

The Credit Ombud

Enforcing fairness in credit and credit
bureaux matters

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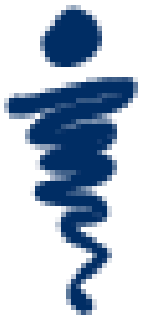
Agenda



- Why do we exist
- Mission statement and Who We Are
- Background of Credit Ombud
- Corporate Governance Principals
- Handling Complaints
- Terms of Reference and Jurisdiction
- Awareness and Education
- Statistics
- Value of the Credit Ombud



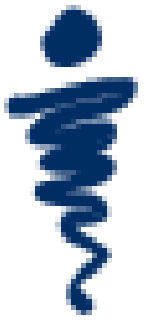
Why do we exist



- Credit Bureau Scoring High – World Bank – Rating 5 out of 6 - Still there was a drive to regulate Credit Bureaus and even talks to close it down
- 2 Major components missing
 - Consumers did not know how credit bureaus operate and did not see the positives of credit bureaus
 - Only confronted when declined from credit
 - Credit bureaus did not see consumer as a stakeholder
 - Consumers could not dispute information at a credible organisation



Consumer rights



- Consumer Rights
 - Free credit report
 - To challenge the accuracy of the information
 - Effective process to redress
- Consumers Perception about Credit Bureaus
Prior to 21 March 2004:
 - “Black listing” of consumers
 - Lack of confidence in the dispute process
 - Threat to close the credit bureaus
 - Violation of human right



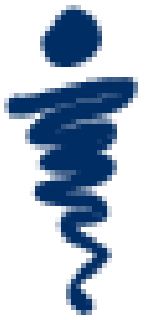
Government Perception

Prior to 21 March 2004:

- Government considered closing the credit bureau
- Viewed as the contributing factors to the deteriorating economy based on the following:
 - Incorrect or incomplete credit information
 - Lack of accountability of credit bureau and their subscribers
 - No regulating authority
 - Mismatch of credit information e.g.
 - Identity numbers
 - Name and surnames



Mission Statement



- The Credit Ombud will:
- Effectively resolve disputes between members of the Credit Industry and credit receivers (consumers and businesses) with regards to credit, credit information and debt counselling matters.
- Act as an educator of the public in matters pertaining to the credit industry
- At all times the Ombud will act honestly, independently and fairly; balancing the rights of all parties



Background of the CO



- CIO - Operations started in March 2004 focusing on Credit Information
- After Finmark research about a “gap” in market for non-bank credit ADR – we changed the name to Credit Ombud and started 1 January 2010 accepting complaints to non-bank credit
- Voluntary Bodies have more flexible jurisdictions
- The Credit Ombud is VOLUNTARY OMBUD and an “*Ombud with Jurisdiction*” in terms of the Financial Services Ombud Schemes Act and received recognition from the FSOS Council in 2006
- The Credit Ombud is a registered Public Benefit Organisation with SARS



Corporate Governance



• **FOUNDING DOCUMENTS**

- **Constitution of the Credit Ombud Association**
- **Terms of Reference**

• **COUNCIL**

- Legal Framework
- Composition of Council
 - Appointment; Role of Chairperson; Mandate
- Role of the Council
- Council Committees
 - Finance, Audit and Risk Committee
 - Remuneration & HR Committee
 - Corporate Governance and Compliance Committee
 - Media Subcommittee



Corporate Governance Principles



- **World Bank Report – Fundamental Principles for Financial Ombud Schemes**
- **Developed the 'PRINCIPLES OF THE OFFICE OF THE Credit Ombud'**
- **E.g. Principle of Independence**
 - Skills
 - Independent from those whom he has the power to investigate
 - Be able to be critical
 - Appointment of Ombud to be independent from industry
 - Salary of Ombud and funding of Office should not be influenced by industry
 - Enjoys Tenure



Corporate Governance Principles



- Principle of transparency
- Principle of Fairness
- Principle of Effectiveness
- Principle of Accessibility
- Principle of Legality
- Principle of Consent
- Principle of Representation
- Principle of Accountability
- Cooperation with other ADR's and National Authorities



Principals of Funding



Principals of Funding

- New model implemented this year
- Contributions based on the number of records reported to the credit bureaus as well as number of complaints at our office
- Records at credit bureaus are relevant to number of agreements and indicates potential complainants
- Criteria has to be objective and verifiable



Handling Complaints



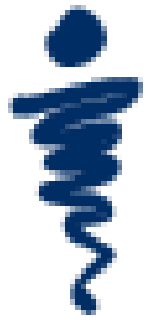
- Operations to be as consumer friendly to make the process unintimidating and easy
- Not formal
- CO accept telephonic complaints, fax or email
- All languages are entertained
- All calls are recorded
- Accept walk-ins without appointments
- Only one office – but still accessible to consumers



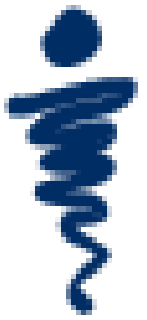
Handling Complaints cont.



- **When starting**
 - Create a brand/logo
 - Employ well skilled staff – General Management
 - Design processes
 - Keep it manual until you understand your system
 - Form relationships with stakeholders
 - Take on cases and work out the process before launch
 - After launch – Demonstrate value so consumers understand what you are about



Terms of Reference & Jurisdiction



- Act independently and objectively
- Have regard to fairness, justice and equity
- Balance the rights of consumers on the one hand and the rights of subscribing members on the other hand
- Accountable only to the Council
- Criteria used to resolve disputes
 - The law, especially the NCA
 - Fairness
 - Applicable industry Codes of Conduct or guidelines
- It is a function of the CO to educate consumers and other stakeholders on its existence, role, procedures, jurisdiction and terms of reference

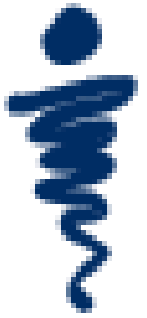
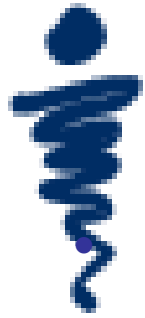


Terms of Reference cont.



- At the CO's sole discretion to determine whether complaint falls within its jurisdiction
- Members are bound by decisions
- Consumers are not bound by decisions and can take further legal action or report to NCR etc

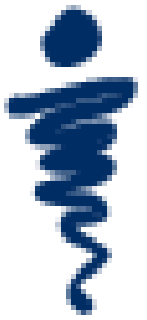
Jurisdiction – Credit Info



- **Inaccurate or incorrect default credit information;**
- **Insufficient or incomplete credit information;**
- **Out-dated credit information;**
- **The obligation of the Credit Grantor to:**
 - **supply accurate credit information to the bureaux**
 - **properly inform credit receivers prior to adversely listing them;**
- **Cases where a credit receiver defaults through no fault of his own and subsequently rehabilitates himself**
- **Listings in respect of prescribed debt.**
- **Duplicate/double listings in respect of the same debt**
- **Identity Fraud**
- **Service Disputes**



People Must know We Exist!



- **Our PR and Communication Strategy starts with simply RAISING AWARENESS.**
 - **Awareness** – letting (the right) people know that the service exists and what we do.
 - **Creating Awareness** – efficiently and intelligently
 - Our Tactics
 - Our Process



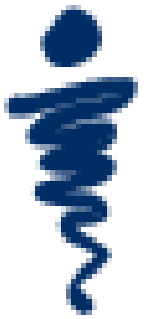
Awareness Objectives



- **We want our awareness activities to have enough impact for people to:**
 - **remember who we are,**
 - **how to get hold of us,** and
 - ideally be able to **spread the word** about our office to their immediate circle.



Awareness Activities



- **Website**
- **Pamphlets**
- **Media**
- Topical press releases that tackle the “Hot Credit Issues” of the day.
 - When these are ‘picked up’ by journalists who publish in widely read newspapers and magazines, it also results in interview invitations from both TV and Radio.
- **Community Workshops**
- Talk for 1 hour about the essentials of how the office operates (1 – 2 workshops per week)
- **NB Credit Bureau and Credit Providers to notify the consumers**



New Consumer Education Strategy



- **Observations**

Possible Challenges:

Probable Positive Effects:

More expensive

More impact – potentially life-changing

Cannot reach high volumes

Retention of information longer than awareness

HR departments feel threatened

In line with National Strategy


Specialists in training needed

Highly interactive training empowers people to really examine their personal finances, and what they can do to take control!

Reluctance from employers to let staff go for half a day

With Education, the awareness one creates is so much stronger than just 'information' awareness.

Summary of Statistics – 2013



Disputes
received by
Credit Bureaus
122'793

Disputes received
Non Bank Credit
3'483

Value Saved
For Consumers
R 3.8 Million

Disputes received
Debt Counselling
130

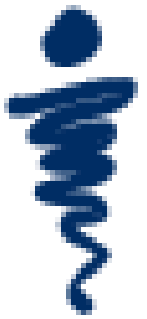
Disputes
Received ito
Credit Bureaus
2'265

Average days to close
47,7 days





Case Studies



Outcomes in favour of the consumer

Non Bank Credit

- **Mr M S Ntandane –**

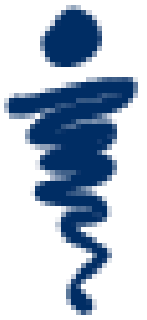
Accelerated Outstanding Balance which was in breach of Reg 40(1) of the NCA. Consumer Saving R200 000.

- **Ms. J M Maritz –**

Credit Provider failed to terminate the Emoluments Attachment Order upon settlement of the debt. Credit Ombud intervention lead to termination of the order, Rescission of Judgment and a refund of R9 324,15.



Case Studies cont.



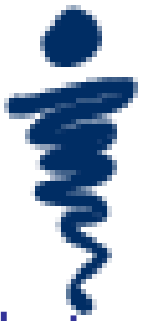
» Credit Information

- **C N Mdlalose –**

Consumer disputing his credit profile listing on the basis that he did not receive notification of default, and was not provided with an opportunity to remedy his default before he was listed. Upon intervention we found that the Credit Provider did not follow the process and the listing was then removed. Should the Credit Provider wish to list the Consumer they would have start the process afresh, by provided the Consumer with a notice of default. Reg 19(4) NCA



Value of Ombud Scheme



- It is become an accepted principle all over the world that governments, financial businesses as well as consumers benefit if consumers have confidence in the financial markets.
- One of the key factors in increasing consumer confidence is to provide **accessible and user-friendly arrangements to resolve disputes.**



Value to Consumers



- Consumers will have greater confidence in financial services if they know that, if anything goes wrong, they will be able to take their dispute to an independent body that will resolve the issue quickly and informally, without the consumer needing a lawyer



Value to Business



- Business will benefit because consumers are more likely to enter into the financial agreements; the cost of resolving disputes with consumers are kept to a minimum and unscrupulous competitors who act unlawfully are held to account



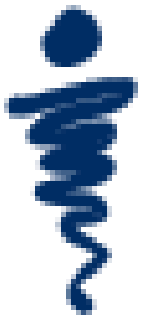
Value to Credit Industry



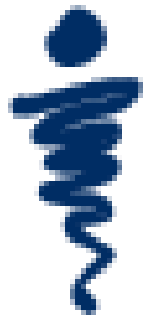
- We alleviate the workload on our courts and assist business to resolve customer complaints effectively, cost-effectively and in a manner that satisfies both parties' expectations.
- We also address issues in the interest of a better industry and to resolve the problems even before they create systemic risks.



Challenges and Recommendations



- Constant communication with stakeholders to enforce value proposition
 - Financial challenges – office seen as “nice to have and not a necessity”;
 - Misunderstandings can lead to lack of trust
 - Constant challenge to remain unbiased and independent
- Recommend analysis of feedback iro consumer complaints
- Constantly review processes to remain relevant



Thank You

