

2020 annual report press release: Successfully navigating a challenging year

Issued by [Bullion PR & Communication](#)

14 May 2021

It is no longer strange to hear from business that 2020 was an exceptional year. For some, it was exceptionally bad and led to unbelievable hardships. For others, it turned into an exceptionally busy year. The Ombudsman for Banking Services (OBS), Reana Steyn, points out that the OBS had a busy year.



Fortunately, the OBS was able to rise to the challenges that 2020 presented and working from home did not affect efficiency. The OBS was able to handle more complaints and still provide the free, speedy, and easily accessible alternative dispute resolution service that is offered by the watchdog. This was significantly important at a time when it was needed the most.

Key statistics

In 2020, the OBS opened a record total of 7,717 formal cases. When compared to the 6,472 cases in 2019, the OBS saw a 19% increase in complaints.

During 2020, the OBS closed 7,230 cases compared to the 2019 closures of 6,133. This is an 18% increase.

In addition, the OBS recorded an even more significant increase in the number of referrals received in 2020. "Referrals are complaints received by the OBS from complainants who have not afforded the bank an opportunity to first resolve the issue with them. The OBS sends these matters to the banks on behalf of the consumers for the bank to attempt to try to come to a resolution. If the problem is not resolved directly with the bank, then the matter converted to a formal case which forms part of the reported statistics," explained Steyn.

A total of 8,389 case referrals were sent to the banks compared to the 4,709 that were sent back in 2019. Steyn pointed out that the reason for this increase may be due to challenges people faced in getting hold of their banks during lockdown

when call centres were overwhelmed. "Due to the lockdown and subsequent ripple effects, some bank customers were desperate and came straight to our office before contacting the bank," she explained.

Types of complaints received in 2020

A positive trend is that internet banking complaints decreased and is no longer the largest category of complaints received (which has been the trend over the past two years). Current account complaints is currently the category which is seeing the highest number of complaints. Below are the top-ranking categories:

1. Current accounts:

Current account complaints consist of complaints relating to fraud, fees and charges. Complaints relating to the bank's failure to give prior notice of account closures was also a major cause of complaints. "Collectively, these concerns account for 80% of the current account matters," stated Steyn.

In 2018 and 2019, these complaints made up 10% and 12% (respectively) of the complaints received. In 2020, there was a further 7% increase from 2019 complaints. A total of 1,338 current account complaints were opened in 2020 and in 465 (35%) of these cases, a finding was made in favour of the complainants.

2. Internet banking fraud:

In 2018 and 2019, internet banking complaints was the largest category of complaints accounting for 22% and 18% of complaints (respectively). In 2020, it was encouraging to see the number drop down to 13%. According to Steyn, this decrease may be attributed to the efforts of the banking industry, as well as the OBS, who continuously provide education and awareness about fraud and scams in the internet banking space.

The OBS closed 981 internet banking fraud cases in 2020 as opposed to the 1,292 in 2019. Seventy-three percent of these complaints were resolved in favour of the banks, and 197 (27%) were in favour of the bank customers.

3. Credit card complaints:

Credit card complaints decreased from 15% in 2019 to 11% in 2020. Despite this, it still maintained the third position of top complaints. A total of 895 credit card related complaints were closed by the OBS in 2020 and 76% were resolved in favour of the bank. Twenty-four percent of the cases (266) were resolved in favour of consumers.

ATM-related complaints:

ATM complaints accounted for 9% (732 cases) of the cases opened in 2020. This is down by 4% from 2019 where ATM complaints made up 13% of cases. The majority of the issues raised around ATM complaints were still fraud related. Eighty four percent of these cases (617) were resolved in favour of the bank, and only 16% (115 cases), were found in favour of the consumer.

Steyn pointed out that the common thread in all the above-mentioned categories was that the majority of the consumers unfortunately fell victim to fraudulent scams. She explained that the reason why the majority of these matters were found in favour of the banks was that after a full investigation was conducted, the OBS was forced to conclude that the fraudsters managed to manipulate the consumers into transferring funds into their account or to give them their confidential banking details which then enabled the fraudulent transactions.

While urging consumers to always remain vigilant about banking scams, Steyn indicated that the OBS would continue to provide the much-needed education and awareness when it comes to these scams.

R16 million back to customers

Steyn was especially pleased to announce that of the OBS managed to recover R16 million which was paid back to consumers. Steyn explained that most of these funds were direct monetary losses. However, through her offices' intervention, these losses were recovered and refunded.

Covid-19-related complaints

As a standalone category, Covid-19-related matters made up 2% (143) of cases opened in 2020. However, Steyn explained that Covid-19-related complaints were reported in the sub-categories through all the main categories, especially the ones mentioned below.

Personal loan complaints made up 11% (831 cases) of the complaints received in 2020 which is consistent with the previous year. The OBS found in favour of the complainants in 31% (225) of the cases.

Mortgage loan finance complaints accounted for 8% (583) of the complaints received of which 72% (428 cases) were in favour of the bank while 28% (155 cases) was in the bank customers' favour.

Vehicle finance accounted for 7% (454 cases) of the complaints received, only 1% less than previous two years. In 78% (367) of these complaints, the OBS found in the banks favour. The OBS found in favour of the complainants in 22% (87) of the complaints.

The OBS explained that the change came because, in many of these complaints, customers advised that they had applied for the Covid-19 Relief Plans offered by banks but their applications had been declined or the banks did not respond. Steyn added that quite a few complaints related to loan term extensions due to payment holidays that were granted.

Demographic view:

Most complaints opened in 2020 are from Gauteng at 50% (44% in 2019), followed by Western Cape at 17% (15% in 2019), and Kwa-Zulu Natal at 12% (13% in 2019).

Most complaints recorded were from people over the age of 40 and related to current accounts, credit cards and internet banking fraud.

In all age categories, internet banking dropped from being the most complained about category and was replaced by current account complaints which, in most instances, was also due to fraud.

Vulnerable consumer policy

The OBS implemented this new policy during the second half of 2020. According to Steyn, as an alternative dispute resolution body, the OBS considered that there was an obligation on it to ensure that appropriate mechanisms are in place to address the needs of *vulnerable consumers* in the process of receiving and investigating complaints. This evolution was in line with international best practice principles and resulted in the first draft of a Vulnerable Consumer Policy by the OBS.

"We define a vulnerable consumer as someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a bank is not acting with appropriate levels of care," said Steyn. Among other things, the OBS will consider a complainant's age, life events (such a death, divorce, retrenchment or victims of a crime), levels of literacy and physical disabilities when determining whether the complainant falls under this category, she added.

In just over four months, the OBS identified 161 complaints falling in this category.

The OBS is often in a position to highlight to the bank that, in relation to particularly vulnerable consumers, they should take care that the necessary degree consideration and assistance is rendered. Steyn expressed her gratitude for the industry support of the development and implementation of this new Policy. Together the banks and the OBS is working on

developing the identifying factors and measures that should be in place.

Performances by bank

There was a significant increase in cases for most banks when compared to 2019. Only Absa Bank recorded a reduction in complaints (down 36% year-on-year).

Steyn cautioned that the number of files opened against a bank should not necessarily be regarded as an indication of that bank's overall or complaints handling performance. She highlighted that banks vary in size, client profile and product mix. In addition, fraudsters seem to periodically target certain groups of customers. All of these factors impact on the number of complaints made against any given bank.

The following number of formal cases were opened against the five big banks in 2020. The individual increases should be seen in light of the overall increase in number of complaints received by the OBS:

- Absa bank saw the number of complaints opened against it with the OBS decrease from 1,483 in 2019 to 943 cases in 2020 (a 36% decrease from the previous year);
- First National Bank had 2,197 complaints opened against it (a 22% increase from 2019);
- Standard Bank had 1,572 complaints opened against it (an increase of 28% in the number of the complaints);
- Nedbank had 1,217 cases opened (an increase of 10%); and
- Capitec Bank had 1,259 cases opened against it (a 39% increase).

As we move forward in this challenging environment, we encourage consumers to have an open relationship with their bank and know that they can come to the OBS if they cannot be assisted by their bank. Further, we urge consumers to be aware that the current environment is heavily conducive to fraud. Please be vigilant.

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