

EXECUTIVE SUMMARY

*An account of activities for the period
1 January – 31 December 2003*



REPORT OF THE

OMBUDSMAN

FOR BANKING SERVICES

NAME CHANGE

The Office of the Banking Adjudicator changed its name to Ombudsman for Banking Services (OBS) on 1 February 2004. The name change was necessary due to the fact that members of the public were shown by Markinor to be more familiar with the term ‘ombudsman’. The new name is further a more accurate reflection of the scheme’s role within the banking industry.

BOARD CHAIRPERSON’S FOREWORD

During the year, the two former governance structures of the OBS, the Commission and the Board, were amalgamated into a single board that represents the interests of both the community and the banks.

The newly formed Board consists of myself, another four non-bankers (who are also independent of the company) and three bank representatives. The preponderance of independent, non-banker directors serves to reinforce the public’s perception of the scheme’s independence.

Advocate John Myburgh SC
Chairperson of the Board

OMBUDSMAN’S COMMENT

There has been a most welcome change in the attitudes of the banks towards the scheme. The attitudes and approaches of the banks towards customers also seem to have improved. Less often do we hear of banks taking a “because we say so” or an “if you don’t like it, sue us” approach. In spite of the increase in the intake of complaints, the levels of efficiency of the scheme actually improved once again.

Advocate Neville Melville
Ombudsman for Banking Services

CASE STATISTICS 2003

The total amount recovered from the banks increased to R11.1 million.

The top five causes for complaints were

Maladministration	(23%)
Misrepresentation	(16%)
Fraud	(13%)
Unfair treatment	(11%)
Negligence	(10%)

Top ten categories of complaints

ATM	(20%)
Mortgage finance	(17%)
Consumer finance	(12%)
Investments	(12%)
Credit/debit cards	(8%)
Cheques	(6%)
Savings accounts	(5%)
Current accounts	(4%)
Payments systems	(3%)
Insurance	(3%)

ISSUES OF INTEREST

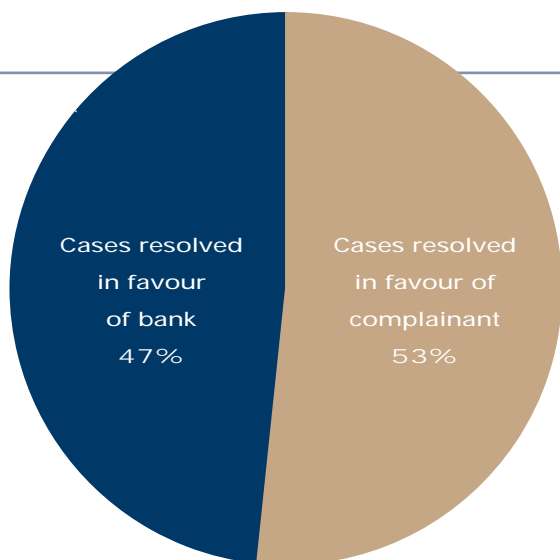
New Terms of Reference

The two documents, the *Terms of Reference* and the *Rules of Procedure* have been combined into a single document, so that both documents can collectively be referred to as the *Rules*. The most significant changes relate to the overall work flow process, jurisdiction and appeal provisions. The emphasis is now, to a far greater extent, upon conciliation rather than formal adjudication. Jurisdiction over claims was increased from R500 000 to R800 000. The time limit for the age of a claim was extended to three years. The business jurisdiction has been increased to a turnover of R5 million per year.

Banks’ internal complaints process

The *Code of Banking Practice* of 2000 required the banks to have internal procedures for handling complaints. The minimum requirements for such procedures were developed by the Banking Council and came into effect on 1 April 2003.

The new dispute resolution procedure provides dissatisfied clients with a series of measurable



Files opened in 2003

Top five banks represent 98% of the total files opened

ABSA	704 cases	(30%)
STANDARD	614 cases	(27%)
NEDBANK	495 cases	(21%)
FNB	358 cases	(16%)
AFRICAN	94 cases	(4%)

Average time to close a file in 2003	83 days		
Percentage of cases closed within six months of the file being opened	93%	(77% in 2002)	
Total helpdesk calls received	10 884	(10 326 in 2002)	5% increase
Files opened	2 294	(1817 in 2002)	26% increase
Files closed	2 242	(2 021 in 2002)	11% increase

Cases resolved in favour of complainant 53%

Cases resolved in favour of bank 47%

milestones, ranging from the type of person receiving the complaint to acceptable response times. Significantly, it stipulates that the banks must have sufficient, properly equipped personnel to handle complaints within the specified time.

Bank's failure to comply

During the year we had one instance of a bank (FNB) refusing to fully implement a recommendation made by the scheme. The matter was brought to the attention of the bank's deputy CEO. In fairness, it must be pointed out that FNB's handling of this case is not indicative of its approach generally, which is comparable to that of the other major banks.

Annual awards

The year 2003 ended on a high note with the third annual awards banquet, which received widespread media coverage. The event, held at the upmarket Westcliff Hotel, was highly commended by the key note speaker Gill Marcus (deputy-governor of the Reserve Bank). Standard Bank was announced as the winner of the "OBA Excellence in Complaint Management Award".

Consumer involvement in the award

In 2003 the OBS chose to involve the public in the Annual Banking Adjudicator's Award. Staff members were assigned to different shopping centres in Cape Town, Durban and Johannesburg and the public was encouraged to vote for the bank they thought would win the award for excellence in complaint handling.

Markinor survey

The 2003 survey results justified the continuation of the annual awards. They reflected a major improvement in the levels of service of the banks and in the manner in which they resolve complaints.

In 2002, Markinor reported that one in six people interviewed had cause to complain to their banks, whereas in 2003 the number was only one in nine, a 33% improvement

Bank workshop

In September 2003, we hosted a workshop for the banks, aimed at fostering relationships with bank personnel and expediting the complaints handling

process, both at bank level and at the OBS. The programme concentrated on a practical approach to complaints resolution and delegates were given insight into how the OBS deals with complaints. The workshop was attended by 71 bank representatives.

Bulletins

During 2003 the scheme issued five bulletins to the banks based on complaints the scheme had received regarding a variety of issues. The bulletins served as guidance to the banks on areas of concern, on how the OBS would approach the investigation of a specific complaint and on how best it could be resolved or avoided.

- Bulletin 4 Bank cheques
- Bulletin 5 Awards for distress and inconvenience
- Bulletin 6 Responsible lending
- Bulletin 7 Mortgage evaluations (property assessments)
- Bulletin 8 Property in possession (vacant possession)

Financial Sector Charter

The implementation of the newly negotiated *Financial Sector Charter* – which provides for increased access to financial services for the “unbanked”, for investment into the transformational infrastructure and for increases in black ownership and control in the sector – will provide us with several challenges and opportunities.

New legislation

There is still no clarity on the jurisdiction of the Financial Advisory and Intermediary Services (FAIS) ombud over investment related complaints.

Code of Banking Practice

The 2004 revision of the *Code* has, commendably, produced a document that is set out in a more logical format than the existing *Code*, making it easier to access inter-related topics. The revised *Code* will come into operation in October 2004.

International round up

The Ombudsman attended the annual conference hosted by the Ombudsman Association, held in Florida USA, and the International Financial Sector Ombudsman conference held in New Zealand. One of this scheme’s investigators, Mariet Kaps, spent two weeks with the Office of the Banking Ombudsman in Wellington, New Zealand.

Outreach

World Consumer Rights Day

A special function was held at the OBS’s offices on 14 March 2003 to celebrate this day.

Marketing campaign

The OBS’s marketing campaign, which has included displays in major shopping centres and visits to the provinces, has brought an increase in case intake.

Mystery shopper project

During September 2003 the scheme conducted a mystery shopper survey to determine the level of awareness in the banks of the OBS and complaint handling in general. Altogether 264 bank branches were surveyed countrywide. Overall the results were encouraging.

Media statements

During the year the scheme issued a number of statements that attracted considerable media coverage. Some of the topics covered were student loans, freezing of bank accounts and deposit slip scams.

Strategic plan

In the strategic plan developed in 2002, increasing awareness of the scheme and its role was prioritised. It is anticipated that there will be a steady increase in the number of disputes in the next five years. The only revision to the existing strategic plan considered necessary was to step up the number of initiatives on the marketing front and, in particular, to liaise with the banks’ marketing personnel to ensure that the banks themselves take a more active role in marketing the scheme to their customers.

Contact details

Copies of our brochure and Application for Assistance forms should be available at the local branch of your bank on its intranet.

Alternatively they can be obtained from:

Ombudsman for Banking Services, PO Box 5728
Johannesburg 2000

Telephone 011 838 0035/0038/0039

Sharecall 0860 800 900

Fax 011 838 0043

E-mail info@obssa.co.za

Website www.obssa.co.za

Physical location

3rd floor, 17 Harrison Street (Between Marshall and Main streets), Johannesburg.