Waterville House
Woodquay, Galway
Phone 091 566022 |
Fax 091 561850 |
E: info@financialconsultants.ie |
W: www.financialconsultants.ie |

McCarthy & Associates
Financial Consultants Ltd

Newsletter

September 2012 Volume 10 - Issue 1

Inside this Issue:

NEW WEBSITE

We recently launched our new website on http://www.financialconsultants.ie

where you will see significant improvements. We hope you like the new design and navigation which makes it easier for you to find the information you need.

Do you use Social Media? If you do then, “follow us” on Twitter and “like us” on Facebook. That way we will keep you informed when we update our website. You can now also watch and listen to our podcasts and videos on YouTube.

Follow us on twitter "like" us on Facebook YouTube LinkedIn

New Blog

We invite our readers to sign up for our blog through our website. It consists of our podcasts from the Galway Talks finance slot on Galway Bay FM and information on key financial issues as they arise.

Subscribe now http://www.financialconsultants.ie/category/blog/ to stay up to date!

Galway Talks Finance Slot

Tune into the weekly financial debate every Thursday morning at 9:45am on Galway Bay FM where David McCarthy and Keith Finnegan talk finance.
To have any financial questions answered during the debate you can telephone Galway Bay FM on 091 770077 or email your queries to info@galwaybay.ie

GALWAY Bay FM

Podcasts

Listen to David McCarthy’s Podcasts every week on our website www.financialconsultants.ie or you can now also listen to them on YouTube.

Referrals

Tell your family, friends and colleagues about McCarthy & Associates.

The Central Bank finally takes action on Payment Protection Insurance Scandal

It looks as if the Central Bank has finally taken action on the thorny issue of Payment Protection Insurance (PPI). I have been warning people for the last 10 years or more not to touch these policies, as not alone do they provide poor value for money, but also the claims experience has been terrible.

Essentially a PPI is a Policy that people took out attached to credit cards/personal loans/mortgages, which in theory, was supposed to meet their repayments if they became redundant/fell ill or died. The problem, not alone was the cost of these Policies, but also the fact that conditions for a valid claim were so onerous very few people had validated claims. For example, self-employed people were not covered under the redundancy section, for obvious reasons.

In fact, it was only some years ago that the Central Bank instructed all institutions to change their application forms when selling PPI. For many years you had to opt out on an application form, rather than opt in if you wanted this type of cover. Therefore a lot of people were sold a Policy they could never make a claim on, and in some cases, a policy that they never realized they had purchased.

It is unfortunate that it has taken so long for the authorities here to investigate these Policies and has only been prompted by the fact that in the UK, the Financial Services Authority has forced their banks to repay billions to their customers for the miss-selling of these products. Recently the Central Bank, as a result of an investigation, instructed some institutions to make retribution to people who were miss-sold some of these Policies, which I believe only the tip of the iceberg. They are now conducting a wide ranging review of what could amount to circa 300,000 Policies, sold here since the mid 90's. Considering the experience in the UK, the likely outcome is that Irish institutions may be forced to recompense a lot of these customers for miss-selling.

This is certainly one more scandal that the banking industry in Ireland could do without, but I have believed for many years that this was an "accident waiting to happen".

Beware of offers to access early Pension cash

It has come to my attention that advertisements have appeared over the last few days from a UK based company which is suggesting that you can access up to 50% of your Pension monies early (prior to retirement age). The Pension legislation in this country is very clear on this issue and there is no facility available to allow people to do this.

The company in question is operating from the UK and a mechanism that they are attempting to use, for people to access their Pension monies, is through the transfer of Pension funds to the UK and setting up a Small Self-Administer Scheme (SSAS). Half of the Pension monies are then returned to the client in the form of a loan which must be repaid over 5 years.

This type of structure is illegal under Irish Pension legislation and in fact, both the Revenue and Pensions Ombudsman are investigating these operators as a matter of urgency.

We strongly recommend that people with Personal Pension Plans do not have any dealings with these operators.

Read our Blog with your morning coffee. Always know what the latest news is in the world of finance.

Moneylenders

We believe that there are 3 steps necessary to try to address this ever increasing problem in Ireland and help those who are experiencing the hardship of having to deal with both legal and illegal operators. The 3 steps we recommend are the following:

- Concerted action by the Central Bank on the rate of interest that can be charged by legal moneylenders.

- The only way to cut off the business to moneylenders is for people to be able to access credit through alternative sources such as the Credit Union. The government needs to look at putting in place a program for smaller loans, that borrowers can access at reasonable interest rates.

- A clampdown on illegal operators by the Gardai.

On one of the points above we were interested to see that the Irish League of Credit Unions have called on the government to bring in a statutory interest rate cap for licensed moneylenders. There is no formal cap on these rates presently, but in practice there is a ceiling of 190% APR, applied by these operators through their licence with the Central Bank. Other EU member states have a tight price control on the cost of credit provided by moneylenders, and therefore the government needs to take a similar concerted action here.

Do you need independent financial advice? Contact McCarthy & Associates on 091 566022.

What will the new Personal Insolvency Bill (P.I.B.)mean for borrowers?

The recently announced Personal Insolvency Bill (PIB) will have dramatic consequences for borrowers who are in serious financial trouble. This is a complex piece of legislation and we have produced a separate document outlining the details of the 3 schemes that will operate. These comments should be read in conjunction with our summary of the bill which can be viewed separately on our website or Facebook page.

I have outlined below some of my observations on this new Bill, some of which will not be clarified until it becomes law later this year.

- The PIB is a voluntary process that is not legally binding on lenders. As a result they have a veto over whether or not to accept proposals from an applicant. In addition applicants have no recourse to an appeals process if the lenders are not cooperative with the proposed arrangements. It is difficult to see how this will operate in practice, however, I would hope that the threat of an applicant opting for bankruptcy would be a major influencing factor for institutions to enter an agreed process. In bankruptcy the amount that a lender would have to write off would be far more considerable.

- Under DSA and PIA arrangements, an applicant must try to settle their debts outside of these 2 schemes before they make an application. This is advisable as once you avail of one of these schemes, your credit rating will be adversely affected for many years to come by The Personal Insolvency Practitioners on a day-to-day issues which need to be clarified both when the Bill is finally enacted into law and how it will operate on a practical basis.

- There has been no clarification in relation to who will be appointed as Personal Insolvency Practitioners. It has been indicated that this may apply to the accountancy and legal professions, which I feel would be highly restrictive. In addition the level of fees that a PIB will be paid remains unexplained.

- The fact that a PIP must ensure to try and retain the family home under any arrangement is to be welcomed. This may not always be possible however.

- As I have indicated previously in relation to the fact that lenders are not obliged to agree to any arrangement, it is compounded by the fact that 65% of an individual's creditors must be in agreement before matters can proceed further.

- As these 3 arrangements will be ongoing for a considerable number of years, it is uncertain how they will be policed by The Personal Insolvency Practitioners on a day-to-day basis.

- I find it unsettling to read some press reports which suggest that there will be provision within the PIB that an individual may have to sell personal assets as part of an arrangement with their lenders. When referring to personal assets I am talking about items such as cars, valuable furniture/jewellery, etc. Whether this will become part of the day-to-day operation of these schemes remains to be clarified. There is no doubt that this whole process will be a traumatic one for applicants, which should not involve taking away any of their dignity by making this a requirement.

As you can see from some of my comments, there remains a number of issues which need to be clarified both when the Bill is finally enacted into law and how it will operate on a practical basis.

The numbers who may avail of these arrangements has been estimated to possibly be in the region of 30,000 to 40,000 in 2013.

Update your Will

You would be amazed at the amount of people in Ireland who do not have a will made. It is also just as important to have your will updated if your circumstances have changed. Protect your loved ones! We recommend that you contact a solicitor to write a will or if you have one already, they can help update it for you.

Check your Credit Rating

We would strongly suggest that people enquire with the Irish Credit Bureau in relation to their credit rating. This is something that should be done every few years to ensure that your records are up to date.

The recent debacle with Ulster Bank and AIB has reinforced the importance of checking with the Bureau. You can go to their website at www.icb.ie and pay a €6 fee to obtain a copy of your report.

Remember the ICB is only a data processing centre and any errors that appear on your report should be corrected by the lenders that you deal with.

"…This is something that should be done every few years to ensure that your records are up to date ….."

Keep In Touch!

If you do not remember giving us your email address, please email info@financialconsultants.ie or call us on 091 566022. Alternatively if any of your contact details have changed kindly let us know.

Life Assurance

Many people are talked into paying too much for Life Cover and Serious Illness. Although it is important to have sufficient cover in place, which will provide for your dependants, we believe that this should be undertaken on an affordable basis, taking account of your circumstances.

If you need any assistance or further information on any of the articles covered in this issue please contact us on 091 566022

Financial Services Available

- Personal Financial Check
- Savings & Investment Advice
- Banking Advice
- Share Transaction Service
- Deposit Rates
- Retirement & Pension Advice
- General Financial Advice
- Life Cover
- Serious Illness Cover
- Income Protection
- Redundancy Advice

Prior to making any decision with regard to your finances you should always obtain professional advice.

Q&A

These are just a few questions we get from our listeners-read more on our Blog

Q: I have funds on deposit and am worried deposit rates are going to fall further? What's your opinion on and what alternatives do I have?

A: Yes, you are correct. Deposit rates are likely to fall throughout this year. You have the option of fixing for a period and we would recommend that you consider the option for 6 or 12 months. Alternatively there are a variety of capital guaranteed bonds available over a period of 3 to 4 years which could provide the opportunity for a greater return.

Q: I inherited money recently and deposited it in my bank. They have contacted me and said they would like to talk to me about the deposit. I am fearful that they are going to try and sell me some product? What is your advice?

A: You can be assured that the bank will try to sell you their range of products as they have been conducting an intensive campaign for the last 18 months of investment sales with customers. I would recommend that you do not allow yourself to be subjected to undue pressure by them and if you want independent advice, the only way to get that is to go to an authorized advisor.

Q: I have a mortgage on an investment property and repayments are up to date. Recently I inherited a sum of money, which I put on deposit with the same bank. They have now put pressure on me to reduce the amount owed on my loan, despite the fact that I have met all repayments to date.

A: I'm assuming that you have not breached the terms of the original loan of offer. If this is the case, then the bank cannot force you to utilize some of the money that you inherited to reduce the loan. All banks have a very definite agenda here where they are looking to put pressure on borrowers to reduce their indebtedness to them and they are using whatever means they can to do this. However, you have a contractual arrangement with the bank on this loan and therefore they cannot pressurize you to change the terms of it. I would advise that you resist the banks pressure at all costs.

If you have a question you want answered on air email or phone in your question to the Galway Talks show on Galway Bay FM each Thursday.

If you wish to receive this newsletter via e-mail, please e-mail us at: info@financialconsultants.ie and you can now also subscribe to our Blog through our website www.financialconsultants.ie