



Submission on:

**Consultation Paper 136
Enhancing Central Bank Engagement with Stakeholders**

10th May 2021.

Society of Financial Planners Ireland

Registered Office: 4 Ormond Quay Upper, Dublin 7.

W: www.sfpi.ie

E: info@sfpi.ie



Who are the Society of Financial Planners of Ireland?

The Society of Financial Planners of Ireland is the voice of, and community for, Financial Planning Professionals in Ireland. Our mission is: **“To enhance the understanding of financial planning as a profession and to represent the views of our members with Regulatory, Governmental, Statutory and Consumer bodies.”**

Our members come from a wide variety of backgrounds, including those in private practice, insurance companies and banks. They include many of the most experienced and highly qualified financial planners in the country, as well as more recent Certified Financial Planner Professional™ graduates.

All our members have attained the CFP® designation, which is the most recognised and prestigious global financial planning designation, of which there are over 190,000 such individuals worldwide. In Ireland, a pre-requisite to acquiring the CFP® designation is the successful attainment of a Post Graduate Diploma (Level 9) in Financial Planning from UCD. All our members must adhere to the Code of Ethics of the International organisation of the Financial Planning Standards Board, which operates in 27 territories.

The SFPI is a not-for-profit organisation, run entirely by a volunteer Board of Directors, elected by the members. We are a completely independent body, having no affiliation or support from any organisation.

The SFPI recognises the importance of ensuring that a strong community of financial planning professionals is established in Ireland. The SFPI represent the views and advocate for the financial planning profession and our members. We are a collaborative community of Financial planning professionals, working alongside statutory bodies, voluntary entities, other professional and representative bodies.

SFPI members play a pivotal role in helping clients to understand and navigate complex financial, taxation and pensions decisions. Our members advise clients on the broad business of the management of their personal financial affairs.

The financial planning process involves gathering relevant financial information, setting life goals, examining a client’s current financial status and devising a strategy or plan for how they can meet their objectives given their current situation and future plans. Personal financial planning therefore provides direction and meaning to a client’s financial decisions and their subsequent interaction with financial services providers and with the wider financial system.

As the only representative group solely for Financial Planning Professionals in Ireland, the SFPI is ideally placed to provide the Central Bank with the views of the different and distinct voice of the Financial Planning Professional. In November 2019, as part of the ongoing review of the Consumer Protection Code, the SFPI were delighted to meet with a Central Bank team on behalf of our members and share our views and offer ideas and solutions as part of that review.

The content herein therefore sets out the views of the SFPI in relation to the Central Bank's Invitation to make a submission to their Consultation Paper 136 on Enhancing Central Bank Engagement with Stakeholders.

We would be pleased to meet with the Central Bank again on behalf of our members and provide it with any additional information or analysis which it may require in respect of this submission.



Brendan Reilly, Chairman.
(052) 6129696 or mobile (087) 834 5523

The 2021 SFPI Board of Directors are:
Brendan Reilly, Gillian Walsh, Mark Hedderman, Pat Matthews, Paula Leitch, Lar Fant, Enda McGuinness, Clíodhna Hughes.

Question 1. Do you agree with the proposals outlined above to enhance the role of the Consumer Advisory Group? What further enhancements could be made, give its statutory mandate?

SFPI Response to Q1.

We believe there is scope to strengthen the role of the Consumer Advisory Group, in particular when it comes to its effectiveness in advising the Central Bank on the performance of its functions and on “initiatives aimed at further enhancing the protection of consumers of financial services”.

We note this group is generally scheduled to meet 3-4 times per year. Yet despite the tremendous flexibility shown by so many sectors of our economy to rapidly pivot to remote working or greater online engagement with their clients, consumers, and stakeholders, the Consumer Advisory Group appears to have only met once in 2020. Given the enormous financial impact on so many consumers caused by the current Covid 19 pandemic this absence of regular meetings is a matter of some concern.

We would strongly encourage the Central Bank as a first step to strengthen the role of the Consumer Advisory Group by ensuring that the frequency of meetings is increased.

It would appear that the current profile of the Consumer Advisory Group is too narrow, as it does not include any direct consumer representative. Given the Central Bank’s stated aim of “Building a listening organisation”, in our view membership of the Consumer Advisory Group needs to be widened to include direct representation for consumers, as well as a wider range of representatives from groups advocating on behalf of, or working for, consumers. In effect, those who are at the front line.

It is notable that while it may well be the case that many of those in attendance were in fact only observers, the overwhelming majority of attendees at that most recent meeting of the Consumer Advisory Group were from the Central Bank itself, rather than from organisations who work with and/or advocate on behalf of consumers on a daily basis.

Membership of the Consumer Advisory Group should be increased to ensure better outcomes and coverage for consumers

Finally, we note with interest that at the December 2020 meeting of the CAG, one of the agenda items was recent Consumer Research on the Mortgage Application Process for First Time Buyers. The need for increased financial education in this space was identified. In our view, this is a further reminder of the need for the Central Bank to take a more active role in heightening and increasing financial literacy in wider society, a matter to which we will return later in this submission.

While not part of the role of the Consumer Advisory Group, we would encourage the Central Bank to do more generally to enhance financial literacy amongst consumers.

Question 2: Do you agree with the proposals outlined above to enhance the role of the Civil Society Roundtable?

SFPI Response to Q2.

The proposal to enhance the role of the Civil society roundtable is very welcome in our view, particularly if, as proposed, it helps the Central Bank to hear directly from consumers in relation to their interaction with the financial system. On a larger scale, the recent citizens assembly is a good example of how such a body could operate efficiently and effectively through providing direct views and analysis to legislators.

Such a gathering should hear from as wide a range as possible of consumer demographics, including those more vulnerable members of our society.

At present the civil society organisations present at the Civil Society roundtable work in a range of areas including social justice, housing and homelessness, gender, environment, human and legal rights, rural issues, the rights of older people, and workers' rights.

What is unclear however is whether this includes advocacy or representative groups for younger people. After all, the young people of today will be the consumers of tomorrow, so in order to maintain a proactive approach on behalf of consumers the Central Bank needs to be hearing from this cohort now. Younger people might very well be significantly more digitally literate than previous generations, but this does not automatically make them more financially literate. In fact, this digital literacy, combined with easier online access to so many sometimes very complex financial arrangements, if anything means this group have a potentially heightened risk when it comes to their interactions with the financial system.

When it comes to vulnerable consumers, any enhancement to the Civil Society roundtable designed to better respond to their needs and hear their voices is to be welcomed. This matter is of increasing importance with the enactment of the Assisted Decision Making (Capacity) Act. This Act is about supporting decision-making and maximising a person's capacity to make decisions and will therefore have very significant implications for vulnerable consumers and financial professionals. As experienced financial planning professionals, often providing inter-generational advice to clients and their families where vulnerable persons are involved, the SFPI considers it vital that these consumers are properly represented, and their views taken into consideration.

The SFPI participated in the drafting of a draft code for financial professionals required under the Assisted Decision Making (Capacity) Act. The breadth of the SFPI experience has proven valuable in assisting the writing group to bridge the varied and complex relationships between legislature, regulator, professional and representative bodies, industry, adviser and consumer.

Question 3: What other formal or informal mechanisms could the Central Bank consider engaging with civil society and consumer groups to ensure their perspectives and insights into the financial system are considered in decision-making?

SFPI Response to Q3.

Given the importance of strengthening consumer protection in our view it is essential that the challenges faced by consumers as they interact with each layer of the financial system are identified and understood. This will inform policy makers and allow them to make evidence-based changes or proposals with a consumer-centric basis.

To maximise this, in our view, the process should begin with the Central Bank drafting a flow chart designed to capture the various stages of certain financial transactions, particularly those more complex transactions such as arranging a mortgage or arranging a pension. This chart needs to identify each layer of the process, and those financial services firms or sectors with whom the consumer is likely to engage as they explore, research and ultimately execute these types of transactions. This will allow the Central Bank to ensure that a stakeholder from each stage in that process contributes to a formal or informal mechanism designed to make the process more consumer focused. This work could begin by surveying consumers to identify the types of transactions or interactions they engage with the financial system on that they find most challenging and why.

We recommend that the Central Bank prepare a financial transaction based flow chart, designed to capture each stage of a consumers interaction with the financial system, to ensure there are no information deficits when it comes to understanding the consumer perspective.

The second improvement the Central Bank could make in this area would be to embark on a substantive programme designed to enhance wider financial literacy amongst consumers. Indeed, the next iteration of the Central Bank Strategic Plan, to run from 2022-2024, offers an opportunity in that regard.

We would encourage the Central Bank to include an emphasis on enhancing financial literacy amongst consumers in their 2022-2024 Strategic Plan.

The Central Bank could, for example, support a pilot programme, beginning with transition year students in second level, designed to educate young people about financial matters. This is an initiative the SFPI would be delighted to support and assist with. Young people need to understand the broader life issues of borrowing, saving and the impacts that these will have on their personal lives into the future. The relevance of compound interest, geared investing and long-term health costs may not be the most enticing to young people under the age of 18 but there is no doubt that even a basic understanding of such concepts would help in laying out a personal financial plan that would assist them in making appropriate long-term provision for their future – whether in the event of ill health or simply for retirement.

Question 4: Do you agree that the Central Bank should look to formalise the current industry forum roundtables to discuss the cross-sectoral, strategic issues relating to the financial system as set out above?

SFPI Response to Q4.

Yes, we agree that the Central Bank should formalise the current industry forum roundtables to discuss the cross-sectoral, strategic issues relating to the financial system.

The SFPI is a relevant stakeholder because of the range of advice and services provided by our members. Often our members are the conduit between the consumer on the one hand and the institutional financial services providers on the other.

We are therefore ideally placed to provide cross sectoral analysis of issues facing the key participants in the financial services sector.

Question 5: If yes, are there any suggestions you would like to make regarding the establishment of such a forum?

SFPI Response to Q5.

In advance of the establishment of any such forum we believe the Central Bank should identify what it sees as a relevant stakeholder, what demographic or element of society that stakeholder can represent, and what benefit such stakeholders can impart to any such forum. As recent experience with the Covid 19 pandemic has also shown us, there might also be an opportunity for greater use of technology, and therefore for more frequent engagement, for such a forum.

Once again the way in which the citizens assembly managed to continue and conclude its work recently despite the restrictions imposed on public gatherings as a result of the Covid 19 pandemic has shown how this can be done. Furthermore, such an approach may well lead to less absenteeism at any such forum and therefore better and more diverse representation.

Question 6: If no, how do you think the Central Bank should seek to discuss cross-sectoral, strategic issues relating to financial sector oversight with the relevant industry stakeholders?

SFPI Response to Q6.

Not applicable.

Question 7: Do you have any observations in respect of the proposed Conference?

SFPI Response to Q7.

The proposal to hold a wider Financial System Conference, beginning in 2022, is an excellent initiative from the Central Bank and is one which is very much welcomed by the SFPI.

This will provide an enormous opportunity for the broadest possible church of civil society to engage in a meaningful fashion with one another and with those responsible for consumer protection and for the regulation of the financial system. As a body whose members interact on behalf of consumers daily, the SFPI would be pleased to support and participate in this initiative.

Question 8: Are there any formal or informal mechanisms that you think the Central Bank should consider ensuring the perspectives of the business community are heard and contribute to the Central Bank's decision-making?

SFPI Response to Q 8.

Considering some of the ongoing economic challenges, such as Brexit and Covid 19, we believe a series of events should be undertaken by the Central Bank, similar to the existing annual roadshows undertaken with intermediaries.

These events should be “listening events”, and again should embrace the use of technology to maximise attendance and participation. In advance of these events, the Central Bank would set out a specific theme they want to explore with the business community. As these events would be “listening events”, we also propose they should have an independent moderator, while the emphasis for such sessions would be that they would be solution based, rather than “venting” opportunities.

Question 9: Are there any other matters that the Central Bank should consider, or practical steps it should take, to engage more effectively with domestic stakeholders, as it works to develop its overall strategy for stakeholder engagement?

SFPI Response to Q 9.

In our view, the Central Bank would be well served in re-examining who and what it identifies as a domestic stakeholder when it comes to enhancing engagement with stakeholders, especially given the stated objective of “Building a Listening Organisation”.

It’s not simply the listening itself that matters, it’s equally important to ensure that a sufficiently diverse and broad range of perspectives are being captured to maximise the outcome of any such engagement for the ultimate benefit of the consumer.

Enhancing the diversity of stakeholders whose voices are listened to will also contribute to a better understanding at Central Bank level of the impact that policies can have, both intended and unintended.

Society of Financial Planners Ireland

Registered in Ireland as a Company Limited by Guarantee CRO No. 619407

Registered Office: 4 Ormond Quay Upper, Dublin 7.

Directors: Brendan Reilly, Gillian Walsh, Mark Hedderman, Enda McGuinness, Pat Matthews, Paula Leitch, Lar Fant, Clíodhna Hughes.

W: www.sfpi.ie

T: (052 612 96 96/ 087 8345523 / (Brendan Reilly, Chairman)

E: info@sfpi.ie