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Financial sector regulator zeroes in on credit life insurance

The Financial Sector Conduct Authority (FSCA), newly endowed with powers of resolution, has trained its sights on credit-life insurance.

In a first for SA, the FSCA may direct financial services providers to reimburse consumers premiums paid for products that have been wrongly sold to them or have delivered little value.

It is a dramatic addition to the FSCA's arsenal. Consider that the UK's Financial Conduct Authority has ordered payment protection insurance refunds to the tune of £30.4bn since January 2011. Payment protection insurance is substantively similar to credit life insurance.

The FSCA, formerly the Financial Services Board, was probing "point-of-sale" products, such as credit-life insurance, which were frequently mis-sold to individuals who did not need them, said Caroline da Silva, executive GM for regulatory policy. A new team of data specialists would request more detailed information from credit providers relating to credit life insurance policies, she said.

This same team would analyse industry-wide trends and business practices to inform regulatory policy. "The only way to be proactive is to get clever on data. The FSCA's data requests will shift significantly," she said.

The regulator would also request conduct-related information, she said.

This tied in with the new regulatory powers given to the consumer financial education department. This division could now co-ordinate the industry’s financial literacy programmes, request proof of the efficacy of these programmes and dictate best practice, Da Silva said at the launch of the FSCA on Monday.

The FSCA is SA’s first dedicated market conduct regulator with oversight of insurance companies and banks. Banks have hitherto not been subject to regulated conduct standards.

The Treasury was undertaking a review of retail banks’ conduct in order to identify gaps that needed better regulating, Finance Minister Nhlanhla Nene told Business Day.