

AN ACCOUNT OF
ACTIVITIES FOR THE PERIOD
1 JANUARY – 31 DECEMBER 2006



EXECUTIVE SUMMARY 2006

Overview

The Ombudsman for Banking Services (OBS) is now an ombud scheme recognised and regulated by statute (the Financial Services Ombud Schemes [FSOS] Act) and the FSOS council is the supreme arbiter of the OBS's terms of reference and procedures.

The OBS is expected to report on systemic issues to the Banking Association and the registrar.

The OBS's strategic objectives were expanded to include staff retention and gearing up for the implementation of the National Credit Act (NCA), under which the OBS will have a role.

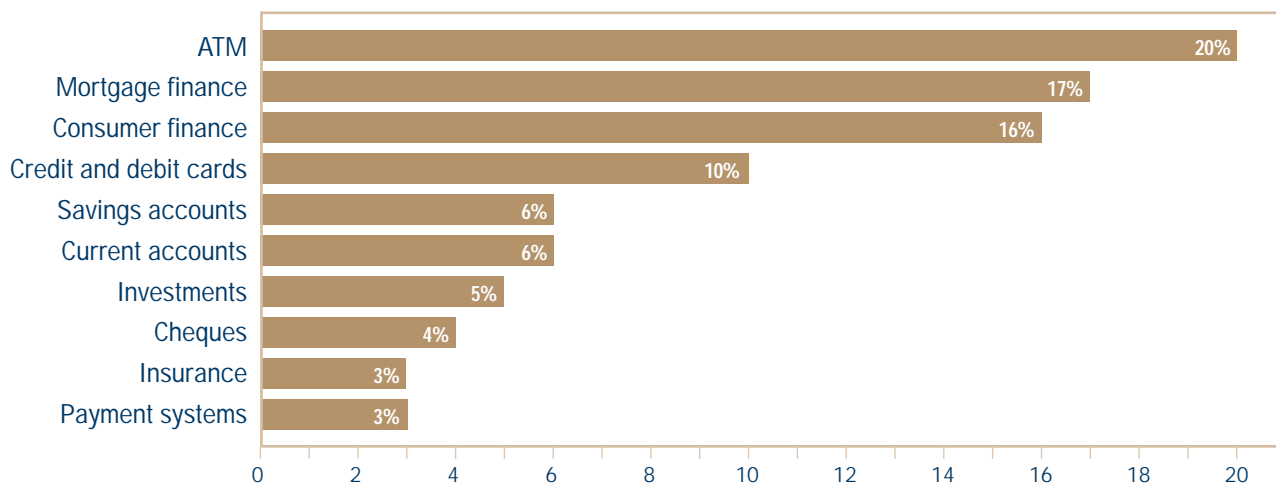
CASE FLOW COMPARISON	2005	2006	Difference (2005: 2006)
Helpdesk enquiries	17 165	13 536	21% decrease
Applications for assistance received	4 957	5 410	9% increase
Files opened	4 092	4 493	10% increase
Files closed in step 2	2 376	3 521	48% increase
Files closed in step 3	1 543	755	51% decrease
Total files closed	3 928	4 384	12% increase

Activities

The increase in new cases was lower than in previous years. The number of enquires dealt with by the helpdesk actually declined as the result of the introduction of a call-switching option for callers who had not yet approached their banks for assistance.

The total amount recovered from the banks decreased from R16,2 million to R10,3 million. The decline was mainly due to a sharp decrease in the number of investment-related complaints. The Financial Advisory and Intermediary Services ombudsman has exclusive jurisdiction in investment complaints arising on or after 30 September 2004.

THE TOP TEN CATEGORIES OF COMPLAINTS (CLOSED FILES)





THE TOP FIVE CAUSES FOR COMPLAINTS	2006	2005
Maladministration	26%	22%
Unfair treatment	24%	23%
Fraud	22%	21%
Negligence	9%	12%
Misrepresentation	6%	7%

RAISED IN 2005

Suretyships

This area of banking practice was one of the six issues raised in the 2005 report. Universal (unlimited) suretyships will be prohibited by the National Credit Act (NCA).

ATMs

It is now time for the introduction of a dedicated EFT (electronic funds transfer) code in South Africa.

Other matters

The processing of mortgage loans is no longer the largest category dealt with by the scheme, as banks have improved their systems since this issue was raised in 2005. There is still a need for banks to compile an information pack to be handed to and signed for by prospective buyers, setting out in simple terms how a mortgage loan works.

It is tragic that in spite of the banks having implemented our advice to draw the position regarding life insurance to the attention of home loan borrowers that women are often still not provided for and are left destitute.

Files opened in 2006

Top five banks represent 98% of the total files opened

COMPARISON OF PERCENTAGE OF CASES OPENED TO RELATIVE NET ASSETS				
Bank	Cases received	Cases as % of total cases	Net assets R million (DI 900 returns)	Net assets % of total assets
Standard	1 304	29%	529 382	26%
Absa	1 133	25%	441 300	21%
First National Bank	866	19%	383 511	19%
Nedbank	772	17%	372 692	18%
African	242	6%	9 067	0,4%
Net assets for all banks: November 2006			2 062 844	

Cases resolved in favour of the bank 51%

Cases resolved in favour of the complainant 49%

Average time taken to close a file 62 days

Percentage of cases closed within six months of the file being opened 97%

NEW ISSUES

Reckless lending

The scheme expressed its concern that the banks were apparently engaging in an all-out drive to gather as many clients as they could ahead of the NCA's implementation.

Penalty fees

The NCA will not permit the imposition of such charges on agreements involving an element of credit. The Conventional Penalties Act applies to other agreements. It permits the imposition of penalties, but subject to a reduction if they exceed actual costs.

Funeral policies

It is recommended that the banks take more care in ensuring that funeral policies are clearly explained so that the eligibility requirements for cover and any exclusions are understood.

