



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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MEDIA STATEMENT

A SIMPLER, STRONGER FINANCIAL SECTOR OMBUD SYSTEM

The National Treasury publishes its Policy Position Statement titled *A Simpler, Stronger Financial Sector Ombud System*. The Policy Position Statement follows the publication of a World Bank Diagnostic Study in 2021 titled “*South Africa - Financial Ombud System Diagnostic*”. The study provided an independent review of South Africa’s financial ombud system and recommended reforms to enhance consumer protection and encourage good-quality outcomes in the financial services sector. Prior to the diagnostic study an earlier discussion document titled “*A Known and Trusted Ombud System for All*” (2017), had proposed initial reforms to the ombud system, which were later included in the Financial Sector Regulation (FSR) Act (Act 9 of 2017) as part of the Twin Peaks financial sector regulatory reform.

The diagnostic study identified potential overlaps, gaps, and inconsistencies in the overall financial ombud system and individual ombud schemes and recommended further reforms.

The study covered the following ombud schemes.

Recognised Industry Schemes:

1. Credit Ombud
2. Ombudsman for Short-term Insurance
3. Ombudsman for Banking Services
4. Ombudsman for Long-term Insurance
5. Johannesburg Stock Exchange Ombud



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Statutory Schemes:

1. Pension Funds Adjudicator
2. Ombud for Financial Services Providers (FAIS Ombud)

The study's analysis and recommendations as well as the public comments received have shaped and informed National Treasury's policy approach to reforming the financial ombud system towards a stronger market conduct framework for South Africa.

Key elements of the proposed reform that National Treasury supports include:

1. Structural reform of the ombud system, that will reduce the seven ombud schemes to two:
 - A new, consolidated ombud scheme: National Financial Ombud (NFO) – a new body, independent of industry and government, replacing 6 of the current 7 schemes (all the industry schemes plus the FAIS Ombud).
 - A Retirement Funds Ombud (RFO) – a renamed and reformed Pension Funds Adjudicator, with a board to underpin its independence and oversee its efficiency and effectiveness. National Treasury considers that it would be too complex a transition for the NFO to absorb the work of the RFO at this stage. However, this is likely to happen in the medium term, once the NFO has been up and running for a while.
2. A modified Ombud Council – modifications to the title and appointment of its chief executive and (later) a review of its powers in the light of the simplification of the ombud system.
3. Improved consistency across the ombud system on visibility and accessibility, eligibility of complainants, processes, powers and enforceability of decisions, and improved coverage to significantly reduce jurisdictional gaps and overlaps.



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This publication is a necessary step to communicate and publish the National Treasury's policy position statement and accompanying detailed feedback statement including an implementation plan. This publication also provides a response to consultation comments; and enables ombud schemes and the Ombud Council to work towards implementing a reformed structure.

Full implementation of the above reforms will require legislative amendments. In the interim, the National Treasury notes and welcomes the voluntary amalgamation, in consultation with the Ombud Council, of four of the current industry schemes (Credit, Banking, Long-term Insurance and Short-term Insurance) to form a new, streamlined industry scheme, the National Financial Ombud Scheme South Africa (NFO). The NFO is expected to commence operations on 1 March 2024, after recognition by the Ombud Council. This is an important step towards the broader reforms outlined in the policy position and will simplify their implementation.

The following documents are available on the website of the National Treasury at www.treasury.gov.za:

Annexure A: A Simpler, Stronger Financial Sector Ombud System: Policy Position Statement

Annexure B: A Simpler, Stronger Financial Sector Ombud System: Feedback Statement

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