

Submission to Consumer Protection Code Review

Submitted to Central Bank of Ireland

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National Adult Literacy Agency

Áisíneacht Náisiúnta Litearthachta do Aosaigh

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Introduction

We are the National Adult Literacy Agency (NALA), a registered charity with 1,700 members. We believe literacy is a human right. We are committed to making sure people with unmet literacy, numeracy and digital literacy needs can fully take part in society, and have access to quality learning opportunities that meet their needs.

Some people have their **literacy needs met**; others do not.

This can be for **many reasons.**



NALA welcomes the opportunity to contribute to the Consumer Protection Code Review by responding to the March 2024 Consultation Paper (Central Bank of Ireland 2024a).

Literacy, numeracy and digital literacy

Literacy, numeracy and digital literacy skills involve listening, speaking, reading, writing, using numbers and everyday technology to communicate, to build relationships, to understand information and make informed choices.

Literacy, numeracy and digital skills enable people to reach their full potential, be active and critical participants in society and help address poverty and social exclusion. These life skills allow us to participate in, and make sense of, the world.



Literacy, numeracy and digital skills:

- are not static and they evolve.
- are not something that you get once in school and you have forever – you must practise these skills or you lose them. This is called “deskilling”.
- can vary depending on the context, for example, dealing with a financial service for a loan involves financial and legal terminology.
- are different for each person – you can be good in one area, for example reading, but weak in another, for example writing.

In this submission, the word “literacy” may refer to all these skills (for ease of reading). Literacy is not about individual intelligence. Literacy is about social, economic and cultural opportunity – and having equal access to opportunity is key.

Literacy needs in Ireland

Unmet literacy, numeracy and digital literacy needs arise because of educational and wider structural inequalities.

The most recent adult literacy survey (CSO 2013) showed that:

- About one in six (18%) adults (aged 16 to 65) struggle with reading and understanding everyday text. For example, reading a bus timetable or understanding medicine instructions.
- One in four adults (25%) has difficulties using maths in everyday life. For example, working out a bill or calculating percentages.

Another survey on adult skills (CEDEFOP 2020) showed that in Ireland:

- About 2 in 5 (38%) adults struggle with basic digital tasks. For example, looking up a website or sending an email.

The majority of people who have digital literacy needs have underlying literacy issues.

There are also literacy needs among many adults where English is their Second or Other Language (ESOL).

Literacy and equality

Literacy is a barometer of equality and is a way to creating a society that is better for all. Equality is not about treating everyone in the same way - individuals' needs are sometimes best met in different ways. At present, those who need to access education and training the most have the least access. This is the Matthew effect where “without intervention, those who have acquired more education get more and those that have not, get little or nothing” (Kerckhoff & Glennie 1999).

NALA believes that priority should be given to those experiencing the most educational

disadvantage - the **furthest behind first** principle in the UN 2030 Agenda for Sustainable Development (UN 2015). Within such a framework, the needs of those with less than a QQI (Quality and Qualifications Ireland) Level 4 qualification should be met first. Vulnerable adults who cannot access supports, or are refused help when they need it, may not seek help again. For the furthest behind, there must be enhanced and targeted opportunities and supports.

Financial literacy

Financial literacy is the ability to understand how money works: how you make, manage and spend it. It is not only about financial knowledge and numeracy skills, but also about attitudes and behaviours. Financial literacy is essential for people to manage their budgets and make smart financial decisions.

The review of the Consumer Protection Code will need to take account of the current financial literacy context in Ireland. Aspects of that context are briefly discussed below.

Recent survey results from Bank of Ireland found that only 28% of Irish people feel knowledgeable about financial matters (Bank of Ireland 2023). Another recent survey, by Eurobarometer (European Union 2023), found that 22% of people in Ireland scored low on financial knowledge. This means that they answered just one, or none, of five financial knowledge questions correctly. These findings indicate that a significant portion of our society is lacking the “knowledge” aspect of financial literacy.

Digital literacy is also a challenge for many adults in a financial context. Financial services are increasingly provided digitally, while Ireland still has high levels of digital literacy needs and unequal access to digital infrastructure such as broadband. Eurobarometer 2023 found that 11% of Irish respondents are “not at all comfortable” with using digital financial services, and a further 10% are “not too comfortable”. This lack of comfort with digital financial services impacts on financial behaviour – for example, the Consumer Sentiment Banking Survey found that 14% of adults in Ireland have never used online banking (Department of Finance 2023a, p5).

The importance of financial literacy is increasingly recognised by policymakers. Ireland’s Financial Consumer Protection Roadmap (Department of Finance 2023b) acknowledges the importance of financial literacy in consumer protection, and a Financial Literacy Strategy is being developed by the Department of Finance. The OECD’s Consumer

Finance Risk Monitor (2023) identifies financial and digital literacy among the risks faced by consumers today:

“The most significant risks related to the characteristics and circumstances of consumers (demand-side risks) include a **lack of financial literacy**, over-indebtedness and a **lack of digital capability**”

(*ibid.*, 2023, p8)

Literacy friendly services

Personal financial literacy, as outlined above, is only one area of concern. It is also important for organisations to be aware of literacy needs and to be literacy friendly. This means that the organisation implements policies, practices, and systems that make it easier for people to navigate, understand, and use information and services.

NALA’s research report on financial literacy (NALA 2022a) found that:

- Some features of financial services create barriers for customers with financial literacy and numeracy needs. For example, the trend away from cash to digital banking, closure of branches and reduction of customer service staff;
- Specific groups experience disproportionate barriers to accessing financial services. For example, Travellers and customers with limited or no educational qualifications;
- In order to access financial services, customers increasingly need to set up digital services, go online and remotely access financial services and supports and identify and respond appropriately to scams;
- Building trust and confidence of customers with financial literacy and numeracy needs is key to enabling them to fully access services and support;
- Providing more literacy-friendly services for customers with literacy and numeracy needs includes providing services in plain language, ensuring simple service design and maintaining options of channels where possible (in-person, phone and online).

Participants in NALA’s Student Development Fund have shared their experiences of online services (NALA 2022b). The report collated the following feedback from 1,282 students in 76 further education and community education centres:

- Some students had no difficulties online (students in 15 of 76 centres);
- Others had some difficulty, especially with navigating a website, online banking and forms, and too much content or cluttered content;

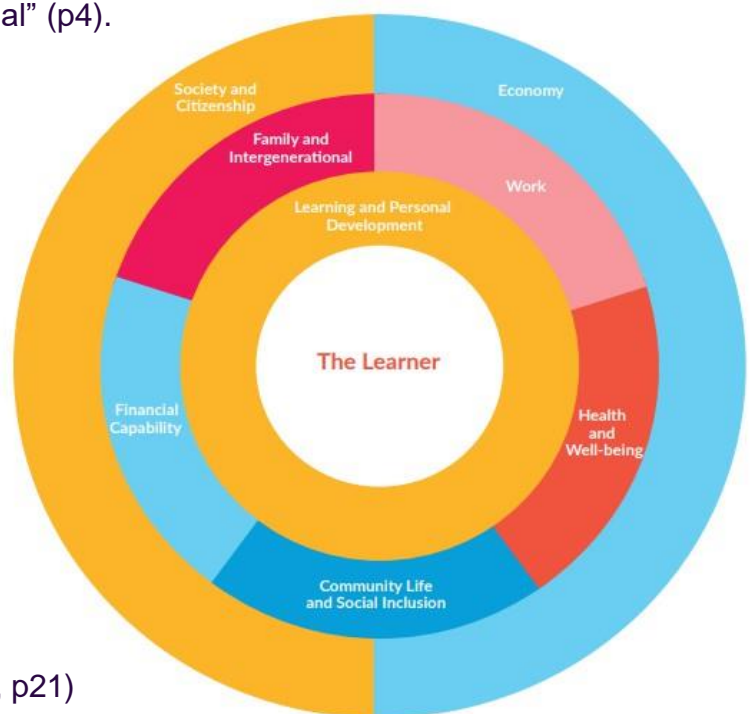
- Others found online services tough. In 17 of the 76 centres involved, students said they had limited experience of using online services. This was due to:
 - Connectivity: having no device to access the internet;
 - Capabilities: Lack of literacy skills and relying on family or friends to do the online service work for them;
- Students said that automated phone services are a challenge.

Adult literacy policy

The Government has published a 10-year Adult Literacy, Numeracy and Digital Literacy Strategy called “**Adult Literacy for Life**” (Government of Ireland 2021) which aims to “ensure that everyone has the necessary literacy, numeracy and digital literacy to fully participate in society and realise their potential” (p4).

The strategy says that:

“Modern understandings of literacy have expanded to include areas such as digital literacy, family literacy, environmental and eco-literacy, **financial literacy**, health literacy, media literacy and numeric literacy” (pp18-19)



Key Adult Learner Domains

(reproduced from ALL Strategy, p21)

The strategy also identifies key adult learner domains, one of which is “financial capability”. The Adult Literacy for Life (ALL) Strategy commits to a cross-Government, cross-economy and cross-society approach to support literacy needs. It means that a whole range of services will understand literacy barriers and work together to remove them.

In line with this cross-Government approach, it is essential that the National Payments Strategy is aligned with the ALL Strategy, and with the forthcoming Financial Literacy Strategy which is also being developed by the Department of Finance at this time.

Response to consultation paper for the Consumer Protection Code review

The consultation paper for the Consumer Protection Code review sets out a number of questions. We will respond concisely below to those which are most relevant to our work. Our responses should be considered in the context of the general points and guiding principles outlined above.

Securing Customers' Interests

Do you have any comments on the Securing Customers' Interests Standard for Business, Supporting Standards for Business or the draft Guidance on Securing Customers' Interests?

We are pleased to see that businesses will be expected to have a customer-focused culture throughout all their operations, not just tick-box compliance. We also agree with the emphasis on clear communication and simple processes. Our suggestions on how these processes should be implemented and monitored follow below.

Digitalisation

Do you have any comments on the proposed Code enhancements with regard to digitalisation?

We broadly support the proposal that businesses will have to consider customer impacts if they move to digital services and provide reasonable assistance. However, as discussed above, more than 1 in 10 Irish adults are not **at all** comfortable using digital financial services (Eurobarometer 2023, emphasis added). Non-digital service options should be available for these consumers, as well as in-person and telephone assistance to use digital services.

The draft Guidance on Securing Customers' Interests suggests that "the absence of human interaction and/or advice to support customer decision-making may not be appropriate for **certain**

products and services” (Central Bank of Ireland 2024b, p19, emphasis added). We suggest that consumers should have the option of human interaction for any product or service.

We also suggest that businesses should provide information and interventions to support customers to engage digitally. These supports could include plain language printed information, multi-media tutorials and onsite support sessions provided by the business or in collaboration with relevant local providers.

We agree that the pace of change can be a challenge for consumers and we support the proposed increase to the notice period for upcoming changes.

What are your views on the proposed requirements on banks where they are changing or ceasing branch services?

Branch services should be maintained as far as possible. They are the only feasible option for many consumers. Without in-person services, some consumers go unbanked, rely on other people to do their banking for them or avail of unregulated providers that are available locally. This affects their privacy and leaves them at risk of fraud and increased indebtedness.

If banks are required to survey impacted customers after a change, as proposed, the results of that survey should be publicly available. The results should also be provided to relevant policymakers who can analyse the impact of branch closures and service changes at a national level. The Central Bank could clarify what the plans are for this survey data.

We support the requirement for banks to plan how to assist customers, especially at-risk customers, to migrate when a branch has to close. If a decision is taken to close a bank, the financial institution should be required to provide assistance / alternative interventions for customers to avail of digital and, or local banking services.

Informing Effectively

Do you have any comments on the “informing effectively” proposals?

We support the approach set out in the consultation paper, which emphasises the need to

effectively communicate, and ensure **understanding**.

More practical details and information on requirements could be included in the guidance to ensure businesses inform their customers effectively. For example:

- the [ISO \(International Organization for Standardization\) plain language standard](#)
- the [European Accessibility Act](#)
- the [Customer Communications Toolkit for Services to the Public](#)

Businesses should also be required to check that customers have understood their communications. With individual customers, they can use the “teach back” method ([see explanation here from the NHS](#)). Larger businesses should also conduct regular user testing of communications with a diverse range of customers.

Are there any specific challenges regarding implementation of the new Informing Effectively Standard for Business?

We know from experience that it can take significant time, training, resources and effort to embed a plain language approach across an organisation. Businesses should be made aware of the commitment needed and they should be supported by the Central Bank as appropriate. As mentioned at the 29 May 2024 Civil Society Roundtable, NALA would be willing to provide further training and support to the Central Bank and businesses.

Mortgage Credit and Switching

Do you have any comments on the proposed enhanced disclosure requirements for mortgages?

We are in favour of these proposals, because they make it easier for all consumers to make an informed decision about what mortgage is best for them. For example, the proposal that the full cost of a mortgage deal must be clearly stated up front, including interest. “Informing Effectively” means being transparent about the costs and benefits of different products and services.

Frauds and Scams

What other initiatives might the Central Bank and other State agencies consider to collectively protect consumers from financial abuse including frauds and scams?

Financial and digital literacy education is essential to empower consumers to protect themselves against frauds and scams. The Consumer Protection Code and associated guidance and supports should align with the Financial Literacy Strategy currently being developed by the Department of Finance and other relevant strategies including [Adult Literacy for Life](#) (Government of Ireland 2021), [Harnessing Digital](#) (Government of Ireland 2022) and [Ireland's Literacy, Numeracy and Digital Literacy Strategy](#) (Government of Ireland 2024).

Protecting Consumers in Vulnerable Circumstances

What are your views on the proposed amendments to the Consumer Protection Code in relation to consumers in vulnerable circumstances?

The proposed amendments in relation to consumers in vulnerable circumstances seem positive. For example, we support the proposal that businesses must have clear procedures for employees to report suspected financial abuse.

There is some over-emphasis on disability in the way that vulnerability is discussed in the consultation paper. Disability is a very important part of the conversation about vulnerability. However, as noted at the 29 May 2024 Civil Society Roundtable there are many forms of vulnerability which are not related to disability and the approach should not be one of paternalism but empowerment and protection.

Do you have any comments on the draft Guidance on Protecting Consumers in Vulnerable Circumstances?

The guidance is good, but longer than most people will read. We suggest that a separate plain language leaflet and, or video should be created so that consumers can understand their rights.

Literacy awareness should be part of organisations' learning about different "types and characteristics of vulnerability that may exist in their target market and customer base" (p7).

Is the role of the trusted contact person clear?

More details of how this role would work in practice would be useful. For example, how would the arrangement be reviewed or ended if circumstances change?

Additional Proposals

Are there other protections within the General Requirements under the revised Code that we should apply to High Cost Credit Providers?

We support the proposal to extend requirements around customers in vulnerable circumstances to these providers.

Are there elements of the revised Code that you think should be applied to SMEs?

The requirements around customers in vulnerable circumstances should apply to SMEs (if they don't already).

Do you have any comments on the proposals to apply an explicit opt-in requirement for gadget, travel, dental and pet insurance only?

We do not support any requirement for customers to engage with a written and, or digital process to confirm that they would like to maintain their insurance. People with literacy needs may not understand communications to them about renewal or have the skills and confidence to complete a renewal process. The less administrative burden, the better.

If opt-in is introduced for these types of insurance, all communications about renewal must be extremely clear and there must be robust supports to help customers through the process.

Do you have any comments on the proposals to introduce an additional renewal notification for non-life insurance products?

This is a good proposal – an additional notification for renewing these products would help to inform customers more effectively. Perhaps this could be applied to other products as well.

Do you have any comments on the proposed enhanced disclosures for long-term investment products and pensions?

More effective disclosure will help to inform customers effectively. Again, this good proposal could potentially be applied to other products.

Do you have any comments on the proposed revised requirements for handling of errors or complaints?

We note that “firms will [...] be required to display their complaints procedure on any digital platform that they operate.” (p75 of the consultation paper). We support this but would also add that customers must have non-digital ways to make a complaint – for example, a phone line – which should also be easy to find.

Benefits and Costs

Do you have any views on our analysis of the costs associated with the implementation of the proposals set out in this consultation paper?

In the discussion of costs, the consultation paper says that “we recognise that vulnerability will not always be identifiable; firms can only be expected to take steps where they could reasonably be expected to be aware that an individual is in vulnerable circumstances.” (pp. 82-83). It is true that vulnerability will not always be identifiable. Because of that, we suggest that organisations should take a universal design approach to vulnerability, in addition to the steps advised above to inform effectively. This means that inclusive practices that help everyone - including customers in vulnerable circumstances - would become the norm.

Conclusion

There are many positive developments in the Consumer Protection Code review, as outlined in the consultation paper and draft guidance. We would like to see more specific details in the guidance to help businesses inform their customers effectively, and ongoing implementation and monitoring of the Code. We urge the Central Bank to consider how non-digital services and supports can be maintained for those who need them. Finally, we advocate for a universal design approach which mainstreams clear communication and minimises or removes any administrative barriers for consumers.

Follow on

We are happy to discuss our comments and recommendations with you further.

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About NALA

The National Adult Literacy Agency (NALA) is a charity and membership based organisation. We support adults with literacy, numeracy and digital literacy needs to access learning opportunities that meet their needs and to take part fully in society. NALA does this by raising awareness of the importance of literacy, doing research and sharing good practice. We also provide support through our online learning courses, tutoring service and by lobbying for further investment to improve adult literacy, numeracy and digital literacy skills.

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