Welcome
Dear FinCoNet Members,
I hope that you, your colleagues and your families are keeping well.
I am pleased to share with you the second 2024 edition of the FinCoNet newsletter, which includes articles provided by FMA, New Zealand, Central Bank of the Republic of Uzbekistan, National Bank of Rwanda, AFM, the Netherlands, Banco de España, Central Bank of Ireland, Banca d’Italia, ASIC, Australia, FSCA, South Africa, CNBS Honduras, IAIS and Banco de Portugal.

The In Focus section of this Newsletter includes a save-the-date for the FinCoNet Annual General Meeting 2024 and highlights key takeaways from recent FinCoNet Webinars and Online Workshops.

I wish to express my sincere thanks to Yuji Yamashita who is stepping down from his position as the FinCoNet Vice-Chair. Yuji has always had great insights; he has always participated actively and has contributed significantly to our discussions. He will be sorely missed! We wish him all the best.

I hope you will find this edition of the FinCoNet newsletter an interesting and enjoyable read!

Juliana Mozachi Sandri
Chair, FinCoNet

In this issue
This second 2024 issue of the FinCoNet Newsletter includes:

Financial Markets Authority, New Zealand:
- A new insurance legislation.
- Fighting investment scams.

Central Bank of the Republic of Uzbekistan:
- Important regulatory developments.

National Bank of Rwanda
- Stakeholder engagement in the financial service consumer protection in Rwanda.

Authority for the Financial Markets, the Netherlands:
- 2 new reports on the subject of Buy Now, Pay Later (BNPL).

Banco de España, Spain:
- Reporting requirements for institutions subject to Banco de España’s supervision.

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- Article on a recent thematic inspection.

Banca d’Italia:
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Australian Securities and Investments Commission (ASIC)
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- Financial consultation on how to achieve fair treatment for diverse consumers.

Banco de Portugal
- Implementation of the SupTech tools.
### FinCoNet Webinars and Online Workshops

**Risk-Based Conduct Supervision**

On 28 February 2024, FinCoNet’s Standing Committee 4 hosted a webinar on Risk-Based Conduct Supervision. This was the first webinar in a series to support the SC4 workstream, *From the fundamentals to the cutting edge: exploring the foundations of market conduct supervision and surveying the latest thinking and techniques*. The aim of this webinar series is to underscore the importance of market conduct supervision and explore key foundational methodologies and techniques. With a view to being relevant for a wide range of jurisdictions, the webinars aim to address, in particular, the needs of developing and emerging market conduct supervisory organizations.

Implementing a risk-based approach to supervision is essential for a market conduct supervisor to be able to effectively supervise entities and manage resources. The webinar presenters spoke to different aspects of the topic, including:

- Balancing reactive and proactive risk-based supervision
- Utilizing risk models effectively
- Leveraging SupTech for risk-based supervision

The webinar featured experts from the Netherlands (AMF), South Africa (FSCA), and the United Kingdom (FCA), moderated by SC4 Chair Rana Abu-Naameh (Financial Consumer Agency of Canada). A Q&A session with the presenters concluded the webinar. A video recording of the webinar is available on the FinCoNet Community Site, along with PDFs of the three presentations: [https://one-communities.oecd.org/community/finconet/SitePages/28-February-2024--FinCoNet-Webinar-on-Risk-Based-Conduct-Supervision.aspx](https://one-communities.oecd.org/community/finconet/SitePages/28-February-2024--FinCoNet-Webinar-on-Risk-Based-Conduct-Supervision.aspx).

**Market Conduct Supervision in Challenging Times**

On 17 April 2024, FinCoNet’s Standing Committee 6 held a two-part online workshop on Market Conduct Supervision in Challenging Times. The agenda was as follows:

**Part 1**

- Opening remarks from SC6 Chair
- Presentation of responses to SC6 Questionnaire
- Presentation from UK FCA: *Evolving risks of harm to consumers amid increased living costs, with a focus on fraud and scams, financial exclusion and changing patterns in consumer lending/borrowing.*
- Presentation from Central Bank of Egypt: *Rising interest rates*

**Part 2**

- Presentation from SBS Peru: *Impacts of climate change*
- Presentation from Central Bank of Ireland: *Increasing cost of living*
• Closing remarks from SC6 Chair

A video recording of the workshop is available on the FinCoNet Community Site, along with PDFs of the presentations:  

Thematic Reviews

On 27 May 2024, FinCoNet’s Standing Committee 4 hosted a webinar on Thematic Reviews. This was the second webinar in a series to support the SC4 workstream, From the fundamentals to the cutting edge: exploring the foundations of market conduct supervision and surveying the latest thinking and techniques.

The webinar featured experts from the Canada (FCAC), Québec (AMF), and Ireland (Central Bank of Ireland), moderated by SC4 Chair Rana Abu-Naameh (Financial Consumer Agency of Canada). A Q&A session with the presenters concluded the webinar.

A video recording of the webinar is available on the FinCoNet Community Site, along with PDFs of the three presentations.

FinCoNet Annual General Meeting 2024: Save the Date!

The FinCoNet Annual General Meeting 2024 will be held on 27-28 November 2024, followed by the FinCoNet International Seminar on 29 November 2024 in Lima, Peru.

Please see the Save the Date flyer below, which will be circulated to FinCoNet Members, Associates and Observers. Invitations and the draft agendas will be made available to FinCoNet Members and other interested parties shortly. We look forward receiving your registrations in due course.
New Zealand: New insurance legislation that impacts mortgage protection insurance and consumer credit insurance

Contributor: Michael Hewes, Financial Markets Authority, New Zealand

The purpose of this Bill is to ensure that insurance contract law is effective for facilitating well-functioning insurance markets for both insurers and policyholders. It seeks to enable consumers and businesses to effectively protect themselves against risk, while minimising costs and impacts on insurers’ willingness to provide insurance in New Zealand.

Insurance contract law reform, consolidation, and modernisation

Insurance contracts are governed by various pieces of legislation and case law. At present the law is fragmented across 6 different Acts, some over 100 years old, and would benefit from consolidation and modernisation.

Insurance contract law reforms have been long awaited and there is consensus across industry and consumer groups that these changes are needed. A series of reviews, including by the Law Commission, have identified a number of long-standing issues with insurance contract law, which are addressed by this Bill. The Bill has also been informed by similar reforms that have been made to Australian and United Kingdom insurance legislation.

The Bill reforms the law relating to the disclosure of information by policyholders to insurers before an insurance contract is entered into or varied as follows:

- policyholders under consumer insurance contracts have a duty to take reasonable care not to make a misrepresentation to the insurer;
- policyholders under non-consumer insurance contracts have a duty to make a fair presentation of the risk.

The Bill also

- modifies the law relating to the duty of utmost good faith that all insurance contracts are based on. Pre-contract disclosure duties on policyholders, and the insurer’s remedies for breach, will only be those set out in the Bill;
- ensures that the insurer’s remedies for misrepresentations and breaches provide proportionate consequences based on how the insurer would have responded to the information at the time of entry into the contract, and whether the policyholder’s misrepresentation or breach was deliberate or reckless.

Unfair contract terms

A number of terms in insurance contracts cannot be declared “unfair” under the Fair Trading Act 1986 due to insurance-specific exceptions.
The Bill removes insurance-specific exceptions from the unfair contract terms provisions in the Fair Trading Act 1986 and instead clarifies which insurance terms are part of the “main subject matter” of the contract (which cannot be declared unfair).

Understanding and comparing insurance policies

Unlike many other jurisdictions, New Zealand has no legal requirements in relation to the presentation of insurance policies to help consumers to understand and compare insurance products.

The Bill amends the Financial Markets Conduct Act 2013 to require insurance contracts to be worded and presented in a clear, concise, and effective manner.

Consolidation and modernisation of existing legislation

The Bill brings together different requirements from across the Life Insurance Act 1908, Part 3 of the Law Reform Act 1936, the Insurance Law Reform Act 1977, the Insurance Law Reform Act 1985, and the Insurance Intermediaries Act 1994. These include the following:

- modifying provisions relating to when time limits for making claims are binding on policyholders to better take into account claims-made policies;
- providing that certain policy exclusions are not subject to a rule that insurers cannot rely on an exclusion to deny a claim if the exclusion did not cause or contribute to the loss;
- allowing a third party who has been wronged by a policyholder to claim directly against the policyholder’s insurer. This replaces an existing statutory charge mechanism, due to multiple issues with how this operates.

Payment of claims in reasonable time

The Bill provides that if a policyholder makes a claim, the insurer must pay any sums due within a reasonable time.

Parliamentary Reference Link:


Financial regulators and industry collaborate to combat investment scams in New Zealand

Contributor: Chris Daniels, Financial Markets Authority, New Zealand

Fighting investment scams and the damage they inflict has been a particular focus for New Zealand’s financial regulators over the past year, with our Council of Financial Regulators (CoFR) adopting it as a priority theme.

Here at the Financial Markets Authority (FMA), we’ve seen an increasing trend of high quality, fake Product Disclosure Statements being sent out by fraudsters as part of international investment scams. The source of these scams has been tracked back to so-called
‘deposit comparison’ websites, which claim to offer consumers a way of finding the best interest rates for their investments.

These sites pass on personal details to criminals – often including how much money an individual is looking to invest – who then phone or email victims offering investment products and advice.

A high-quality forgery is then sent to the victim, which looks identical to genuine documents published by banks and financial institutions. Money, often many hundreds of thousands of dollars, is sent to a provided account number, which is then quickly sent offshore.

It may be some months before the victim even discovers their money was diverted away from any legitimate investment.

Documents claiming to be from well-known global institutions such as Citibank and BNP Paribas have been fraudulently used in these scams, but smaller, local banks are now being added to the list of those being impersonated.

We have published and shared warnings about specific websites and impersonation schemes with our fellow regulators around the world, but this is just one component of the widening fight against financial fraudsters.

New Zealand’s banks have made moves to set up an Anti-Scam Centre and are currently collaborating amongst themselves to target and shut down ‘mule’ bank accounts, used by criminals to move stolen money.

Targeting money mules helps remove an essential part of how scammers operate. Since December banks have identified around 1,500 mule accounts through this initiative.

It’s a busy time for the FMA in this space, and we’re hoping that along with our partners, domestic and offshore, we can continue to protect the public from investment scams and safeguard confidence in New Zealand’s financial sector.

Civil Code amendments in Uzbekistan

Contributor: Sardor Adilov, the Central Bank of the Republic of Uzbekistan

At the beginning of 2023, the Central Bank of the Republic of Uzbekistan (CBU) initiated amendments to legislative acts aimed at protecting the rights and ensuring the legitimate interests of financial services consumers.

Specifically, the CBU proposed a couple of amendments to the Civil Code of the Republic of Uzbekistan the first of which concerns the allocation (priority) of loan repayments. In late 2023, after months-long discussions with relevant stakeholders, these amendments were adopted. They address circumstances where the amount of a payment is insufficient to fulfill the current debt on a loan (microloan) provided to an individual or business. According to the newly introduced rule, the borrower’s debt is covered in the following order:
1. proportionately overdue principal debt and overdue interest payments;
2. accrued interest for the current period and outstanding principal debt for the current period;
3. forfeit (penalty, fine);
4. other expenses of the creditor related to debt repayment.

The latter amendment supplemented the existing article of the Civil Code with provisions concerning the suspension of interest accrual. Particularly, once a court decision has been made regarding the recovery of loan debt, the accrual of interest and penalties on the recoverable loan amount is suspended.

These initiatives aim to strengthen the loan repayment capabilities of both individuals and entities, while also reducing the proportion of non-performing loans in financial institutions' overall credit portfolio.

Stakeholder engagement in the financial service consumer protection in Rwanda

Contributor: Gérard Nsabimana, National Bank of Rwanda

Introduction

Financial Service Consumer Protection goals cannot be achieved without engaging a wide range of stakeholders who equally play a significant role in the area. It is from this perspective that the National Bank of Rwanda championed the introduction of Financial Sector Conduct and Consumer Protection Forum. The latter engages other regulators, industry associations, consumer association, private sector federation, civil society organizations, etc. This forum is helpful in discussing various matters regarding financial service consumer protection and finding timely way forward.

Background and operations of the Financial Sector Conduct and Consumer Protection Forum (FSC&CPF)

In line with implementation of the Law No. 017/2021 of 03/03/2021 on Financial Service Consumer Protection, aimed at safeguarding financial service consumers, it is paramount for the National Bank of Rwanda (NBR), as the regulatory authority, to collaborate with various financial sector stakeholders for the smooth implementation of this law and its regulations, ensuring that all parties fulfill their roles.

The Financial Sector Conduct and Consumer Protection Forum (FSC&CPF) was established to bring together different financial sector stakeholders in dialogue to address financial consumer protection issues. This forum comprises public, private, and non-profit organizations, as well as individual experts. The NBR should not be the sole driver of the financial consumer protection agenda; engaging relevant financial sector stakeholders and encouraging them to actively participate is crucial.

The topical areas assessed by the FSC&CPF include the following:

a) Assessing market conduct and consumer protection risks through thematic reviews, market monitoring reports, off-site and on-site inspection reports, etc.;
b) Deliberating on both internal and external complaint handling reports;
c) Evaluating consumer satisfaction survey results and other research conducted regarding financial sector conduct and consumer protection;
d) Assessing consumer empowerment reports;
e) Reviewing market conduct developments and trends;
f) Discussing mystery shopping reports;
g) Identifying and addressing gaps in the market conduct and consumer protection legal and regulatory frameworks;
h) Analyzing global trends and best practices in market conduct and consumer protection and recommending suitable adaptations for Rwanda;
i) Proposing research initiatives related to financial sector conduct and consumer protection;
j) Suggesting joint efforts among stakeholders to enhance financial service consumer protection.

Financial Sector Conduct and Consumer Protection Forum (FSC&CPF) Membership and Governance

Members of the forum are individuals with senior positions and their Institutions are closely relevant and have impact to financial service consumers.

Members of the FSC&CPF are designated individuals from the financial sector stakeholders based on the expertise required to achieve the objectives of the Forum.

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<th>Role</th>
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<td>Chairperson</td>
<td>Deputy Governor, National Bank of Rwanda</td>
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<td>Vice Chairperson</td>
<td>Representative of Ministry of Finance and Economic Planning</td>
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<td>FSCP Council Members</td>
<td>Representative from the Private Sector Federation</td>
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<td>Executive Director. Financial Stability Directorate, National Bank of Rwanda</td>
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<td>Representative of Capital Market Authority of Rwanda</td>
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<td>Chairperson of the Committee/Panel in charge of complaints handling</td>
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<td>Director, Market Conduct Supervision, National Bank of Rwanda</td>
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The National Bank of Rwanda hosted Inaugural Meeting of the Financial Sector Conduct and Consumer Protection Forum (FSC&CPC)

On 7th February 2024, Deputy Governor Soraya M. HAKUZIYAREMYE chaired the inaugural meeting of the Financial Sector Conduct and Consumer Protection Forum (FSC&CPC). This forum aims to discuss matters around financial service consumer protection.

In her remarks, Deputy Governor highlighted initiatives put in place by the National Bank of Rwanda to strengthen the financial services consumer protection in Rwanda such as the web comparator (GERERANYA) which allows clients to compare the pricing of financial services, the Complaints handling technology (INTUMWA Chatbot), which amplifies consumer voices, enabling them to directly engage with financial service providers and escalate their concerns to the National Bank of Rwanda.

The forum concurred that certain consumer protection issues still necessitate collaborative efforts from all stakeholders. Challenges such as unfair loan recovery processes, collateral valuation, cybersecurity concerns, and weak service delivery cannot be effectively addressed by the NBR alone. It is imperative that all parties work together to find sustainable solutions to these issues.

The resolutions from the inaugural meeting, along with agreed policy actions, were clearly defined, and each implementing institution acknowledged their role in achieving the forum’s goals. The next forum meeting is scheduled for October 2024.
In April 2024, the Dutch Authority for the Financial Markets (AFM) published two reports regarding Buy Now, Pay Later (BNPL). The first report is a follow-up to our first study on the Dutch BNPL market from November 2022. This market update provides insight into the development of BNPL services in the Netherlands since then. The most worrying finding is that there is a real risk of minors making unauthorised use of BNPL. Even though the industry’s own code of conduct states that BNPL providers require their customers to be at least 18 years old, the AFM’s analysis based on data from three Dutch banks shows that almost 600,000 potential BNPL transactions were made by minors in 2023. These transactions were made by account holders aged between 13 and 17, with an average value of around €50 per transaction. The AFM calls on the BNPL industry and the Dutch legislature to work together to implement measures that effectively stop the use of BNPL by minors. Furthermore, the market update shows that the number of BNPL transactions is growing rapidly among users between the ages of 18 and 24. In this age group, the average number of transactions increased by 32%. In addition, the AFM’s analysis demonstrates that BNPL has a significant impact on the environment. Namely, for every €100 paid by customers using BNPL, around €40 is returned. When using BNPL, the purchase amount is only charged if the customer chooses to keep certain purchases and not return them. Also, there are often no charges for delivery or returns. These factors can contribute to customers ordering and returning more than necessary. The AFM encourages the BNPL industry to be mindful of their ecological footprint and prioritise sustainability in transactions. Finally, the market update also reveals that, relative to other age groups, consumers under 35 face the most frequent late payment charges and are most often handed over to a collection agency. The cost of late payments can be significant.
The second report details a 2023 behavioural experiment conducted by the AFM and BNPL provider Riverty, testing interventions to help consumers pay their BNPL bills on time. The experiment investigated if sending an additional SMS payment reminder one day before the due date would increase the number of consumers who pay on time and reduce the number of consumers who incur late payment fees. Three types of SMS reminders were tested: a simple reminder with the due date, a reminder noting that timely payment avoids charges, and a reminder with a payment link. Each reminder resulted in at least a one-in-five reduction in the number of customers having to pay late payment fees, with the payment link being the most effective, though the differences were not statistically significant. The experiment demonstrated that simple reminders can effectively decrease late fees. However, despite receiving an SMS reminder, at least one in eight customers still incurred late fees. Thus, the AFM expects BNPL providers to implement further measures to improve timely payments and reduce the number of customers incurring late payment fees.

Both reports can be accessed via the following link:
https://www.afm.nl/nl-nl/sector/actueel/2024/april/bnpl-marktbeeld-experiment
Reporting requirements for institutions subject to Banco de España’s supervision

Contributor: Ana Ródenas, Banco de España

In recent years the conduct-related supervisory activity has become increasingly important, and the aspects analysed have broadened. This requires the provision of specific tools and information by the supervisor.

To this end, Banco de España «Circular 4/2021 of 25 November to credit institutions and other supervised institutions on confidential reporting relating to market conduct, transparency and customer protection and on the complaints register» (“the circular”) was published. This circular incorporates reporting requirements specially designed to improve knowledge of institutions’ business models, their sources of income and the origin of incidents with customers in the course of their activities. The objective is to obtain information to assess institutions’ conduct profile, which allow a more precise identification of supervisory priorities in relation to conduct supervision.

The main aspects of this reporting model are (Figure 1 outlines these aspects):

(i) The scope of application, that has been determined with a principle of proportionality that establishes a simplified reporting regime for less complex institutions. The reporting obligation applies to all types of supervised institutions, such as credit institutions, specialised lending institutions, payment institutions, or electronic money institutions, among others.

(ii) The type of information reported by institutions on a biannual basis, that is divided into three main blocks: products; fees and charges and interest income; and claims.

The circular responds to the need for complete and standardised information of institutions’ conduct with the definitions, the level of detail and the categorization by type of client deemed necessary for the proper supervision of institutions’ conduct. It also requires institutions to make claims register with a predefined content available to Banco de España.

Currently, more than 900 supervised institutions submit confidential information semiannually. This reporting frequency is considered sufficient for early detection of potential deviations or incidents in the evolution of the institutions’ business. Additionally, it’s important to consider that the obligation to declare certain pieces of statements with detailed information is subject to proportional thresholds based on the outstanding balance of mortgage loans or consumer credits, as well as the volume of claims.

The information provided by the supervised institutions meets high-quality standards. Data quality analyses have been conducted, particularly in the claims reporting. A more detailed review of the claims reporting has been carried out, taking into account their impact in defining conduct profiles, influencing supervisory actions, and the dissemination of aggregated information.

Nevertheless, some room for improvement has been identified. For instance: certain groups of institutions with lower turnover exhibit inconsistencies in the reported data or information gaps. Indeed, some failures to submit reserved statements by some institutions or discrepancies in validations have been detected. In general, data reported by financial institutions related to new operations in the period are usually less accurate than stock balance information and they usually declare all the information related to fees and commissions in the general category of «other
commissions» instead of using a specific category. Other incidents are related to the information about debt protection insurance operations related to credit products or the breach of regulations in reported claims. In any case, reporting errors are eventually corrected by institutions.

This reporting of confidential information on conduct established by Banco de España is a milestone in the knowledge of institutions’ business models and the definition of their conduct profiles. The supervisory classification of the conduct profile associated with each institution contributes to establish supervisory priorities and draw up the supervisory programme.

Furthermore, this information contributes to promote the Banco de España’s conduct strategy that was structured around two axes: defining supervisory priorities based on factors and conduct risk indicators with a potential impact on customers, and enhancing a preventive supervisory approach, reinforcing the ongoing monitoring of institutions and of conduct risks.

Finally, as an essential complement to this strategy, and in the continued pursuit of greater supervisory impact in this area, the exchange of information and the transmission of relevant messages to supervised institutions is encouraged, including, inter alia, the communication of supervisory priorities and expectations.

**Figure 1. Confidential reporting on market conduct, transparency and customer protection and on the claims register**

![Confidential Reporting Diagram](image)

**Source:** Banco de España. *Figure 4.2 Supervision Report 2021.*

Central Bank of Ireland reviews mortgage arrears supports

Contributor: Nicola Faulkner, Central Bank of Ireland

The Central Bank of Ireland has completed a review of how lenders are supporting mortgage borrowers who are in, or facing, early mortgage arrears.\(^1\)

The review, which covered banks, retail credit firms and credit servicing firms, was undertaken as part of the Central Bank’s ongoing work to ensure regulated financial service providers are supporting consumers of financial services to navigate a changing economic landscape. The review focused on early arrears given the anticipated stress on borrowers’ finances as rising costs of living and interest rates began to impact on budgets and recent data shows that there is an upward trend in the level of early mortgage arrears.

The review confirmed that the existing requirements of the consumer protection framework continue to provide solutions for customers who engage with their lenders.

However, while solutions are being found for borrowers in difficulty, the review identified areas for improvement in how firms provide information as well as how they engage and support customers through the mortgage resolution process. This included instances of late and incomplete information provided by lenders; unclear website information; inadequate follow up with the borrower; lack of assistance in completing paperwork; and failures to recognise where borrowers were experiencing financial difficulties. Strong and effective customer services are necessary to ensure mortgage borrowers in financial difficulty are fully supported through all steps of their engagement and provided with clear, accurate and timely information.

The Central Bank has set out the improvements firms need to make to meet their responsibilities to support consumers in, or facing, mortgage arrears and avoid the risk of those arrears becoming longer term.

You can read more about the specific findings of the Review on the Central Bank website.
Bank of Italy’s Annual Reports on the Activity of the Banking and Financial Ombudsman and on the management of complaints from customers of banks and financial companies

Contributors: C. Giorgiantonio, G. Sceiza, P. Balestra, M.C. Manzato, N. Coppa, C. Tabarrini, and M. Spatafora, Banca d’Italia

The Bank of Italy protects the customers of banking and financial intermediaries using a number of diversified and integrated instruments, in order to guarantee the necessary balance in information asymmetry, incentivize competition between operators and contribute to raising the general level of customers’ trust in the system. The provision of effective instruments to facilitate the resolution of problems with banking institutions - directly activated by individual customers - is an important component of protection. Customers can send complaints to the Bank of Italy about conduct they consider to be irregular or unfair, or they can file a complaint with the Banking and Financial Ombudsman (hereinafter referred to as the ABF), an out-of-court dispute resolution system that is autonomous and independent of the Bank of Italy, which supports it at an organizational level.

The Bank of Italy has recently published the Annual Reports on the activity of the ABF and on the management of complaints from customers of banks and financial companies. The publications are also a tool for customers to learn about their rights in dealing with intermediaries.


The Annual Report outlines the activities carried out by the ABF, a brief description of the main issues, both substantive and procedural, addressed to the Panels as well as statistical data.

The ABF is an out-of-court alternative dispute resolution (ADR) scheme for issues between customers and banks and other financial intermediaries, concerning banking and financial transactions and services (other than investment services).

In 2023, the ABF issued over 15,000 decisions: in 48 per cent of the cases the outcome was favourable for customers (34 per cent in 2022), thus awarding a total of €17,3 million to customers, of which almost €12,3 million were paid; 14 per cent of cases were settled with a declaration of termination of the dispute due to an agreement reached between the parties. The sensible increase of the share of complaints upheld is mainly attributable to the evolution of the judicial case law concerning loans secured by a pledge of one-fifth of salary or pension after the Constitutional court’s judgment of 2022. Indeed, loans secured by a pledge of salary continue to be the main matter under dispute (37 per cent of the total).

On the other hand, trends in the composition of the disputes submitted to the ABF also reflects the growing spread of digital payment services and instruments among the public in Italy. The share of complaints involving payment instruments and services slightly decreased, although it continues to make up a portion of the ABF’s caseload. Indeed, in 2023 complaints concerning the fraudulent use of

\[1\] An abridged version of the reports is published every year on the ABF’s website (Annual Report) and on the Bank of Italy’s website (Report on the management of complaints from customers of banks and financial companies).

\[2\] Loans made to an employee or a retired person (up to age 85) through the employer and one-fifth is deducted from the salary on a monthly basis until the loan is re-paid.
payment services and instruments represented the 29 per cent of the total. This type of complaints generally concerns phishing, spoofing, smishing and vishing frauds, including cases where fraudsters combine the use of digital communication channels to trick the victims into sharing their account login and device credentials.

Overall, despite ABF decisions are not binding on the parties, compliance rate with the decisions of the Panels is high. Net of non-compliance on loans secured by a pledge of salary, the compliance rate of intermediaries with the decisions of the Panels is 94 per cent (in 2022, 90 per cent).

In 2023, the overall average duration of a case before the ABF was 118 days, down from 2022. This timeframe is well below the 180 day-period required by law, within which 93 per cent of the proceedings were concluded.

In 2023 the collaboration with the Italian Insurance Supervisory Authority (IVASS) was strengthened in view of the establishment of the Insurance Ombudsman; the Bank of Italy kept also pursuing its cooperation with the Italian Financial Ombudsman at Consob (ACF)\(^3\) through periodical meetings to prevent interpretative uncertainties within the scope of their respective jurisdictions. In addition, Bank of Italy signed a memorandum of understanding with the School for the judiciary to foster a dialogue among judges, academia, ABF’s panels and representatives of the Bank of Italy on topics of common interest related to customer protection.

The ABF is also part of the Fin-Net network managed by the European Commission and in 2023 the ABF took part in two plenary meetings and contributed to the ongoing review of the Directive EU/2013/11 on consumer alternative disputes.

From a technological standpoint, in 2023 the Bank of Italy finalised the development of an Artificial Intelligence tool (AbefTech) that, through the use machine learning and text mining techniques, is supporting the activity of the ABF, for example by facilitating the search of legal precedents and enhancing the monitoring of case law uniformity. Abeftech however will leave unprejudiced the decision-making process of the Panels as ABF’s decisions will remain entirely human.

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2. The Report on the management of complaints from customers of banks and financial companies

The Report presents the Bank of Italy’s work in 2023 in handling complaints on the conduct of banks, financial companies and other operators regarding their contractual relationships with customers vis-à-vis banking, financial services and payment instruments.

Last year the Bank of Italy received over 11,200 complaints, 21 percent more than in 2022. The increase is mainly due to problems with the renegotiation of mortgages in connection with interest rate dynamics and the blocking of operations on current accounts as a result of inheritance events and foreclosures. Complaints related to the early termination of consumer credit agreements and those related to transactions involving the sale of tax credits, were also relevant.

Reports related to loan applications continued to account for the largest share, 35 percent, with an increase of about 29 percent compared to 2022. Complaints regarding deposits (e.g., savings and current accounts) accounted for about 30 percent of the total number of complaints, up by 24 percent. Although the share remains small, reports on difficulties in opening or maintaining current and basic account relationships increased, often submitted by individuals experiencing economic or social

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\(^3\) The ACF has jurisdiction over disputes concerning breach of disclosure, fairness and transparency obligations that protect investors across investment services and collective management of asset.
difficulties. 17 per cent of the complaints were related to payment instruments and services (up by 20 percent in comparison with the previous year). Among them, reports of scams increased by 11 percent and mostly involved alleged theft of account access credentials and authentication codes for payment transactions (like in disputes related to frauds submitted to the ABF), as well as identification data of the scammed person to underwrite loans without the victims knowing. Complaints about crypto assets, while growing, remained numerically small and mostly referred to alleged frauds, often highlighting customers' lack of knowledge of related risk profiles.

As in 2022, 50 percent of customers’ requests were fully or partially met by banks and financial companies, partly thanks to the intervention of the Bank of Italy. In the remaining cases, intermediaries rejected the complaints because they were considered unfounded or related to facts already before the judicial authorities. The Bank's response time to exponents was 15 days on average. In 2023, the Bank of Italy continued to use its software solution (EspTech) based on artificial intelligence (AI) techniques to improve the analysis of the information available in the complaints and to identify significant patterns and strengthen the synergies with other customer protection functions (supervision and financial education).

To counter digital payment scams, the Bank of Italy launched several financial education initiatives given the insidiousness of the phenomenon, although small compared to the number of electronic payments made by citizens. In particular, last May an awareness campaign was started together with Consumer Associations. The objective of the campaign is to make the public aware of the insidiousness of the most widespread scams and to indicate rules of proper behavior in order to have the possibility of obtaining the refund of any sums that may have been misappropriated. The purpose of the campaign is also to inform citizens about the protection tools made available by the Bank of Italy.

ASIC’s review of home lenders’ approach to supporting customers experiencing financial hardship

Contributor: Michael Dorman, Johanna Kennedy and Jessica Bao, ASIC, Australia

In Australia, increasing numbers of customers have been experiencing difficulty making repayments on their home loans (‘financial hardship’). In August 2023, ASIC issued an open letter to the CEOs of all lenders advising of our heightened focus on financial hardship and our expectations of lenders in this area. We issued the letter in response to:

- evidence suggesting that increasing numbers of consumers were experiencing financial hardship due to cost-of-living pressures; and
- our concern that not all lenders may be ready to ensure they appropriately respond to and support customers experiencing financial hardship.

The Dear CEO letter signalled ASIC’s intent to conduct a data collection from 30 large lenders and a review of ten large home lenders to understand their approach to financial hardship. We also engaged with certain lenders we identified as outliers based on the data received as part of our data collection.

The review of ten large home lenders was undertaken in late 2023 with the report published in May 2024: Report 782 Hardship, hard to get help: Findings and actions to support customers in financial hardship.
ASIC found that lenders were not doing enough to support their customers experiencing financial hardship. While there were some good practices, we also identified poor practices. We found that 35% of customers dropped out of the process on at least one occasion after giving a hardship notice. Also, in approximately 40% of cases where payments were reduced or deferred, customers fell into arrears right after the assistance period ended. In the worst cases, lenders ignored hardship notices, effectively abandoning customers who needed their support. ASIC also observed that:

- Lenders did not make it easy for customers to give a hardship notice;
- Assessment processes were often difficult for customers;
- Lenders did not communicate effectively with customers; and
- Vulnerable customers often were not well supported.

The root cause for some of the poor practices that we saw appeared to be an inadequate focus on customers.

At least seven of the ten lenders had significant programs underway to improve their approach to financial hardship and some were commencing or expanding their improvement programs in response to our work.

ASIC provided individual written feedback to lenders who were part of the review and asked them to prepare an action plan outlining how they intend to respond to the issues identified. We will be following up with the lenders to monitor their progress in completing the actions outlined in their action plan. We are also considering further regulatory action in relation to some of the issues we identified.

Following the release of the report, ASIC launched a new consumer awareness campaign on Moneysmart to inform Australians about their rights to seek financial hardship assistance.


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South Africa’s Financial Sector Conduct Authority (FSCA) publishes Statement on Consumer Vulnerability

Contributor: Louisa Basitere and Kershia Singh, FSCA, South Africa

The global economy has faced significant challenges in recent times. Factors such as the COVID-19 pandemic, supply chain disruptions, rising inflation and various geopolitical conflicts have contributed to prolonged economic strain worldwide. Slower than expected recovery rates and ongoing uncertainties continue to exacerbate economic pressures for financial markets, businesses, households and individuals in both advanced and emerging economies.

South Africa (SA) is no different. The COVID-19 pandemic saw people struggling with financial shocks precipitated by sudden disruptions in income, unexpected deaths and increasing medical and other expenses, compelling many consumers to tap into long-term savings and/or access credit to cover their most basic living needs. The country’s post-pandemic recovery has been sluggish. In 2021, along with a third and more serious wave of COVID-19, SA experienced destructive civil unrest and a spate of natural disasters, including unprecedented flooding resulting in massive infrastructure damage. Consumers in SA, like the rest of the world, are also grappling with cost-of-living pressures as a result of “high for
long” interest rates, a national electricity crisis and the increasing cost of food and energy linked, among other things, to the Russia-Ukraine conflict.

Within this context, policymakers and regulators are increasingly appreciating the need to enhance their focus on understanding consumer financial vulnerability. While the topic is receiving heightened attention by financial sector regulators and international standard setting bodies, there is currently no commonly accepted definition, which makes it challenging to formulate consistent and meaningful interventions to address the needs of an increasing spectrum of vulnerable consumers.

The Financial Sector Conduct Authority (FSCA) is the dedicated market conduct regulator in SA that is responsible for, among other things, protecting financial consumers by promoting their fair treatment by financial institutions. The FSCA is also responsible for promoting financial inclusion.

In March 2024, the FSCA published its Statement on Consumer Vulnerability (Statement) in response to the aforementioned challenges faced by financial customers in the country.

The Statement examines the concept of vulnerability and recommends a framework for enabling a deeper understanding and monitoring of consumer vulnerability in the South African context. It is seen as an important and practical step towards further entrenching the delivery of fair customer outcomes, with maximum impact, across the financial system.

The Statement proposes a definition of vulnerability as well as a Consumer Vulnerability Framework (CVF) for the sector. A vulnerable consumer is defined as one who, due to a combination of factors, may be particularly susceptible to experiencing poor customer outcomes, financial harm, and/or financial exclusion. The proposed CVF considers vulnerability in terms of three dimensions, namely, (1) demographic factors; (2) resilience indicators and (3) life circumstances (see Figure 1 below).

**Figure 1: Consumer Vulnerability Framework**

![Consumer Vulnerability Framework Diagram](image)

The Statement proposes a phased multi-year work programme for the FSCA to further unpack the framework, in collaboration with market participants and other key stakeholders as follows:

**Phase 1: Engaging with stakeholders (2024 - 2025)**

During this phase the FSCA will consult with the financial sector, consumers and other relevant stakeholders to understand current approaches and practices to addressing consumer vulnerability.
This will assist the FSCA in further unpacking, and likely expanding on, the various vulnerability dimensions identified above. This phase also aims to sensitise financial institutions on the FSCA’s supervisory expectations around the importance of considering the impact of consumer vulnerability throughout the life cycles of their product and service offerings.

**Phase 2: Analysing and embedding of vulnerability approach (2025-2027)**

Feedback from Phase 1 will be used to refine the definitions of vulnerability and formalise the FSCA’s regulatory and supervisory expectations of financial institutions regarding consumer vulnerability. The information from Phase 1 is expected to be supplemented by additional data points, including aspects like complaints data from financial sector ombuds, social media monitoring and other consumer focused engagements.

**Phase 3: Reviewing of interventions (2027)**

The FSCA expects to review its regulatory and supervisory interventions emanating from the CVF to measure their ongoing impact on financial customer outcomes.

All three phases will be underpinned by consumer education.

For more detailed information please visit the [FSCA’s website](#).

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**Honduras promotes the strengthening of financial education, market conduct and transparency of information in the supervised financial system**

**Contributor: Andrea Osorio, CNBS, Honduras**

Recently, the National Commission of Banks and Insurance (CNBS) has been joining efforts to promote financial education, market conduct and transparency of information with supervised institutions, and public and private entities.

Until 2023, only 11 supervised institutions, specifically, credit card issuing banks, had the obligation to develop Financial Education Programs without providing the corresponding monitoring and evaluation of the actions they were carrying out. However, at the end of that year, the CNBS approved the “Standards for Strengthening Financial Education in Supervised Institutions” in which the 82 institutions regulated by that Entity are ordered to formulate and implement Financial Education Programs in which they must include a schedule of activities based on the guidelines provided that indicate the modalities, topics and methodologies to use, and establish a budget with a gender focus to serve women, people with intellectual disabilities, ethnic groups, retirees, among other segments; In addition, they must carry out impact evaluations by taking a significant sample of their clients in order to present a results report and follow up through the corresponding monitoring.

The results of the impact evaluations that the institutions will present every six months will help measure the impact depending on the people reached by each institution and, subsequently, the changes in people's financial behaviors can be appreciated. The CNBS will work hand in hand by monitoring the execution of the Financial Education Programs and measuring the effectiveness of the Programs considering elements on Capacity and Commitment in accordance with the criteria already established in the Regulations.
On the other hand, in 2017, the CNBS Honduras created the innovative technological tool “Know and Compare”, in which, until the first semester of 2023, information on interest rates, commissions, associated costs, commercial premium could be obtained. or rate, issuance expenses, taxes, total annual premium, basic coverage, risks covered, sums insured total and per risk, benefits and requirements of 1) Savings Accounts, 2) Checking Accounts, 3) Fixed-Term Certificates, 4) Microcredits, 5) Personal Loans, 6) Vehicle Loans, 7) Credit Cards, 8) Life Insurance, 9) Medical Insurance, 10) Vehicle Insurance and 11) Damage Insurance for Residential Housing, offered by the Banks, Financial Companies, Private Financial Development Organizations and Insurance Companies so that current and potential financial users make informed financial decisions according to their needs.

Starting in February 2024, reaffirming the commitment to promote market conduct and transparency, the CNBS began to request information regarding Agricultural Loans with the objective of obtaining truthful and expeditious information on this type of loan. For the second half of this year, it is expected to incorporate Housing Loans and Private Pension Funds within “Know and Compare”.

For more information: Standards for Strengthening Financial Education in Supervised Institutions and CNBS Know and Compare

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IAIS consultation on how to achieve fair treatment for diverse consumers

Contributor: Lauren Eckermann, IAIS

The International Association of Insurance Supervisors (IAIS) is the global standard-setting body for the supervision of the insurance sector.

On 25 June, the IAIS launched its second diversity, equity and inclusion (DEI) related supervisory guidance public consultation of 2024. DEI has been a strategic theme of the IAIS’ work programme in recent years in recognition that advancing DEI within insurers’ organisations and in the way they operate supports better prudential and consumer outcomes and enhances financial inclusion.

This consultation focuses on the customer-facing aspects of insurance provision and guides supervisors, insurers and intermediaries on a DEI perspective to interpret and fulfil existing requirements of Insurance Core Principle (ICP) 19 (Conduct of Business) so that fair treatment is achieved for diverse consumers.

The goal is to achieve fair and equitable outcomes for diverse consumers by addressing any systemic and idiosyncratic inequities and considering cultural nuances, language preferences, literacy levels and unique risks faced by different cohorts of a population.

“Diverse consumers” refers to individuals who may be underserved, disabled, from different racial or cultural background, experiencing vulnerability, or otherwise have unique needs and characteristics that distinguish them from the majority customer base. This is further elaborated in the paper, including how consumer diversity and vulnerability may intersect (see Section 3.1).

The paper covers:
• Why the fair treatment of diverse consumers is relevant for supervisors, insurers and intermediaries;
• How the concepts of risk-based pricing and insurer autonomy can coexist with DEI considerations;
• How unfair treatment of diverse consumers can arise; and
• Recommendations on how to drive fair outcomes for diverse consumers using ICP 19 (summarised in the following graphic)

How to implement ICP 19 to drive fair treatment of diverse consumers

The IAIS considers that supervisors championing DEI upholds the integrity of the insurance sector which should remain accessible, fair and responsive to the needs of all stakeholders in society – particularly for the consumers least able to protect themselves or not typically the focus of industry efforts.

Please visit the consultation page:

• For full details of the consultation and to submit comments by 25 September; and
• To register for a public webinar on 17 July (14:00 – 15:00 CEST) where the IAIS will provide background information and answer questions.

Please contact Lauren.Eckermann@bis.org in case of any questions or comments.
The Banco de Portugal’s Banking Conduct Supervision embraces innovation for more effective supervision

Contributors: Ana Raquel Ruivo, David Pereira, Elisabete Santos, Rita Gomes Pinheiro, Susana Fino, Banco de Portugal

Over the past decade, the digital transformation of the financial sector has significantly changed how firms interact with their customers. Similarly, market conduct supervisors must keep pace with technological advances to mitigate the risks posed by new financial products and services, distribution channels and market players. Developing and applying innovative solutions (SupTech tools) can lead to more efficient and effective supervision.

Market conduct supervisors must handle vast amounts of data (“millions of contracts, millions of customers, terabytes of data”), most of which are unstructured and come from non-traditional sources like social media.

Until 2022, the Banco de Portugal’s Banking Conduct Supervision Department manually analysed a significant number of legal requirements for each draft credit agreement, a process that was time-consuming and susceptible to human error. To address this, a tool incorporating natural language processing (NPL) and machine learning (ML) was implemented, allowing for the automatic validation of compliance with a large set of requirements as soon as draft credit agreements are received by the Central Bank. The Suptech tool is now in place contributing to the validation of the regulatory rules established for each type of consumer and mortgage credit agreement. While recognising there is room for improvement as the tool continues to be used, assessing compliance of draft credit agreements with the legal requirements has become easier. The time spent on each analysis has decreased, leading to improved analysis quality with reduced human error, and data retrieval has become faster and simpler. The main goal now is to improve the results of the Suptech tool and to include and validate all regulatory requirements for all types of consumer and mortgage credit agreement.

The treatment of information requests by bank customers has also been a challenge for the Banking Conduct Supervision Department. The Banco de Portugal responds to thousands of information requests related to retail banking products and services made by bank customers each year. The information provided in these responses aims exclusively, to guide and assist bank customers to answer their questions about a specific topic. Handling these information requests required human intervention at every stage, from collecting data from petitioners and classifying the requests (assigning a scope) to proposing a response. In 2022, a Suptech tool using artificial intelligence models was implemented to automate these tasks, making these responses more timely, standardised and effective. However, the final decision on the response to bank customers remains human.

Building on the experience gained with this Suptech tool, a similar solution was applied to classify consumer complaints received digitally. This automatic classification of complaints, enabling prompt identification of the issues raised by bank customers, allows for an immediate understanding of potential problems, facilitating preventive actions in the market.

The supervision of advertising materials promoting retail banking products and services is also very challenging and requires significant human-operational efforts. Until now, this task has been conducted manually, with each advertisement reported by the institutions or the data vendor – entity to which
the Banco de Portugal has outsourced the collection of mass media advertising – being reviewed individually. Additionally, social media advertisements, increasingly used by institutions to promote their banking products and services, are currently neither reported nor collected by our data vendor. Therefore, it is essential for the Banco de Portugal to collect and analyse such information.

To address these issues, the Banco de Portugal is developing a SupTech tool that will: (i) collect advertisements published by supervised entities on their social media networks, significantly increasing the number of advertisements to be analysed, and (ii) automatically analyse and validate all advertisements broadcast by the supervised entities (including those reported by firms and data vendors), by speeding up and standardising the validation procedures. This will enable the supervisor to act more promptly, focus on riskier campaigns, thereby increasing supervisory effectiveness. With the implementation of this SupTech tool, significant effort savings are expected in the oversight of advertising campaigns, given the current volume of advertisements being analysed.

To foster digital transformation and acknowledging its pivotal role across all areas of expertise within the Central Bank, an artificial intelligence platform named ALYA was developed. This tool centralises and delivers AI services, enhancing efficiency and enabling tailored initiatives to meet specific needs, such as those outlined for banking conduct supervision.

The Banco de Portugal seeks to be at the forefront of innovation, continually improving its processes and making supervision more effective. Its relationship with bank customers is no exception. As such, the Banking Conduct Supervision Department is also participating in the development of a generative AI-based chatbot. Leveraging advanced algorithms, this chatbot will dynamically generate responses using the content from the Banco de Portugal’s Bank Customer website.
About FinCoNet

Established in 2013, FinCoNet is an international organisation of supervisory authorities responsible for financial consumer protection. It is a Member-based organisation set up as a not-for-profit association under French law.

FinCoNet promotes sound market conduct and strong consumer protection through efficient and effective financial market conduct supervision.

Each Member of FinCoNet has responsibility for and an interest in protecting the interests of consumers of financial services. FinCoNet seeks to enhance the protection of consumers, and to strengthen consumer confidence by promoting robust and effective supervisory standards and practices and sharing best practices among supervisors. It also seeks to promote fair and transparent market practices and clear disclosure to consumers of financial services.

Visit our website at www.finconet.org and find us on LinkedIn.

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