



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



MEDIA STATEMENT

Invitation to comment: South Africa - Financial Ombud System Diagnostic Report

National Treasury and the Financial Sector Conduct Authority (FSCA) today publish an invitation for public comments on a diagnostic study entitled: “*South Africa - Financial Ombud System Diagnostic*” (**Annexure A**). The study was commissioned by National Treasury and prepared by the World Bank Group (WBG). It aims to provide an independent review of South Africa’s financial ombud system and recommend reforms to enhance customer protection and good-quality outcomes in the financial services sector. The FSCA, as the regulator responsible for ensuring that customers are treated fairly in the financial sector, also participated in the process.

This study follows the publication in 2017 of the discussion document: “*A Known and Trusted Ombud System for All*”, as part of the Twin Peaks financial sector regulatory reform programme in South Africa. That document sets out initial reforms to the ombud system included in the Financial Sector Regulation (FSR) Act (Act 9 of 2017) as well as the need to undertake further research to inform any future reforms.

The study covers the following ombud schemes which the WBG consulted extensively during the assessment:

- Credit Ombud
- Ombudsman for Short Term Insurance
- Ombudsman for Banking Services
- Ombudsman for Long Term Insurance
- Pension Funds Adjudicator
- Ombud for Financial Services Providers (FAIS Ombud)
- Johannesburg Stock Exchange Ombud

The diagnostic study identified potential overlaps, gaps and inconsistencies both in the overall financial ombud system and individual ombud schemes, and recommends further reforms. The study’s analysis and recommendations as well as the public comments received will help shape and inform National Treasury’s policy approach to reforming the financial ombud system.



Some high-level findings include:

- a) The current highly complex and fragmented ombud system with overlapping jurisdictions increases costs for providers and is difficult for consumers to navigate.
- b) There is a wide variation in complainant eligibility, processes, powers, and status of decisions among the Ombud schemes.
- c) There is insufficient customer accessibility due to language barriers and regional distribution.
- d) The lack of socio-economic data on complainants makes it difficult to identify and address systemic issues.

The report acknowledges the many strengths and benefits of the current ombud schemes but findings point to the need for a centralised and comprehensive ombud system that supports greater accessibility and efficiency across the financial sector.

The recommendations of the report are summarised in **Annexure B** attached.

Recommendations to address the findings include:

- a) Establishing a National Financial Ombud, a new non-statutory body to replace the current seven schemes except for retirement funds; the proposed reformed Pension Funds Adjudicator would become the Retirement Funds Ombud;
- b) Introducing enhancements to the current ombud council framework; and
- c) Implementing an update of complaint-handling requirements to improve consistency among financial services providers.

The technical assistance for this diagnostic study has been provided as part of the South Africa Financial Sector Development and Reform Program (FSDRP) undertaken by the WBG and funded by the Swiss State Secretariat for Economic Affairs.

Comment submission: Comments can be sent to ombuddiagnostic@treasury.gov.za.

Closing date for comments is 03 September 2021

Jointly Issued by National Treasury and FSCA

Date: 29 July 2021

