



FINANCIAL REGULATOR
Rialtóir Airgeadais

Mr Brendan Burgess
7 Farney Park
Sandymount
Dublin 4

28th April 2006

Re: Deposit Interest Retention Tax

Dear Brendan,

I refer to your email of 18th April 2006 in relation to the Panel's formal suggestion of including in the proposed Consumer Protection Code a requirement that credit institutions disclose on all interest statements the amounts deducted in Deposit Interest Retention Tax ['DIRT'].

As you are aware we have been consulting on the proposed Consumer Protection Code since March 2004. In February 2005 we published CP10, which contained a draft code with detailed provisions reflecting the outcome of the discussions to that date. We recognised that submissions would contain both suggestions on the proposed content and proposals for other provisions not contained in CP10. Suggestions for new provisions raise a fundamental problem as the Financial Regulator has accepted that, in the normal course of events, provisions adopted in the Code should have been subject to a formal public consultation process.

However we stated that on an exceptional basis we would consider the inclusion of such new provisions where we were satisfied that the change was essential for the protection of consumers and:

- we could consult with the relevant industry sector and obtain general agreement, or
- the change could be achieved with minimal or no additional cost.

The Panel's suggestion for a new requirement to include DIRT on bank statements was included in its submission on CP10.

As a formal suggestion of the Panel we undertook to consider the issue and we consulted with the Irish Bankers Federation ['IBF'] on it. The IBF were opposed to the request and amongst others made the following points:

- Certificates of Interest, which specify DIRT deducted, are available on request from all institutions.
- DIRT is deducted from the interest paid on relevant deposits at a standard rate - the rate does not vary between account holders.
- The industry has not been given sufficient opportunity to fully explore the proposal but it would entail systems changes across a range of products, entailing an explicit cost, and for which it is difficult to see any benefit accrued.
- DIRT has been in operation for 20 years, no justification has been put forward as to why this change should be introduced at this stage.
- A range of taxes are built into the full range of consumer economic activity without being separately identified, e.g. VAT. No justification has been put forward as to why DIRT should be subject to different rules of presentation.

In its consideration of this issue, the main elements taken into account by the Financial Regulator were:

- We had not consulted formally on the issue before now;
- The availability of Certificates of Interest on request means that the separate inclusion of DIRT on bank deposit statements is not an essential protection in itself;
- The change would result in additional implementation costs although these have not been quantified; and
- There is little evidence that this is an issue of serious concern to consumers. It should be noted that no similar suggestion was contained in any other submission or recommendation from any other source. Furthermore the issue did not feature as a significant issue in the context of complaints received by the Financial Regulator.

We concluded therefore that we would not include a requirement without the general agreement of the industry. In view of the strong views expressed by the Panel we have had further discussions with the banking industry through their representative body, the Irish Bankers Federation, and have agreed that the following requirement will be incorporated into the Code:

'Where tax is deducted from interest paid, the Statement shall provide information on the tax deducted or shall inform customers how they may obtain a certificate detailing tax paid.'

Finally I have attached a copy of Revenue Form 54D which sets out what Revenue requires in relation to claims for repayment of DIRT. You will note from the Explanatory Notes that they require certificates are to be attached from the relevant financial institution which are currently available on request as agreed with Revenue.

Yours sincerely,

Patrick Neary

Incl. Revenue Form 54D