Confidence in financial markets: the role of financial dispute resolution schemes

The New Scheme in Taiwan

Daniel Ho
president
Financial Ombudsman Institution

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Outlines

- G20/OECD Principles / World Bank Principles
- Scheme of Financial Ombudsman Institution (FOI)
- Advantages from Ombudsman Services
- Key Elements for a Fine Financial Ombudsman Scheme
- Visions
Preface

Since 2007, nations around the world experienced the worst financial crisis since the Great Depression of the 1930s. It resulted in the threat of total collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world.
In February 2011, G20 Finance Ministers and Central Bank Governors called on the OECD, the Financial Stability Board (FSB) and other relevant international organisations to develop common principles on consumer protection in the field of financial services
G20/OECD Principles on Financial Consumer Protection

- Effective protection is part of financial stability
- Principles complement and do not substitute existing international principles, guidelines or standards
- Principles are applicable across *ALL* financial services sectors
G20/OECD Principles on Financial Consumer Protection

Priorities:
- Equitable and Fair Treatment of Consumers
- Disclosure and Transparency
- Financial Education and Awareness
- Responsible Business Conduct
- Complaints Handling and Redress
- Protection of Consumer Data and Privacy
World Bank Principles

The paper of World Bank

“Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman---A practical guide based on experience in western Europe”

---January 2012, by David Thomas and Francis Frizon

- There are diagnostic reports and action plans
- Consideration about a financial ombudsman
- Published fundamental principles
Scheme of FOI

- Background
- Goal
- Dispute Resolution Procedure
- Ombudsman Committee
- Ombudsman Decisions
- Statistics
Background

- Established under Financial Consumer Protection Act (FCPA)
- An independently-governed institution--100% contributed by the government
- The competent authority: The Financial Supervisory Commission (FSC)
- Start operation on 2 January, 2012
- Single scheme covers all sectors
Goal

- To protect the interests of financial consumers
- To fairly, reasonably, and effectively handle financial consumer disputes
- Reinforce the confidence of financial consumers in markets
- Promote sound development of financial markets
Dispute Resolution Procedure

**Step 1**

*File complaint* with the financial services provider, or with FOI, the complaint will be redirected to FSP

FSP (financial services provider) shall reply to the customer to resolve the dispute and notify FOI the resolution within 30 days.

Customer Satisfied
Dispute resolved
Dispute Resolution Procedure

Step 2

If customer Unsatisfied or FSP fails to reply to the customer

Within 60 days

Come to FOI apply for FREE ombudsman service
Complaint Handling

- Build and Redirect a complaint in 1~3 days: When the FOI receives a complaint, it shall immediately key in the data and build a case, and help redirect the case to the business.
- Follow Up with the financial services providers
- The financial services providers shall achieve a resolution with the consumer and report the resolution to FOI within **30** days.
Ombudsman Procedure

After the FOI receives an application for ombudsman services…

Collect Relevant Information from the consumer and the services provider

Investigate Find out the Facts

Mediation Proceedings
Ombudsman Procedure

Disposition
Accepted
Dispute
Resolved

Disposition
Rejected
or
Dismissed

3 ombudsmen preview

then, proceed to Ombudsman Committee

Ombudsman Decision
Accepted
Dispute
Resolved

Ombudsman Decision
Rejected
may appeal to the court

Ombudsman Procedure shall be completed within 3 months
Ombudsman Committee

- In order to handle an ombudsman case, the FOI establishes an ombudsman committee.
- It has 22 members, one of them is the chairperson, they are selected by the board of FOI from among scholars and experts.
- The appointments of the committee members are approved by the FSC.
- All ombudsman committee members exercise their authorities in a fair and impartial manner.
Ombudsman Decisions

- In 3 months, an ombudsman decision is made by the ombudsman committee
- All business providers sign the Agreement
- Award Compensation: binding within a limit
  - investment products – max. US$33,000
  - non-investment products – max. US$3,000
- The ombudsman decision statement can be filed for approval by the district court and with the effective compulsory execution
Statistics

Open to the public: Statistical analysis of cases is calculated and published regularly, anyone interested has an easy access to it through FOI’s website and newsletter

- Complaint Cases
- Ombudsman Cases
Types of Cases

Total : 18,795 cases

Enquiries : 11,880 cases

Complaint : 4,613 cases

Ombudsman: 2,302 cases

(January ~ November, 2012)
Trends of Cases

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Complaint Cases

- Types of Cases
- Consumer Satisfaction
Complaint Cases (by sector)

Total: 4,613 cases

Insurance: 4,052 cases
Banking: 498 cases
Securities and Futures: 63 cases

Insurance 88%
Banking 11%
Securities and Futures 1%
Consumer Satisfaction

“Very satisfied” + “Satisfied” = 92.7%
Ombudsman Cases

- Types of Cases
- Types of Disputes
- Outcome of Ombudsman Decisions
Ombudsman Cases (by sector)

Total: 2,302 cases

Insurance: 1,928 cases
Banking: 336 cases
Securities and Futures: 38 cases
## Types of Disputes (by sector)

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<th>Sector</th>
<th>Type</th>
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<tr>
<td><strong>Banking</strong></td>
<td>Sales disputes</td>
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<td>Failure to comply with service regulations</td>
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<td>Violation of appropriateness requirements</td>
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<tr>
<td><strong>Securities and Futures Dealers</strong></td>
<td>Refunds from securities investment consulting contracts</td>
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<td>Discretionary centralized securities trading</td>
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# Types of Disputes (by sector)

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<th>Sector</th>
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<tbody>
<tr>
<td>Life Insurance</td>
<td>Claim related</td>
<td>Determination of payout</td>
<td>Coverage</td>
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<tr>
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<td>Non-claim related</td>
<td>Sales disputes</td>
<td>Delays in payout</td>
</tr>
<tr>
<td>Property &amp; Casualty Insurance</td>
<td>Claim related</td>
<td>Determination of payout</td>
<td>Determination of level of disability</td>
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<tr>
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<td>Non-claim related</td>
<td>Failure to comply with service regulations</td>
<td>Delays in payout</td>
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<td></td>
<td></td>
<td>Dispute over policy renewal</td>
<td>Return of unearned premium</td>
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## Outcome of Ombudsman Decisions

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<tr>
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<th>Rejected</th>
<th>Upheld</th>
<th>Not Upheld</th>
<th>Total</th>
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<td><strong>111</strong></td>
<td><strong>277</strong></td>
<td><strong>657</strong></td>
<td><strong>1045</strong></td>
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- Until November, 277 ombudsman decisions are upheld for financial consumers
- 90% of the cases achieve an ombudsman decision within 3 months
Advantages for Consumers

- provide redress if things go wrong
- use affordable and accessible processes
- are a source of impartial information
- increase confidence in financial products
- free of charge, time-saving
Advantages for Financial Services Providers

- improve the image of the industry
- help fair competition
- confirm impartially when providers are right
- provide out-of-court resolution
- speedy
Advantages for Financial Services Regulators

- let regulators focus their limited resources
- provide consistent data
- provide impartial commentary
- identify systemic and emerging risks
Advantages for the State

- confident consumers to become more self-reliant financially
- transform cash economies, unlocking money for development
- growth of a sound and safe financial market
Key Elements for a Fine Financial Ombudsman Scheme

Adaptable to local conditions but keep to the fundamental principles

- Independence, to ensure impartiality
- Fairness
- Clarity of scope and powers
- Effectiveness and efficiency
- Accessibility
- Transparency
- Accountability
Visions

- As a dependable dispute resolution agency, the FOI will continue to uphold our commitment and provide the best services for financial consumers and financial service providers.

- The Asian financial market is booming, the cross-border disputes between consumers and providers will need resolutions by bilateral cooperation. A cooperation platform for schemes to exchange information and experience will be a tremendous help to enhance the financial confidence in Asia.
more on

The 2013 Annual Conference of International Network of Financial Services Ombudsman Schemes (INFO Network) will be held in Taipei. There will be more welcomes.
Thank You for your kind attention

Daniel Ho
President
Financial Ombudsman Institution in Taiwan

Member of Committee
International Network of Financial Ombudsman

Daniel.ho@foi.org.tw
Daniel.fsc.ln@gmail.com