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Dear Ms Healy

CP11/17 FSA regulation of credit unions in Northern Ireland**

This is the Financial Services Consumer Panel's response to the proposals in CP11/17** FSA regulation of credit unions in Northern Ireland. The Panel is not in a position to answer all the specific questions within the Paper, but we have comments on the main proposals that it contains.

Financial Ombudsman Service and Financial Services Compensation Scheme

We support the transfer of regulatory responsibility for credit unions in Northern Ireland to the FSA and the objective of placing them and their members on a more equal footing with credit unions already regulated by the FSA in Great Britain. In particular we believe that it will be beneficial to members of credit unions in Northern Ireland to gain the protection of access to the Financial Ombudsman Service and the Financial Services Compensation Scheme.

We are pleased to see the FSA's commitment to providing information and assistance to those running credit unions to help them understand and respond to the proposals in the paper. Given the importance of, for example, the correct application of the complaints-handling rules, we would like the FSA to take further steps ahead of the transfer to ensure that credit unions have the help they need to integrate their procedures fully into the new regime.

Grandfathering

We have no objection to the FSA 'grandfathering' existing credit unions and individuals undertaking controlled functions (except undischarged bankrupts and those with convictions for dishonesty) into the new regime, on the basis set out in the Paper. This will include the requirement for grandfathered approved persons to meet the FSA's fitness and propriety requirements and to perform their role in accordance with the Statement of Principle and Code of Practice for Approved Persons under the new regulatory regime.

We are pleased that tailored prudential requirements will be imposed on credit unions in Northern Ireland. We note that there will be no transitional arrangement for minimum ongoing capital ratios, which will apply from the outset, and that the minimum initial capital requirements will not be imposed on grandfathered firms. Clearly there is a difficult balance to be struck between protecting members' interests by ensuring that credit unions have appropriate levels of capital, and supporting the sustainability of the sector as a whole. It is vitally important therefore that the FSA weighs up carefully the potential risk to members that these particular proposals represent with their potential impact on individual credit unions.

Specific Deposit-takers Defaults (SDD) costs

We support the proposal to ring-fence Northern Ireland Credit Unions from SDD costs incurred in advance of the transfer date of 31 March 2012.

Yours sincerely

Adam Phillips
Chair
Financial Services Consumer Panel