

PRESS STATEMENT

PROTECTING THE INTEGRITY OF THE SHORT-TERM INSURANCE OMBUD'S OFFICE: TREASURY REQUEST TO FINANCIAL SERVICES OMBUD SCHEMES COUNCIL TO CONDUCT REVIEW

The Minister of Finance has re-appointed the members of the Financial Services Ombud Schemes (FSOS) Council for a further three years, from 1 January 2012 to 31 December 2014. The Council is responsible for overseeing South Africa's financial services ombud schemes. Members of the FSOS Council are Professor Tanya Ann Woker (Chairperson), Professor Farouk Hajee Ismail Cassim (Deputy Chairperson), Professor Angela Itzikowitz, Mr Matome Franz Mabelebele, Mr Phillip Gcinile Qokweni and Advocate Neville John Mellville. In re-appointing the Council, the Minister has requested the Council to ensure that it operates efficiently and effectively, and that all rulings by financial services ombuds are free of interference by interested parties.

In particular, the Council must consider and grant, or refuse an application for the recognition of an ombud scheme; monitor compliance with the FSOS Act by recognised ombud scheme and promote best practices for resolving complaints by recognised schemes. Noting recent press reports, the Treasury has requested the Council urgently to review the governance arrangement with respect to the Ombudsman for Short-term Insurance ("OSTI") Board. The request follows meetings held by the Treasury with the OSTI Board on 30 January 2012 and a separate meeting with the former OSTI ombud on 2 February 2012, to discuss allegations of inappropriate interference over rulings made by the former ombud, and to ensure that the process for re-appointing the ombud was free of interference, or pressure resulting from unpopular rulings.

The Treasury is of the view that it is important that any negative perceptions are clarified as soon as possible, the OSTI provides policyholders a quick and a cost effective mechanism for resolving disputes. All parties involved with OSTI also agree that it is critical that the integrity of OSTI be protected at all times. The Treasury will await the findings of the FSOS Council, which should be completed within 60 days.

The Treasury believes that in making rulings, all financial sector ombuds must operate independently, fairly, and free of interference by the boards of ombud schemes, industry or consumers, and with secure and unconditional funding. This approach is in line with principle 11 outlined in the policy document on reforming the financial regulatory architecture (*"A safer financial sector to serve South Africa better"*) (see also principles 5b and 13) published in February 2011. As part of the shift towards a twin peak system, the Treasury has also established a task team to review the ombuds structure in South Africa, with a view to strengthening consumer protection and recourse mechanisms.

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