



CENTRAL BANK OF
TRINIDAD & TOBAGO

Welcome Address

at the

2014 International Network of Financial Services Ombudsman Schemes, Annual Conference

Monday 29th September, 2014
Port of Spain, Trinidad & Tobago

Jwala Rambarran
Governor
Central Bank of Trinidad and Tobago

Consumers are part of every transaction that occurs on the planet. The consumer as depositor, policyholder, saver and borrower is the central actor in the financial marketplace. Some 150 million new consumers of financial services join the global economy, each year. While their money speaks, the voices of consumers are seldom heard.

Mahatma Gandhi is reputed to have once advised *‘A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider of our business. He is part of it. We are not doing a favor by serving him. He is doing us a favor by giving us the opportunity to do so.’*

We are paying dearly for not heeding the advice of the Mahatma, who is not at all known for business, but for his efforts to promote peace and for living a simple life. The global financial crisis that erupted in 2007 had many causes and one reason in my opinion for the failure was the age-old cliché, profit first, people after. Perhaps, if more too-big-too fail financial institutions heeded Gandhi’s advice, the magnitude of the global crisis could have smaller.

More than half a decade after the collapse of the first financial giant, we are still counting the substantial toll on many lives. Millions of people lost their jobs...countless families lost their homes, their humanity stripped as some had to live in cars, in shelters or on the streets...and many more now have to work much longer so they can make up for lost financial ground in order to retire comfortably.

While depositors, policyholders and all other customers in the financial system are the heart of this complex financial system, their value, their importance were taken for granted. They were overlooked by the people they trusted with their pensions, life savings and other financial products.

But there are many parties in the financial system. We have to acknowledge that gaps in financial consumer protection, which is our domain, also fueled the devastating global crisis. As we know, financial institutions were more than eager to offer and peddle new financial instruments that carried higher risks (no down-payment mortgages at low interest rates, no collateral). This was done without ensuring the very people who were the foundation of the system understood the risks involved.

While consumers have a responsibility to learn and to understand the contracts into which they were entering, financial institutions have an even greater responsibility to protect the very people from who they are trying to make money by ensuring their customers fully understand terms of conditions and the risks versus rewards equation.

Consumers International, the international federation of independent consumer organizations across the world, argues that consumers are paying three times over as a result of the global financial crisis. Consumers are paying as depositors and pensioners on fixed incomes; consumers are paying as taxpayers in bailing out

failed financial institutions; and consumers are paying as potential consumers of other services now being starved of resources because of heavy public debt.

Today, financial consumer protection has jumped to the front burner on the agendas of many central banks and governments. Countries are intensifying efforts to restore trust in financial markets, protect consumers from improper conduct and ensure access to a fair, transparent and competitive financial market place.

But even as we now all recognize, perhaps belatedly and painfully, the important role of consumer protection in promoting financial stability, consumers are still taking on debt at a rapid pace to buy houses, cars, educate their children, or just pay bills. Global household debt has expanded rapidly in the past five years, currently standing at around US\$40 trillion, the same level as in 2007.

This is telling us that while the crisis is still morphing, the same fertile conditions that existed at the time it first erupted are still very present, given that consumers are still highly active. Since consumer borrowing has not slowed, we the policymakers must ensure we close the gaps in financial consumer protection that existed a decade ago.

This brings me to you...the Financial Services Ombudsmen.

As unbiased and fair investigators of consumer complaints, you all occupy a unique space in your country's financial landscape. Our Office of the Financial Services Ombudsman (OFSO), for instance, remains the only financial ombudsman scheme in the Caribbean. Outside of the courts, you are literally the only hope for consumers who have disputes with their banks, insurance companies or other financial service providers. You are seen as credible, independent and impartial.

Ironically, because of these very admirable qualities, the Financial Ombudsman seems to be a mere spectator. You stand far away from consumers. You do not stand up for consumers.

So this morning, my message to you is a simple one: You have a responsibility to help consumers stand up and speak for themselves.

Listen to the voices of consumers. Each one of your offices already has infrastructure in place to listen to the voices of consumers. Each Ombudsman office handles numerous complaints and develops many case studies.

In its ten years of operations, our OFSO has handled almost 2,500 complaints within its narrow Terms of Reference. More than 45 per cent of the banking complaints were directed toward issues related to accounts transactions, card services and loans and credit. At least two-thirds of the insurance complaints relate to undue delay in settling claims, inadequate settlement and denial of claims.

Our OFSO has also received close to 1,500 complaints which fall outside its Terms of Reference. These complaints relate to bank fees and pricing of bank products and services, lapsed insurance policies, insurance premium charged, personal injury for motor vehicle accidents, credit union shares and loans, and general pain and suffering.

Our OFSO has also produced several case studies on banking and insurance consumer issues, which are readily available on its website. These case studies contain valuable lessons for consumers and for financial institutions. The case studies range from being aware of receiving fraudulent checks, to not sharing personal financial information, to paying close attention to terms and conditions of car and homeowner's insurance policies.

If we all make this anonymous complaint data publicly available on our websites, we can help make each consumer's voice count and produce a chorus of voices which can change unfair practices at financial institutions.

We need to learn from consumers in their own words. A "Tell Your Story" feature on our websites would give consumers the opportunity to share their experiences, whether positive or negative, about certain financial products and services.

Some may deride consumer complaints as mere anecdote. I readily acknowledge that not every complaint is an actual violation of the law. However, I firmly believe complaints about financial institutions give us an insight into what's happening to consumers around the country, in real time.

These are not just complaints but provide insight into areas of consumer education we can strategically place emphasis. While education is not strictly a core function of a Financial Services Ombudsman, this is where we need to advance our approach in policy and operations.

Earlier this month, we launched the Financial Inclusion Development Agency (FIDA). FIDA is the financial inclusion education and training arm of the Central Bank of Trinidad and Tobago. FIDA will work with our OFSO and use the complaints to help us prioritize emerging areas for financial education. Through reputable education and training, we will demonstrate that financial knowledge gives power to the voices of consumers.

Every single time we take a complaint, we must remember consumers are reaching out to us because they trust us. Every single time we take a complaint, we encounter someone who has the courage to reach out to us for help. We must applaud that courage. We must remember all consumers usually ask is to be simply treated with fairness, dignity and respect. In our hearts, we all know consumers deserve no lesser treatment.

Please allow me to give you three stories from our OFSO's experience here in Trinidad and Tobago.

The first story is about Lakshmi, a middle-aged public servant. Her bank engaged emails with an individual who was not a principal on her account. The bank allowed the individual to withdraw the entire balance on Lakshmi's account. At no time did the bank contact Lakshmi to verify that the individual giving instructions was indeed a bonafide member of the family.

Lakshmi's daughter, a signatory to the account, raised the issue with the bank who told her that the unknown person was providing them with instructions. She sought the assistance of the OFSO. The bank had to refund the entire sum to Lakshmi who swindled by fraudsters. Her daughter appeared on national television to tell her story. In this instance, it was clear that the group of transactions were being conducted by fraudsters using the phishing technique. The bank failed outright by not engaging the bonafide owners of the account.

The second story is about Paul, a senior citizen, to whom an insurance agent sold an inappropriate \$30,000 investment instrument. After a few months, Paul requested the value of his investment and was advised that it was \$10,000 less than the amount placed. Paul queried the value and was told that \$10,000 were administrative fees.

Paul became distressed and decided to terminate the investment but was told the insurance company would have to deduct another \$11,000 early encashment. Paul sought the OFSO's assistance. After much deliberation, the insurance company agreed to refund Paul his \$30,000 agreeing that the investment instrument sold was totally wrong for Paul's age and financial status in life.

The final story is about Avinash, a young IT professional. Avinash attempted to make a \$500 withdrawal at an ATM here in Port of Spain. The receipt dispensed stating no funds were available in his account. Avinash tried another ATM and met with same response. Avinash visited his home branch the next day to be told that his account was short by \$1,000. He immediately queried this assertion since no funds were dispensed and lodged a formal complaint with his bank. Dissatisfied with the lack of response from his bank, Avinash visited the OFSO.

Investigations revealed after Avinash left the first ATM, the machine dispensed the funds which were taken by another customer. Since the bank delayed its investigation and because the bank receipt stated no funds were available, the bank agreed to give Avinash an ex-gratia payment of \$1,000 without prejudice.

I share these stories about Lakshmi, Paul and Avinash because they connect us to real people. Their stories are the heart and soul of the complaint. They convey the frustration and distress people feel when they have to struggle with difficult financial issues.

Each story is, of course, unique to the people who tell them. But, I am sure you will find there is much that is familiar with all three stories. I am sure many of you can identify with the maddening frustration of Lakshmi, Paul and Avinash in dealing with their banks and insurance company. While they all had the foresight to approach the Financial Services Ombudsman, so many other consumers run into solid brick walls when they are seeking to clear up facts about their financial transactions.

I firmly believe these stories should be made public, with the consumer's consent. When consumers tell a "story" in their own words, they form the heart and soul of the complaint. They include all the details, names and rest of the story that really explain the problem as they understand it. The "story" provides information about why the consumer believes he was harmed and how the problem affected his life. For many consumers, it is worth a great deal just to share their story and know it has been heard.

Another reason to publish the "stories" would be to give financial institutions more of an incentive to address potential shortcomings in their business. They can react to problems, sooner rather than later.

A third benefit of sharing the "story" would be to help consumers and consumer groups spot emerging trends and problems and to make informed decisions about a particular financial product or service.

By sharing their stories with the public, we are giving consumers an opportunity to be heard by the entire world and not simply by a Financial Ombudsman's Office and its officials.

We have a responsibility to help consumers stand up and speak for themselves. There is power in their stories.

That power can help build a lasting foundation which may even help prevent the reoccurrence of another global financial crisis.

I thank you.