



THE MEDIATOR

A Publication of the Office of the Financial Services Ombudsman

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The Financial Services Ombudsman welcomes you to its first bi-weekly newsletter which seeks to give a brief preview of the work of the Agency as well as educate you about your rights and responsibilities when conducting business with your financial service provider. In this issue we tackle the issue of your choice and its consequences as we share scenarios which are pertinent to you understanding how making a bad financial decision can have far reaching consequences.

DESIRE VS DEBT

Maria has three (3) kids aged seven (7), ten (10) and fourteen (14). She was on her way to the supermarket to make groceries. Maria had \$1,300.00 of which she normally spends \$700.00 in groceries every month and the balance will go toward paying her credit card. However, she had to drop some clothes to dry-clean in the mall first. As she walked through the mall toward the supermarket she saw a pair of shoes in the showcase of a store for \$600.00. Maria walked into the store...

Jerry always wanted an SUV, his dream vehicle. Jerry currently drives an old but fully functioning Mitsubishi Lancer which was paid off for six (6) months ago. Jerry goes into the dealership; test drives the vehicle; and sits with the financing representative to determine if he could afford the vehicle. Based

on the information Jerry provides, after the down-payment on the vehicle is made, it will cost Jerry \$4,500.00 per month over seven (7) years to repay. In addition to the purchase of the vehicle, Jerry also has to purchase insurance. When he receives the quotation for fully comprehensive insurance he realizes that the amount is extremely high and out of his range. However, Jerry really wants the motor vehicle and is considering third party insurance coverage. Jerry's net salary (after taxes and other mandatory deductions) is \$23,000.00. He still has to pay the mortgage, utilities, phone bill, purchase groceries and has two children-one in University and one in Secondary School.

Simply put a DESIRE can be described as a strong feeling of wanting to have something or wishing for something to happen.

In most cases our desires are a far cry from our needs. As you may know, basic needs are defined as food (including water), clothing and shelter. These are all that are required to ensure physical well-being and the development of a strong community.

However, in actuality, food, clothing and shelter have an attached cost. In order to provide for ourselves and our families, earning an income is essential and often that is when we move from beyond basic needs to desires.

It should be noted that within our desires we do cover the basic needs, but, instead of food for sustenance, it becomes an overindulgence of food- most times the unhealthy kind. In place of clothing to keep us covered and warm, it becomes



DESIRE VS DEBT

the latest fashion and trends. And finally, instead of simple shelter to rest our heads at night, this turns into fancy houses and competition in neighbourhoods and/or among friends about who could build the biggest house. Then of course there are the other desires: an individual determines that they need a vehicle, be it to reach their place of employment; to drop the children to school; or to go out with friends. Instead of purchasing a vehicle to accomplish these tasks, often we purchase vehicles and other items outside of our price range and this is where **DEBT** raises its (sometimes) ugly head.

Debt, as defined by the Merriam-Webster Dictionary, is an amount of money that is owed to a person, bank, or company. It is the state of owing money to someone or something.

In most cases, in order to purchase large assets, for example, a house, land or car, it is necessary to go into debt by borrowing funds from a financial institution, family or friends (sometimes referred to as accessing a loan). While the acquisition of these items is admirable, persons must be conscious of what they can afford based on their monthly budget. It makes little sense to have the biggest house on the street but bare cupboards inside because the monthly installment on the loan is the same as your net salary and as such does not allow for the purchase of groceries (i.e. food- a basic need).

There are other reasons people go into debt. These include to further education, to finance treatment for unexpected illness, for an expanding family, to consolidate other debt, to go on vacation, and the more frivolous, to play mas.

The important point to remember about debt is that it must be repaid. Taking a loan from a financial institution requires that the repayment amount also includes an interest charge, i.e. the cost of borrowing. When taking such a facility from an institution, one should always ensure that they can repay the installment amount and still pay other bills, purchase groceries and send the children to school. Non-payment or late payment

of debt reflects negatively on a person's creditworthiness and will impact on the individual being able to access future debt- not only from that particular institution but from all financial institutions- hence possibly hampering fulfilling a desire. As such, it is important to budget and prioritize for the repayment of one's debt.

If you take one thing away from this article, take this: there is nothing wrong with having desires and working towards them. If it is necessary to go into debt be vigilant- prepare your monthly budget, prioritize for the repayment of your debt and ensure that you can still save and live off of what remains after the loan amount is paid. If this is not as yet possible, wait a little, save some more and then re-assess your situation.

Points to consider before going in to debt:

- Is it essential for you or your family? Is the \$600.00 pair of shoes essential or necessary for Maria or her family? If Maria purchases the shoes and therefore does not make her credit card payment how does this impact the interest that will be charged on the outstanding balance as well as how long will it now take her to pay off the card?
- Did you do your budget? Can you meet your other obligations if this debt is included? After Jerry prepares his budget, can he afford the additional monthly installment if he purchases the new motor vehicle? Would any funds be left for any sudden emergency or expense? If Jerry purchases the vehicle with third party insurance, what happens if he is involved in an accident? If his child in University requires extra funds six (6) months after he purchases the vehicle and is unable to pay his mortgage for the next three (3) months- what impact will that have on the way the interest is calculated as well as his credit history and ability to repay the outstanding arrears on the mortgage? How long will it take him to get back on track?
- Can you re-arrange items on your budget to save for the item instead of going into debt? Can Maria adjust her budget for

next month and purchase the shoes then? This delayed gratification will also give Maria time to determine if she really has to purchase the pair of shoes.

- Is it an asset that will appreciate in value over time, for example, land? In both Maria's and Jerry's case, the pair of shoes and the motor vehicle will depreciate rather than appreciate over time. However there are other considerations for items that will depreciate- for example- does Maria need a new pair of shoes to wear to work because her old ones are damaged? Or does Jerry expect that his current vehicle may require parts soon and as such is considering selling it before that happens, hence the need for a new vehicle?

It is important to consider the opportunity cost of decisions taken.

In Maria's case, not paying the credit card can result in a high interest rate (25% per annum on some cards) being applied to the outstanding balance which will extend the original payment period of the loan.

If Jerry only purchases third party insurance, should he be involved in an accident and if not deemed liable for its cause, he will have to make a claim to the other party's insurance company and in most cases will not be awarded 100% of the expenses claimed. In addition, he will then have to make up the difference on his own to fix the motor vehicle. In the event that he misses his mortgage payments, any subsequent payment will be applied to the interest on the arrears first, then the arrears on the principal before coming current. In such situations, Jerry will need to meet with the financial institution to regularize his payment schedule.

CASE REVIEW

Due Care and Attention



One Saturday morning, Mr. B. was proceeding east along Warren Street in Woodbrook when according to him, a vehicle driven by Mr. C. broke the traffic light on the intersection of Damian and Warren Streets and collided with him. The damage to Mr. B's vehicle included damages to the right fender, bumper, right wheel and right head light.

Mr. B. further claimed that when Mr. C. approached him, he "smelled of rum" and could not stand properly. Both parties reported the incident at the police station. However, Mr. C. stated that Mr. B. was in fact the one who broke the traffic light. At the time, Mr. C was charged with Driving Under the Influence (D.U.I.).

Mr. B. made a claim to Mr. C's insurance company for \$27,100.00 but it was denied. It was at this point that Mr. B. visited the Office of the Financial Services Ombudsman (OFSO) for assistance. The OFSO sent communication to Mr. C's insurance company and included copies of Mr. B's statement as well as a copy of the police report and an estimate for repairs, all provided by Mr. B.

In its response, the insurance company included the following documents:

1. A witness statement that indicated that he saw Mr. B. break the traffic light supporting their insured's statement.
2. An Adjustor's report on the damage to the vehicle driven by Mr. B. In this report, the Adjustor suggested that the claim should be settled on a Constructive Total Loss Basis- this is based on the pre-accident value of the vehicle, the nature of the accident, the high cost of repairs and the possibility that there may be hidden damages. As such, the adjusted claim amounted to \$13,000.00.
3. Pictures of the damage to both vehicles.

4. The Insurance Investigator's report. This report showed that according to the Police Station's Report Diary, the incident was not coded and that the file was open pending further investigation. It also indicated that Mr. C. was charged for D.U.I.
5. In a subsequent letter, after re-visiting the police station, the Insurance Investigator advised that the "Driving Under the Influence" charge was changed to "Failing to submit himself to a breathalyzer test" charge against Mr. C.
6. The third party claim form filled out by Mr. B.
7. Statement from Mr. C who in addition to mentioning the witness to the accident, has indicated that there was video footage of the accident. This footage, provided by a nearby business owner, was inconclusive as the traffic lights were not visible due to the vantage points of the camera. The insurance company also indicated that Mr. C. denied that he was driving under the influence and was contesting the charge against him.

In addition to the above, the insurance company indicated that the damage sustained by their insured, Mr. C., was consistent with Mr. C's statement and that of the witness. They indicated that the foregoing was the reason for initially denying the claim. However, based on the fact that there was no definitive evidence of which party broke the traffic light, the insurance company concurred with the Adjustor's suggestion to settle the claim on a Constructive Total Loss Basis as both parties were at fault. As such, Mr. B. was awarded \$6,850.00 broken down as follows:

Pre- Accident Value	\$20,000.00
Salvage	(\$ 7,000.00)
Loss of Use	\$ 700.00
	<hr/>
	\$13,700.00
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Settlement (50%)	\$6,850.00

Mr. B. was advised of the offer and it being acceptable to him, made arrangements to collect payment from the insurance company. The OFSO closed the file once the matter was settled.

Lessons Learnt:

1. It is important to observe all necessary protocols involved with operating a motor vehicle on the nation's roads and exercise due care and attention. According to the Motor Vehicles and Road Traffic Act Section 72:

Any person who drives a motor vehicle on a road without due care and attention or without reasonable consideration for other persons using the road, is liable to a fine of one thousand dollars and to be disqualified for holding or obtaining a driving permit for such period as the Court thinks fit. On a second or subsequent conviction for a like offence the period of disqualification shall not be less than one month.

2. According to the Highway Code Part 3- Motorists and Motor Cyclist:

33. When a junction is controlled by traffic lights, do not go forward when the light is green unless there is room for you to clear the junction completely. Never go forward when the red and amber lights are showing together.

And

36. At traffic lights, vehicles required to "Stop" must wait behind the solid white "Stop" line marked across the approach.

CASE REVIEW

Credit Card



Mr. and Mrs. H. joint holders of a credit card went on vacation to Tobago. They used the credit card for a nominal amount to purchase gasoline for their motor vehicle. They then proceeded to enjoy the day going to the pool. They had lunch and then decided to go to the mall. Mrs. H. attempted to use the credit card at one of the stores but the card was declined much to Mrs. H.'s surprise.

Upon returning to Trinidad, Mrs. H. went to her bank and paid off the credit card bill then informed her husband that the card could now be used. Mr. H. went to the supermarket and when he went into his wallet for the credit card, discovered that it was missing. He immediately called Mrs. H who reported it to the bank.

While the matter was being investigated, the bank opened a new credit card account for Mrs. H. and transferred all applicable

charges and payments to the new account. Upon inspection of the statement provided, Mr. and Mrs. H. realized that a charge in the amount of \$1,000.00 was credited to the account; a transaction which both Mr. and Mrs. H. insisted was not made by either of them. The bank claimed that the signature on the transaction matched that of Mr. H. and as such they would not refund the amount of the transaction.

It was at this point that Mr. and Mrs. H. visited the Office of the Financial Services Ombudsman (OFSO) for assistance. The OFSO sent communication to the bank and included a copy of the complaint and other supporting documents- letter from the bank indicating that a new account was opened; credit card transaction statement and the "failed" receipt from the store in Tobago.

In response, the bank indicated that they had completed their investigation and that the complainant would be refunded.

Mrs. H. later contacted the OFSO and confirmed that the funds were indeed credited to her account as promised. The file was subsequently closed.

Lessons Learnt:

1. Keep your credit card, PIN and security code secure at all times.
2. Keep the receipts from all of your credit card purchases so that you can verify the amounts against your monthly credit card statement to ensure that there are no errors. If an error is found, report it to the bank immediately.
3. Read the terms and conditions of the credit card especially as it relates to: (1) your PIN and your liability in case the card is lost or stolen and (2) who is liable if you share the card with a joint borrower or secondary user.
4. When making purchases at merchants /vendors ensure that your card is always within your eyesight.



So you might ask yourself what is the purpose of the article and of the case studies provided?

The above message sheds light on some of the issues faced by the general public when they fail to plan, prepare and budget for their particular lifestyle. Every choice involves consequences for the actions taken and we as individuals must be prepared for the outcomes/effects of our behavior. It is especially critical for financial planning.



For the first half of this year, the Outreach Sessions focused on our Senior Citizens mainly because:

- we have found that quite a few of them lodge complaints with us and
- we are producing a Handbook of Services especially tailored to the Senior Citizen and his/her caretaker.

As such, the sessions touched on subjects related to the importance of budgeting, securing pensions and the dangers of retirees or elderly persons trusting persons purporting to have their best interest at heart. These include family and/or friends having control over their funds as well as when they receive emails or texts from unknown persons with possible fraudulent scams. Included in the discussion at the sessions were planning for retirement and the role of the Financial Services Ombudsman highlighting the scope within which the Agency is allowed to operate as it relates to Banking, Insurance and Non-Bank Financial Institutions.



Token presented by Ms. Adanna Austin of the OFSO to an attendee in Charlotteville, Tobago.



OFSO goes to Charlotteville, Tobago.



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The Financial Services Ombudsman speaking with the Coterie of Social Workers members in Barataria



Ms. Roach looking on as an Attendee presents her issues and questions.



A cross section of the persons attending an Outreach Session at Massy Distribution, Morvant.



Powerful Ladies of Trinidad and Tobago (P.L.O.T.T) in a session with the Financial Services Ombudsman





The audience at the Mon Repos Senior Citizens Outreach



A member of the audience asks the FSO questions at the Mon Repos Senior Citizens Outreach



T&TEC retirement Workshop



UWI Pre-Retirement Seminar where the OFSO presented on preparing your finances for retirement





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The Office of the Financial Services Ombudsman was set up by the Central Bank in conjunction with Banks and Insurance companies to investigate complaints from individuals and small businesses in respect of services provided by the financial institutions.

The aim of the Office is to render impartial and prompt resolution to complaints that customers have not been able to resolve satisfactorily with their financial institutions.

The Office is not a court of law. The process is relatively informal.

The Ombudsman's decision is based on four basic criteria:

- 1. Overall fairness and equity**
- 2. General principles of best practice**
- 3. Accepted industry standards and codes of conduct**
- 4. Due regard to the law**

The recommendations of the Ombudsman are not binding except when an award is made by the Ombudsman and accepted by the customer.

The customer does not surrender his/her legal rights and is free, at any time, to explore other options for resolution of the complaint including taking the matter to court.

Complaints Process

Scope of Services

The OFSO can consider matters relating to a wide range of products and services offered by the banks and insurance companies. Generally, we will investigate issues such as:

Banks

- Deposit Accounts
- Loan Accounts
- Investment Services
- Trust Accounts
- Mutual Funds

Insurance

- Life policies
- Individual Annuity contracts
- Fire and general insurance
- Third Party Property Damage claims to a maximum of \$100,000.00, under a Motor Policy

Complaint Guidelines

Before the Ombudsman's office can accept a complaint, the following guidelines should be considered:

- The matter must have first been referred to the institution at which the complaint arose and the complainant is still not satisfied with the outcome.
- The subject of your complaint must have first occurred on or after January 1, 2003 in the case of a banking complaint and after January 1, 2004 in the case of an insurance complaint.
- The complaint must not be related to the institution's general risk management policies, general rate of interest offered, or the pricing of products and services, such as premium rates, fees and charges.
- The matter must not currently be or have been before the courts or an arbitration body or any other dispute resolution process.

Making a Complaint

- The complaint must be in writing on the prescribed form. (Forms are available at our offices or can be downloaded via our website).
- The form must be signed by the complainant and the authorized representative, if necessary.
- It must state the names and addresses of both the complainant and the branch of the bank or insurance company.
- The facts pertaining to the complaint must be supported by any relevant documents. Also, you should include the nature and extent of the loss suffered and the relief being sought from the OFSO.

Resolution of Complaint

The Ombudsman's Office will assess your complaint to determine whether it falls within its terms of reference. Thereafter, all attempts are made to settle the dispute by agreement between the two parties, that is, yourself and the financial institution.

If no agreement is reached, then a full investigation is launched into the matter leading to the making of a recommendation or finally to an award by the Ombudsman to settle the matter.

The complainant does not surrender his/her legal rights and is free, at any time, to explore other options for the resolution of his/her complaint including taking legal action. In this case the OFSO will consider the matter closed at that stage.

For Further information, you may contact or visit:

The Office of the Financial Services Ombudsman

Trinidad: First Floor, Central Bank Building, Eric Williams Plaza, Independence Square, Port of Spain

Tobago: Second Floor, Caribana Building, Bacolet Street, Scarborough

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