quarantined at home. As a result, manufacturing businesses were restricted or discontinued.

Currently, step by step, restrictions on social life and businesses are lifted. All the same, the measures have resulted in significant loss of income for those who make their living mainly from the operation of these closed facilities and companies or from public events.

To ease the economic impacts of the corona pandemic, the German government has implemented a wide array of measures including the [Act to Mitigate the Consequences of the COVID-19 Pandemic under Civil, Insolvency and Criminal Procedure Law \(Gesetz zur Abmilderung der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht – the “pandemic mitigation act”\)](#).

Under one provision in the pandemic mitigation act, consumers are granted a

three-month payment deferral for claims regarding consumer loan agreements under certain conditions. This applies to consumer loan agreements concluded before 15 March 2020 and to claims for repayment, and payments of interest or principal. The deferral only covers payments due between 1 April 2020 and 30 June 2020. The deferral applies to consumers who have suffered a loss of revenue due to the extraordinary circumstances that have arisen as a consequence of the COVID-19 pandemic (i.e., it is unreasonable to expect the consumer to make the contractually agreed payment). In particular, loan performance is unreasonable if the consumer's own decent livelihood or that of their dependants is endangered thereby.

Consumers may continue making payments on the originally agreed due dates. Moreover, alternative conditions can be agreed upon. However, until the end of the deferral period, lenders may not terminate consumer loan agreements due to default on payments or a significant worsening of the consumer's financial circumstances or the value of the security rendered for the loan.

There is an option for the federal government (with the approval of the German Parliament—the Bundestag) to extend the deferral period until 30 September 2020, and the possibility of

extending the scope of application (e.g., to microbusinesses). But, as of 1 July 2020, the civil law provisions on the deferral of payments expired.

Notwithstanding those federal government measures, BaFin is continuously engaged in

intensive dialogue with stakeholders to identify relevant financial-market trends and developments at an early stage. This important source of information enables BaFin to take timely measures if consumers' interests are affected.

ASIC grants relief to banking institutions to issue unsolicited debit cards

Contributor: Laura Dunbabin, Australia Securities and Investments Commission (ASIC), Australia

In response to issues raised by COVID-19, ASIC has recently granted banking institutions relief from the law.

There were concerns that the lockdown restrictions imposed by the Australian government in response to COVID-19 may make it difficult for specific cohorts of consumers to access their funds and make purchases. These cohorts include

- passbook account holders (those with the paper book in which bank transactions on a deposit account are recorded)
- standard deposit account holders who do not have an associated debit card

These consumers may be unable to make purchases for essential goods and services due to self-isolation requirements that prevent them from withdrawing cash at a bank branch, and/or may be dealing with the fact that fewer merchants are accepting cash.

The banking industry estimated that over 650,000 consumers were within the above categories.

Banks want to address this concern by issuing Visa/Mastercard debit cards that can be used for transactions online, over the phone and in person. However, certain current provisions restrict banks from doing this.

Section 12DL of the Australian Securities and Investments Commission Act 2001 (ASIC act) prohibits banks from sending unsolicited debit cards. Additionally, some requirements in the Corporations Act 2001 (corporations act) prevented banks from initiating discussions about debit cards with consumers. The standard disclosure requirements are based on a consumer requesting a card before it is sent.

Banks sought relief from ASIC on this prohibition to avoid contravening these laws.

What is involved?

ASIC issued:

- a no-action letter on 23 April 2020 allowing banks to issue unsolicited debit cards, or to issue cards following verbal consent from the customer. ASIC does not intend to take any action against banks under s12DL for issuing unsolicited debit cards for a period of six months from the issuance of the letter
- a legislative instrument to make modifications and exemptions to:
 - the hawking prohibitions set out in the corporations act to allow banks to proactively contact consumers and to issue debit cards following an unsolicited discussion
 - the product disclosure regime in the corporations act to

allow banks to disclose information with the debit card. The requirements are generally predicated on the provision of disclosure before the product is issued. This may not be possible where unsolicited cards are distributed.

The legislative instrument will cease to apply on 30 September 2020.

Mitigating potential fraud

Fraud/unauthorised transactions

The vast majority of banks in Australia have subscribed to the ePayments Code, which protects consumers from liability for unauthorised transactions. Under the code, consumers are only liable for losses they have contributed to (such as by handing out their pass code to another person).

Additional protections continue to apply where unauthorised transactions occur but the consumer alleges they had never received the card. In these circumstances, banks must prove the consumer received the debit card; otherwise, it is presumed the card was not received by the consumer.

These protections are relevant to the proposed unsolicited distribution (e.g., if debit cards fall into the wrong hands).

Card activation

Banks may send cards with their normal activation protections. These protections vary, but may include:

- active cards being sent to the consumer separately from the card PIN, with some other security steps required (e.g., requiring use of the PIN for the first transaction, or using the card for the first time over the phone)
- cards being sent in an inactive state, where the customer is required to follow instructions to activate the card.

Consumer education

A card will be accompanied by information explaining why the card was sent, how to use the product and protection against scams and fraud.

Related information

[ASIC Corporations \(COVID-19 – Distribution of Debit Cards\) Instrument 2020-401](#)

ASIC's public guidance on s12DL of the ASIC Act is in [Regulatory Guide 201](#) Unsolicited credit cards and debit cards.

ASIC's public guidance on no-action letters is in [Regulatory Guide 108](#) No-action Letters.

In Canada: FCAC's response to COVID-19 challenges

Contributors: Yoni Simhon, Vincent Gadbois, Financial Consumer Agency of Canada (FCAC)

Like authorities in other jurisdictions, FCAC is facing challenges resulting from the COVID-19 outbreak and its potential impact on the financial system and consumers. FCAC is in regular contact with banks and other regulated entities (REs) and monitoring their responses to the crisis. FCAC is also updating its resources for consumers to help them protect and manage their finances during this difficult time. Below are FCAC's responses to four

supervisory challenges resulting from the COVID-19 outbreak.

Impact of mortgage deferrals on consumer credit reports

REs have committed to work with their customers on a case-by-case basis to provide financial assistance to those directly impacted by the COVID-19 outbreak. This assistance may include payment deferrals for credit products, such as mortgages.

According to the data received by REs, as of May 29, 2020, more than 735,000 Canadians had taken advantage of mortgage deferrals.

Through regular communications with REs, FCAC became aware of potential issues with credit reporting during the pandemic. While some deferrals are reported accurately and the loan is kept in good standing, technical limitations and challenges result in other deferrals being reported as late payments or delinquencies, with negative consequences for consumers' credit scores. This may make it difficult for affected consumers to qualify for finance, rental housing, employment and discounted insurance premiums in the future. Furthermore, correcting errors on credit reports is onerous for consumers.

FCAC believes that deferrals and other accommodations for consumers living with COVID-related financial hardship should not have a direct negative impact on credit scores. FCAC issued a letter to REs stating its expectation that they will ensure payment deferrals do not negatively impact consumer credit scores. FCAC has raised awareness of this issue through its collaboration with provincial counterparts overseeing credit bureaus, other federal regulators and credit bureaus, discussing options that could mitigate risk. The outcome was an industry-led solution that minimizes potential harm to consumers. FCAC continues to monitor this issue and expects REs to work with consumers and credit bureaus in facilitating the correction of errors.

Changing reporting expectations for REs

FCAC has shifted its monitoring and reporting expectations to focus on measures implemented by REs as a response to COVID-19. FCAC is undertaking this shift while ensuring REs continue to comply with their legislative obligations, voluntary codes of conduct and public commitments.

For example, REs are providing FCAC with cumulative data on the volume of consumer requests related to financial relief on credit

products (i.e., mortgages, home equity lines of credits, other lines of credit, personal loans, credit cards and auto finance loans). Since the COVID-19 outbreak, REs have been expected to report this information weekly and update data as required. REs are also asked to inform FCAC supervisors of any new COVID relief measures (e.g., fee reversals, debt restructuring) offered to consumers.

Through this information, FCAC is monitoring how REs are meeting their public commitments to protect the interests of their customers. This information also contributes more broadly towards FCAC's mandate of supervising REs.

Greater coordination among financial-services authorities during the crisis

FCAC regularly collaborates with other federal financial services authorities to achieve its supervisory mandate. During the COVID-19 outbreak, this collaboration has been even more valuable. FCAC is working proactively with members of the federal government's Financial Institutions Supervisory Committee (FISC), whose members share responsibility for prudential, policy, supervisory, depositor insurance and monetary issues.

Regularly scheduled touchpoints and information sharing ensure a coordinated response among partners. For example, FISC members are sharing data to monitor trends and evolving issues in the financial sector and, since the outbreak, they discuss common issues with greater frequency. This shows the importance of regular and constant communication in time of crisis.

FISC members are working together to reduce the reporting burden on financial institutions during the pandemic. This is consistent with other federal regulators in Canada, who offered regulatory relief not only in the form of reduced reporting, but also adjusted supervisory expectations and provided flexibility where required. Such measures recognize COVID's impact on the capacity of REs' compliance, data reporting

and business functions, which have had to be adapted.

FISC members are also collaborating to ensure a coordinated return to normal supervisory and regulatory activities, such as industry consultations, normal reporting, monitoring activities, etc.

Updating consumer information: Accessing COVID-19 benefits

As the COVID-19 outbreak continues, many Canadians are receiving the Canada Emergency Response Benefit (CERB) or other government benefits to help them during these difficult times. FCAC is encouraging Canadians to sign up for direct deposit of their government benefits. Anyone can sign up for direct deposit through the CERB application or through online banking.

Those who cannot easily sign up for direct deposit and are receiving their benefits by cheque should take their cheque to a bank. A Canadian with acceptable proof of identification has the right to [cash a Government of Canada cheque at any bank](#) for free and without any holds on the funds even if they are not a client at that bank. Complaints about this process can be directed to FCAC.

Due to COVID-19, the size of a Government of Canada cheque that can be cashed by a Canadian has increased from \$1,500 to a maximum of \$2,000 to accommodate COVID-relief cheques. Banks have been making appropriate efforts to adapt their government-cheque-cashing policy in a timely manner and have trained their staff to facilitate the increased cashing limit of \$2,000. Some banks have also instituted policies that prioritize seniors, frontline healthcare workers and vulnerable populations when they access in-branch services. For example, a number of banks have dedicated hours during which they give seniors priority over other customers, or special call-handling measures for seniors.

Conclusion

In conclusion, FCAC continues to monitor the progression of COVID-19 and its direct impacts on consumers, and to support REs as they facilitate access to services and promote a safe workplace. The four supervisory challenges noted above offer examples of how FCAC, its regulatory partners and the REs it oversees are responding to the unique challenges of the COVID-19 outbreak. When conditions warrant, FCAC will review the full suite of available relief measures implemented by REs and provide further guidance.

New moneylending regulations in Ireland

Contributors: Consumer Protection Division, Central Bank of Ireland

On 8 June the Central Bank of Ireland announced changes to the rules applying to the moneylending sector, in order to enhance consumer protection for those who utilise the services of licensed moneylenders. Moneylending is the practice of providing credit to consumers on foot of a moneylending agreement which is a credit agreement where the total cost of credit is in excess of an APR of 23% or the agreement is negotiated or concluded or the

repayments made, away from the business premises of the moneylender. The credit will usually take the form of a cash loan but may also involve the provision of goods on credit from a retailer, the purchase of goods from a catalogue company or the purchase of vouchers.

The new rules are set out in the new Central Bank (Supervision and Enforcement) Act 2013 (Section 48) (Licensed Moneylenders)

Regulations 2020 (Moneylending Regulations), which come into effect on 1 January 2021. One provision, requiring a “high-cost warning” in advertisements for moneylending loans with an APR in excess of 23%, will come into effect earlier on 1 September 2020.

There are currently 38 moneylenders licenced by the Central Bank of Ireland, including home collection and catalogue firms, with approximately 300,000 consumers. The Bank developed the new regulations following a public consultation process. In considering what it heard during the consultation process, the Central Bank was mindful of the potentially vulnerable consumer base that typically engages with moneylenders and the high-cost of moneylender loans.

Some key requirements the new rules impose on moneylenders are:

- Moneylenders will be required to ensure their marketing strategy is fair and reasonable, taking into account the particular circumstances of consumers.
 - Moneylenders will not be permitted to make an unsolicited offer to consumers to apply for credit when those consumers have recently fully repaid a moneylending agreement or are nearing full repayment.
 - Moneylenders will be prevented from making unsolicited contact with existing consumers for the purposes of sales and marketing, without specific consent from that consumer. Moneylenders will also be prohibited from making unsolicited contact with a prospective consumer based on a referral from an existing consumer. Furthermore, contact and communications from a

moneylender must be proportionate and not excessive.

- Catalogue moneylenders will be prevented from providing discounts predicated on availing credit.
- Currently, moneylenders who offer loans in excess of 23% APR are required, in pre-contractual information, to prominently display a warning of the high-cost of the credit. Moneylenders will be required to include enhanced, prominent warnings about the high cost in all advertisements for such credit, and to prompt consumers to consider alternatives.
- Moneylenders will be required to provide prescribed information that prompts consumers to consider whether a moneylender loan is their best option and, where the loan is required for basic needs, signpost consumers to the Irish money advice service (the Money Advice and Budgeting Service).
- To enable consumers to proceed on a more informed basis, moneylenders will be required to provide aggregated repayment information to consumers who have more than one moneylending agreement with that moneylender.
- To enhance professionalism in the sector, moneylenders will be subject to new requirements on training, policies and procedures, engagement with third parties, requirements in relation to vulnerable consumers and earlier

signposting to the Money Advice
and Budgeting Service for
consumers in arrears.

FinCoNet

Established in 2013, FinCoNet is an international organisation of supervisory authorities responsible for financial consumer protection. It is a member-based organisation set up as a not-for-profit association under French law.

FinCoNet promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision.

Each member of FinCoNet has responsibility for and an interest in protecting the interests of consumers of financial services. FinCoNet seeks to enhance the protection of consumers, and to strengthen consumer confidence by promoting robust and effective supervisory standards and practices, and sharing best practices among supervisors. It also seeks to promote fair and transparent market practises and clear disclosure to consumers of financial services.

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