

WELCOME REMARKS

at the

Office of the Financial Services Ombudsman 7th Annual General Meeting

by

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Good morning, Ladies and Gentlemen,

It is my pleasure to address you once again on the occasion of another Annual General Meeting of the Office of the Financial Services Ombudsman (OFSO).

Since the commencement of operations in May 2003, the OFSO has progressed from an institution **viewed with some apprehension and distrust** both by the public and the licensees to one that has become highly visible and credible, and one that could be depended on to provide fair, unbiased resolution to complaints made by consumers of financial services.

You may recall that the Office started off with jurisdiction over only the commercial banks. In April 2005, insurance companies were added to the scheme and in March 2009 there was a further expansion to encompass the non-banks.

There is no doubt that, in its eight years of operation, the scheme has become an integral part of our financial infrastructure while meeting the needs of hundreds of financial consumers.

From the very start, the establishment of the Ombudsman's office served as a catalyst for commercial banks to upgrade their internal dispute resolution mechanisms to better address customers' complaints. More recently a few insurance companies have taken similar steps though, I must confess, not as many as we would have liked.

Of course the most notable success has been the reduction in the number of complaints handled by the OFSO. From a high of 156 in 2004, the number of complaints against commercial banks fell to a low of 15 in 2010. Complaints against insurance companies have also fallen from close to 400 in 2006 to 250 in 2010.

The Ombudsman's Office could also point to a steady improvement in efficiency. I am advised that the OFSO has a resolution rate of 90 per cent, meaning that 9 out of 10 complaints (that fall within the terms of reference) are actually resolved by the Office. I am also advised that most complaints are resolved in less than the stipulated 60 days. **This is a good record, though these data mask several major challenges.**

As you know, our Ombudsman Scheme continues to be a voluntary scheme, not under-pinned by legislative authority. While this speaks well for the commitment of the licensees to improve service to their customers, it carries the unfortunate consequence that the jurisdiction of the OFSO is constrained to a minimum list of complaints to which all licensees are prepared to agree. Consequently, a significant (and increasing) number of complaints received by the Ombudsman are outside the Terms of Reference. **This situation increases the frustration of complainants and has the potential to undermine the credibility of the Office.**

The truth is that we may get many complaints about:

- the quality of service rendered by banks;
- the level of service fees and charges;
- the spread between borrowing and lending rates; and
- the pricing of variable rate mortgages.

All of these, however, lie outside of the Office's Terms of Reference.

In the aftermath of the international financial crisis, regulators all over the world have seen the need to increase focus on financial literacy and consumer protection. In the US, for example, Congress recently passed the Dodd-Frank Act which provided for the establishment of the Consumer Financial Protection Bureau tasked with promoting financial literacy and consumer protection.

In the UK, the Financial Services Authority has outlined a **new consumer protection strategy** which, inter alia, aims:

- (i) at making retail financial markets operate better for consumers; and
- (ii) at facilitating the delivery of prompt and effective redress for consumers of financial services

In Trinidad and Tobago, we must be prepared to ride the rising tide **that emphasizes financial literacy and consumer protection.** As a developing nation, we must even go further in the interest of segments of our society that risk financial marginalization. Along with the Bank's National Financial Literacy Programme (NFLP) and the Deposit Insurance Corporation (DIC), the OFSO **has an integral role to play in quickening the pace of financial education.**

There is now a strongly held view that to enhance its effectiveness, **the OFSO must broaden its mandate and increase its capacity to provide protection to consumers of financial services.** The Financial Institutions Act (FIA) 2008 includes a requirement for mandatory subscription of all licensees to an external dispute resolution mechanism, approved by the Central Bank. A similar provision is being proposed for inclusion in any new Insurance Act. **The next logical step would be to provide a formal statutory framework** for the OFSO which gives the Office a broader reach, **along with sanctions to promote compliance.** This is a standard feature of OFSOs' in several other jurisdictions.

In closing I would like to thank the licensees whose co-operation has contributed significantly to the success of the scheme.

I want to express my appreciation to the two former (Ombudsmen) whose leadership and dedication have made the OFSO an integral part of our financial landscape.

Finally, I would like to thank Suzanne, the current Ombudsman, who has brought her unique skills to the job and has waged a successful campaign to address complaints while enhancing public awareness and understanding of the purpose and role of the Ombudsman. I invite the licensees to continue to work with us in rising to the challenge that lie ahead.