



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

PUBLICATION OF CONSULTATION POLICY DOCUMENT ‘A KNOWN AND TRUSTED OMBUD SYSTEM FOR ALL’

The National Treasury today publishes the policy document “A Known and Trusted Ombud System for All” for public comment. This forms part of the comprehensive financial sector regulatory reform programme underway as South Africa shifts toward a Twin Peaks model of regulation.

The Treating Customers Fairly outcomes underpin South Africa’s market conduct framework under Twin Peaks. The reforms aim to significantly improve consumer protection in the financial sector by promoting customer-centric financial institutions on the one hand and empowered consumers on the other. Empowered consumers are able to make informed financial decisions and can hold their financial institutions to account for poor service or broken commitments. Accountability measures available to consumers should include the ability to have complaints against a financial institution resolved fairly and effectively by the institution, and in instances where such resolution isn’t possible, the availability of an alternative impartial third party to resolve the dispute.

This consultation policy document addresses measures to improve the alternative dispute resolution environment in South Africa, which is provided through the ombuds system. Effective financial sector ombud schemes are needed to drive the financial sector to serve South Africans better.

There are currently six different financial sector ombud schemes in South Africa, each providing a dispute resolution platform that is free to consumers and external to financial institutions. There are many differences in how these ombud schemes are established and how they operate, including the fact some are established through statute while others are established through industry initiative. While the system has provided vital assistance in resolving the disputes of many customers, it has been identified that there are weaknesses, inconsistencies and inefficiencies in its operation that may be hampering the achievement of good customer outcomes.



As explained in the document, the Financial Sector Regulation Act (Act 9 of 2017) takes the first step toward addressing shortcomings in the ombud system. The Act establishes an Ombud Council as a full-time statutory body, tasked with ensuring that customers are able to access effective, independent, fair and affordable dispute resolution processes. The Ombud Council will set rules for the ombud schemes to follow, to drive consistent approaches and adherence to minimum best standards.

The Act also requires that all financial institutions belong to an ombud scheme if a suitable one exists. It is anticipated that the Ombud Council will be established alongside the Prudential Authority and Financial Sector Conduct Authority in 2018, and provisions relating to the ombuds system implemented thereafter.

Options for future further reform to the ombud system are proposed in this document for further discussion. Such options include:

- Enhancing the hybrid model of statutory and industry ombuds, building on FSR Act provisions
- Moving toward a centralised model, establishing a single statutory ombud scheme
- Moving toward exclusively industry established ombuds with strong oversight by the Ombud Council

Each option carries different advantages and disadvantages, and future reforms will have to be carefully considered.

This document lays the basis for future research into and engagement on ombud system reforms by the National Treasury and the Ombud Council, once it is established.

Comments on the document are invited until 30 November 2017 and can be sent to marketconduct@treasury.gov.za

The National Treasury will also host stakeholder workshops on the document, and further information on this will be communicated in due course.

Issued by: National Treasury
Date: 20 September 2017

