

FSCA COMMUNICATION 20 OF 2022 (FAIS)

PUBLICATION OF NOTICE OF DRAFT AMENDMENT OF THE RULES ON PROCEEDINGS OF THE OFFICE OF THE OMBUD FOR FINANCIAL SERVICES PROVIDERS (FAIS) FOR COMMENT

1 PURPOSE

The purpose of this Communication is to inform stakeholders that today the Financial Sector Conduct Authority (“FSCA”) published draft Amendments to the Rules on the Proceedings of the Office of the Ombud for Financial Services providers, 2022, on its website for comment.

1. BACKGROUND AND CONTEXT

2.1 In 2021, National Treasury published a diagnostic study entitled: “*South Africa – Financial Ombud System Diagnostic*”.¹ The study was commissioned by National Treasury and prepared by the World Bank Group (WBG). It aimed to provide an independent review of South Africa’s financial ombud system and recommended reforms to enhance customer protection and good-quality outcomes in the financial services sector.

2.2 One of the recommendations in the report was that the current maximum compensation limit for the FAIS Ombud, which was set in 2004 at R 800 000, should be reviewed. The 2004 limit is no longer appropriate as it has not kept up with inflation or the financial realities in the market. Also, the current limit of the FAIS ombud is out of kilter when compared to other ombuds in the financial sector, thereby creating inconsistencies.

2.3 The FSCA supports the proposed increase, which is consistent with the objective of the Financial Sector Regulation Act, 2017 (FSRA) and the mandate of the FSCA to protect financial customers by promoting the fair treatment of financial customers by financial institutions.

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http://www.treasury.gov.za/comm_media/press/2021/Annexure%20A_South%20Africa%20Financial%20Ombud%20System%20Diagnostic-Final-Web.pdf

- 2.4 Considering factors such as the market realities of consumer's risk exposure and the fact that a very low financial limit for awards to complainants jeopardise the restitution outcome of determinations, the proposal is to increase the jurisdictional limit to R3 500 000.

3. INVITATION TO COMMENT ON DRAFT RULE AMENDMENT NOTICE

- 3.1 The FSCA therefore publishes for public consultation a draft amendment Notice to the Rules on the Proceedings of the Office of the Ombud for Financial Services providers.
- 3.2 The documents referred to in paragraph 1 is available on the FSCA's website at www.fsca.co.za.
- 3.3 Interested parties are invited to submit comments on the draft amendment Notice on the Comments Template published herewith, in Word format, on or before **19 August 2022** to FSCA.RFDstandards@fsca.co.za.

4. CONTACT

For further information regarding this Communication please contact the Regulatory Framework Department of the FSCA by emailing Hannelie Hattingh at Hannelie.hattingh@fsca.co.za.



**U KAMLANA
COMMISSIONER
FINANCIAL SECTOR CONDUCT AUTHORITY**

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