



Michael McGrath T.D

Consistency Office,

Main Street,

Carrigaline,

Co.Cork

**By Post**

01 December 2014

**Re: Banking Sector in Ireland**

Dear Deputy McGrath,

Thank you for your letter and for your good wishes. We are pleased that the amalgamation has occurred and the Competition and Consumer Protection Commission ('Commission') can begin, in earnest, to deliver upon its mission to make markets work better for consumers and businesses. The Commission has committed to prioritise its work to focus on the areas where it can have the most impact.

The concerns you raise regarding the current state of the banking sector in Ireland and the nature of competition between banks are well known to the Commission. However, I believe that a further study would not be useful at the present time as it would not resolve the issues inherent in the sector. Furthermore, I believe that the Commission's resources would be more appropriately utilised in other areas where our work could achieve meaningful change. I would point out however that the Commission continues to be active in the sector.

You will be aware that the crisis in our banking system has resulted in state aid to support our banks and the creation of a two-pillar banking system. To ensure that state aid rules are applied equally across the European Union, the European Commission, and not the national competition agency, is in charge of ensuring that state aid complies with EU rules.

As a consequence of the state aid required to rescue its banking system, Ireland committed to undertake a revised package of alternative measures in order to restore competition in the Irish banking market by facilitating entry and expansion of competitors and enhancing consumer protection in the financial sector.



The measures go above and beyond the commitments required of the individual banks that are in receipt of state aid. A full list of the commitments is set out in Annex II of the Bank of Ireland state aid clearance decision, which issued on 15 July 2010 (State Aid Case: N 546/2009).

The measures are aimed at improving customer mobility and protection, enhanced transparency to facilitate better consumer decision making and strengthening corporate governance in the financial sector. For example, the bank switching code has been put on a statutory footing and the Central Bank of Ireland has introduced a revised Consumer Protection Code which contains a number of measures to ensure that consumers are informed when banks make changes in interest rates and charges.

The issues relating to the lack of competition are well recognised at both domestic and EU level, and the Commission will continue to assist the Department of Finance and the EU Commission in formulating measures aimed at ensuring and safeguarding competition in the banking sector in Ireland. For example, we provide this assistance when a merger is notified to the Minister for Finance under the CIFS Act or the EU Commission in the performance of its State Aid function. The Commission also engages with the Central Bank and shares intelligence in relation to ongoing or emerging issues.

In addition the Commission has an important role in terms of stimulating demand. We promote switching in the sector through our Financial Comparisons website which is consistently amongst the most popular content on our consumer website which receives well in excess of one million visitors per year. We also conduct targeted public awareness raising campaigns in the sector to highlight the available options but also to advise how banking products can be most efficiently used by consumers. While the current account market offers only limited choice at present, switching credit cards or savings accounts can result in significant savings and has a knock on effect in that active consumers can drive further competition in those markets.

Given the importance of the sector we will continue to monitor the situation and the Commission will keep its options under review.

Yours sincerely,



Isolde Goggin

Chairperson

Competition and Consumer Protection Commission