



# EMN Legislative Mapping Report IRELAND



December 2019

This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development

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## Regulation of Lending Activity<sup>1</sup>

Ireland does not have specific regulation relating to the provision of microcredit. Non-bank lenders are allowed to lend money directly to the public, including micro-enterprises, as part of their normal business practices following the Consumer Banking Law and the Code of Conduct for Business lending to SMES. Non-bank lenders include commercial lending institutions and credit unions.

However, micro-enterprises are not strongly supported by institutions other than Microfinance Ireland as the level of risk is often far greater than the credit appetite of these institutions. Microfinance Ireland has a specific mandate from the government (outlined under a Statutory Instrument) to lend to micro-enterprises, operating under The Microenterprise Loan Fund Act. This Act mandates Microfinance Ireland to fill a funding gap in the market and lend to microenterprises who cannot get loans from commercial lenders.

The crowdfunding institutions are unregulated at the moment and could in theory also lend to micro-enterprises, but have positioned themselves so that their risk appetite is far less than Microfinance Ireland and do not deal with startups (who represent the majority of Microfinance Ireland applicants).

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## Supervisory Framework for Non-Bank Lending

The lending activities of non-bank lenders, excluding Microfinance Ireland, are supervised by the Central Bank of Ireland.

All lender of loans over EUR 500 must utilize the Central Credit Register (CCR) that was created by the Central Bank of Ireland since 2017 to replace the Irish Credit Bureau. Lender providers have to review it when they receive applications and have to report information each month. This is a mandatory requirement for all lenders including Microfinance Ireland.

1. The information presented in this report were taken from the publication "Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe", Adie Trust Law and from information provided by our member in the country. Information presented herein is the sole responsibility of the European Microfinance Network.

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## Products

In Ireland, there is no interest rate cap. Interest rates are set by financial institutions in consultation with the Central Bank of Ireland. Non-bank lenders limits to both businesses and personal for purposes are normally set by the institutions based on their lending policy and their capital base. However, it is not normal practice for financial institutions in Ireland to have specific microloan products; these are normally handled under an institution's SME packages.

Given the available information, Microfinance Ireland emerged as the only institution offering products specifically to micro enterprises (sole-traders, partnerships or limited companies). Microfinance Ireland offers loan products over a 3 – 5 year period to support start-up costs, working capital or small assets purchases, and they are limited to maximum lending up to EUR 25,000. Microfinance Ireland is subject to a maximum 5% interest rate margin over cost of funds on a loan portfolio basis.

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## Incentives and Support

There are national/regional level funds dedicated to support the provision of microcredit in the form of grants, training, mentoring through the Local Enterprise Office Network. Grants are primarily limited to manufacturing, high potential or export potential businesses. In addition, Microfinance Ireland was established by the government and is financially supported by the Government and the European Investment Fund to assist start-ups and microenterprises and offer business services through the provision of loan funding. It also funds mentoring supports for successful applicants, delivered through the Local Enterprise Office Network. Microfinance Ireland also has bank borrowing, on commercial terms, to support its lending activities.

Furthermore, there are also a number of revenue approved tax efficient schemes that encourage investment in micro enterprises.

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## Development of the Existing Framework for Non-Bank Microcredit Provision

The two main initiatives to improve the existing framework in Ireland are the creation of Microfinance Ireland and various non-financial supports available from the Local Enterprise Offices such as grants, training (e.g. Start your own business courses) and mentoring.

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## Inclusive Entrepreneurship and Microenterprise Development

Entrepreneurs in Ireland may create a small business under the form of a sole proprietorship, benefiting from a simplified and specific process of registration with lower costs. Furthermore, there are programs that help new entrepreneurs set up a micro-enterprise, generally through public loan programs.<sup>2</sup> In this respect, Microfinance Ireland was established in 2012 to bridge the lending gap that was not being supported by banks or non-bank financial intermediaries. Microfinance Ireland lends to financially excluded target groups such as unemployed, migrants, youth, seniors and women.

Mandatory welfare bridges are available for unemployed individuals that, if upon deciding to set up a business, can benefit from a "Back to Work Enterprise Allowance" (BTWEA) for a period of 24 months with 100% welfare granted in the first year and 75% of the amount for the second. The amount of the BTWEA is calculated on an individual basis according to the applicant's social welfare entitlements at the time of applying.

Entrepreneurship education is not part of secondary education curricula in Ireland. Nonetheless, the Irish government run a large range of initiatives under its Action Plan for Jobs through various agencies to generate awareness of the needs of micro-enterprises and inclusive entrepreneurship.

2 Creating Jobs in Europe: Legal and Regulatory Frameworks of Microenterprises and Microcredit in Europe



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