



## **Making customer protection a priority in loan origination processes**

**Document issuance delays, aggressive credit cards sales, or no disclosures – these, and more, can effectively hinder taking a loan for even the most patient customer. The good news is, banks are beginning to notice, and crack down, on such practices.**

In mid-February, the UAE Central Bank announced the launch of a formal consultation on the development of a new Financial Consumer Protection Regulatory Framework. This is the next stage of implementing the law on the Central Bank and Organisation of Financial Institutions and Activities adopted in 2018.

The goal is to develop market-wide guidelines that will strengthen customer protection with all financial institutions under the supervision of the Central Bank. The detailed requirements are to relate primarily to areas such as improving the quality of disclosure and transparency or ensuring timely handling of customer complaints.

These actions are a continuation of UAE's Central Bank policy to systematically improve the situation of customers in the financial market.



### **Bad credits rocking the economy**

Credit products generate measurable profits for banks, but when the credits cease to be repaid, they entail problems not only for borrowers themselves, but also for the bank and the whole economy. We could see this during the financial crisis in 2008, symbolized by the collapse of the US Lehman Brothers bank.

That's why, legal regulations guaranteeing the safety of banks while protecting their customers are extremely important. This is best illustrated by the example of mortgage loans, for which in many countries there are already appropriate guidelines in place, prepared by regulators (European Mortgage Directive or Regulations Regarding Mortgage Loans published by UAE's Central Bank in 2013).

### **Rules and regulations to the rescue**

In the context of customer protection, these regulations often specify the safe level of customer debt by reference to loan-to-value or installment to disposable income ratios. The regulations also provide guidelines for assessing customer creditworthiness. Next, they oblige banks to inform customers fairly about the product offered and the total amount credited, including all fees and insurance over the entire credit period (e.g. *European Standard Information Sheet*).

For other products offered to retail customers (credit cards, overdrafts, installments), there are also guidelines – such as the EU Consumer Credit Directive or the US The Truth in Lending Act (TILA). These regulations impose a number of requirements banks must meet for end-customers, such as a limit on commissions and additional fees, an obligation to provide the exact costs of the loan or cross-selling restrictions.



### **A little help from IT systems**

The guidelines published by regulators may be twofold – either act as specific requirements or recommendations. Their implementation in a specific financial institution involves the adaptation of the applicable procedures and changes in IT systems. It is the IT solutions, including [loan origination systems](#), that to a large extent support banks in the implementation of consumer protection guidelines.

The systems calculate various indicators (LTV, DTI, DBR) or determine customer creditworthiness. They also provide the customer with full, reliable information on the terms and conditions of a specific credit product through the automatic generation of documents such as the European Standardised Information Sheet (ESIS) or the Standardised European Consumer Credit Information sheet (SECCI).

## **Our take on things**

It's also important that the IT systems used should be able to adapt quickly and easily to changing regulations. This is best done without a significant vendor involvement. And so, when choosing a solution, it is worth verifying whether it allows for changes in the scope of the processes themselves, collected data or defined business rules.

The approach to credit documents may turn out to be equally important – the possibility to modify print templates and algorithms generating a list of required documents. Finally, also openness to integration with other solutions (API standard, SOA approach) may contribute to a significant shortening of time-to-market.

Technology providing a comprehensive service for the sales of credit products for both retail and business customers is available in [Comarch's portfolio](#), and has long been used by the best financial institutions. Comarch systems put the customer first, providing them with care and transparency in the credit sales process, all the while catering to banks' needs in the light of ever-changing regulations.

More information about Comarch Loan Origination Solution >> <https://comarch.cc/38Xt82q>

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Radosław Bekanowski is a Product Manager of Comarch Loan Origination with over 14 years of experience in financial sector. He joined Comarch during his study at Warsaw School of Economics (specialization - Quantitative Methods and Information Systems). As a business analyst, later on - consultant, he has accumulated a vast amount of hands-on experience in the area of BPM and front-end systems with an emphasis on supporting the loan origination processes (in terms of both technical and business knowledge).

Passionate about business process optimization, Radosław now serves as an expert in the field of new technologies and their practical usage in the banking industry.