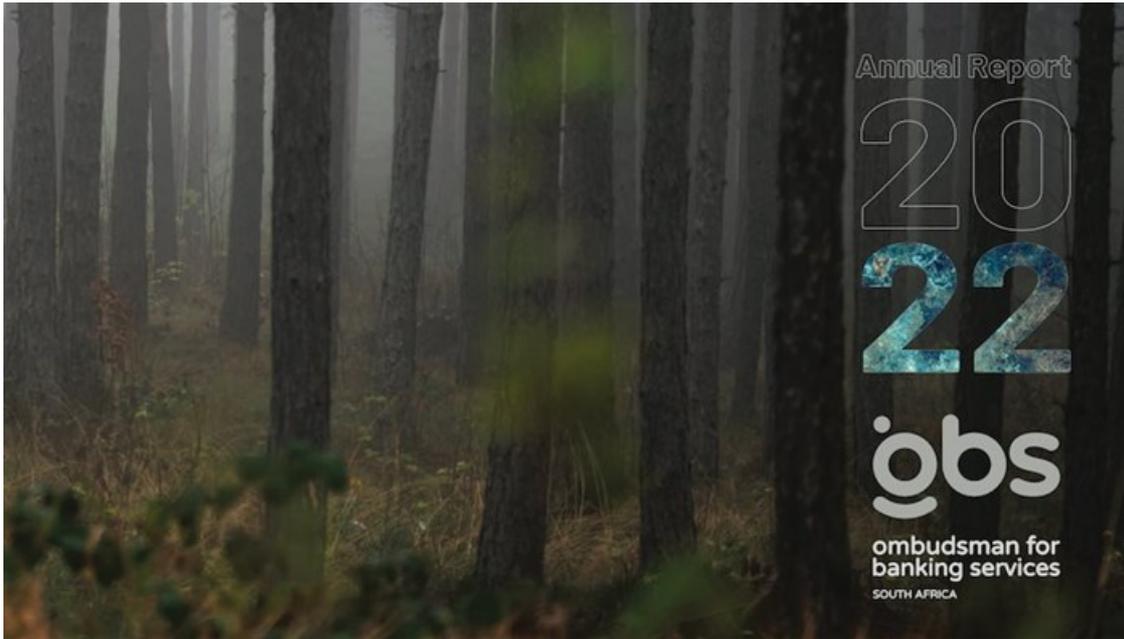


# Fraud remains a big problem for banking customers

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Although banks appear to be making greater efforts to resolve some types of consumer disputes internally, banking fraud related to current accounts and internet banking remains high on the list of complaints to the Ombud for Banking Services South Africa (OBS). Two other categories of complaints, while still relatively low but on the Ombud's radar, are delays in finalising deceased estates and the collection of debt that has prescribed, or expired. Meanwhile, the OBS managed to recover more than R30m for consumers last year, about R10m more than in 2021.



In the OBS Annual Report for 2022, released Wednesday 17 May, Reana Steyn, ombudsman for Banking Services, says the year was by no means a carbon copy of the previous two years. “As Covid-19 gradually loosened its grip on the front-page headlines, on business, and daily life in general, it became clear that the yearned-for returns to ‘normality’ and to ‘business as usual’ were taking new shape and being actively pursued by all.

“In reality, some of the consequences of the pandemic lingered – not least of all in the way that people continued to work throughout 2022, as working from home and more flexible hours became the ‘new normal’ for many.

“This year – our 22nd in operation – the OBS has strived to make good on all the goals set out for 2022, as well as the founding principles and mission of the Office,” Steyn says.

That mission is a commitment to 'resolving disputes that arise between banks and consumers in the South African banking sector by providing a free, fair and independent forum for dispute resolution'.

## Key statistics

The year 2022 saw a significant 13% year-on-year increase in referrals – these are premature complaints from customers who contact the OBS about a dispute which has not been considered by the dispute department in the bank. The OBS assists consumers to log the complaint, refer it to the relevant bank and it is either satisfactorily resolved by the bank or converted into a formal complaint.

While referrals were up, there was a 5% decrease in formal cases opened compared with 2021 (from 8,257 down to

7,869). Case closures followed the same trend: from 8 150 down to 7 574, a drop of 7%.

“This could be attributed to the growing industry trend to keep complaint numbers down through resolving disputes internally at an early stage. There is also a drive to improve customer experience and avoid negative public sentiment,” Steyn says in the report. “However, our overall active case numbers have remained high, with an average of 1,424 cases open at any given time.”

Another positive trend was the drop in the average number of days taken to close cases, which improved from 70 days in 2021 to 67 days in 2022. Just over half of cases (52%) took less than two months to resolve; 37% took between two and four months, and the remaining 11% took more than four months.

An encouraging sign was the fact that the OBS call centre received 47,819 calls in 2022, a 14% increase on the 41,880 calls in 2021. This averages roughly 184 calls per working day throughout the year. “This could be a sign that more consumers are aware of our existence and we could assist many more consumers telephonically, which we find to be a good sign,” says Steyn.

The following demographic statistics were reported, based on information from 7,374 complainants:

- Age: Almost three-quarters (72%) of complainants were of working age, between 26 and 66; 24% were older than 66; and 4% younger than 26. The fact that so many of the complainants were older could be an indication that these consumers are more vulnerable to fraud especially in the digital banking space, adds Steyn.
- Gender: 54% complainants were male, 46% female.
- Geography: Gauteng accounted for almost half the complaints (47%), Western Cape 17%, and KwaZulu-Natal 13%.

### **Types of complaints**

Continuing the trend from previous years, complaints about Current accounts and digital banking made up the two largest categories of cases opened in 2022, and the majority of cases in both categories involved fraud of one type or another.

Current account cases increased by 3% to 22% of total cases. Almost two-thirds (65%) of these were related to fraud.

Digital banking cases also increased by 3%, to 17%. “The biggest subcategories of complaints in this regard are mobile banking fraud and vishing,” Steyn says. Vishing, or voice phishing, is when a fraudster calls a customer by phone or leaves voice messages purporting to be from a reputable company in an attempt to glean personal information such as bank details and credit card numbers.

Complaints about personal loans made up 13% of total cases opened, while credit cards were the subject of 7% of total complaints. Steyn says it appears that the banks are settling more of the credit card-related matters themselves, as her office opened 7% fewer of these cases in 2022.

ATM-related complaints, which in pre-Covid years featured among the top categories, dropped even further, from 8% in 2021 to 5% of complaints in 2022, an indication that fewer consumers make use of this channel and the fraudsters moved their targets elsewhere.

Estates and trusts was a hot topic in the OBS Office in 2022, Steyn says: “We received 257 complaints regarding delays in the finalisation of estates, compared with 120 the year before (an increase of 114% year on year).”

She says complaints about banks collecting on prescribed debts have increased substantially year on year: In 2021 this category made up 1,4% of complaints, while in 2022 it made up 4,5% of all complaints.

### **Cases in favour of consumers**

Of the cases closed in 2022, just under one quarter (23%) were resolved in favour of the customer: 16,1% of cases were fully or partially upheld in the complainant's favour, and in 6,4% of cases no award was made but information or an explanation was provided.

One category of complaints resolved mostly in favour of the customer was estates and trusts – there were 135 cases, of which 55% went the way of the complainant.

Overall, the ombud's office recovered R30,350,173 for customers. Steyn explains that the total amount recovered for consumers increased by about R10m largely because of the increased complaints concerning deceased estate delays and internet banking, each of which involve large amounts.

### **Performance by banks**

Although the report records statistics of complaints to individual banks, Steyn stresses that: "The number of files opened per bank is, however, not indicative of the individual bank's complaints handling performance or performance in general, for that matter. Banks vary considerably in size, client profile and product mix, and these factors all impact on the number of complaints made against a bank. Comparing the number of clients, the growth of the client base for some and more importantly, the number of successful banking transactions taking place every day, the low total number of complaints at the OBS could be indicative of the fact that things mostly work the way they should in the South African banking space."

Nedbank and Capitec had the biggest increases in number of complaints with 18% (1,273 in 2021 to 1,508 in 2022) and 11% (1,651 to 1,826) respectively, while Standard Bank dropped by 31% (2,070 to 1,385) and FNB by 21% (1,452 to 1,147). Absa had the lowest number of cases among the big banks and remained level (1,068 compared with 1,063 in 2021).

An indicator of how well banks handle complaints is their conversion rate of premature cases to formal complaints. According to the report, African Bank saw 72% of referrals being converted to formal complaints, followed by Nedbank (64%) and Tyme and Bidvest banks (both 53%). FNB converted only 34%.

The bank with the best average turnaround time (referring to the number of days it took to close complaints, on average) was Capitec (58 days). Standard Bank had the worst average turnaround time (73 days).

Capitec also had the highest percentage of cases being decided in its favour (85%), while Nedbank had the lowest (72% in its favour).

### **Vulnerable consumers**

The OBS continued to identify and record complaints in the Vulnerable Consumers category. A vulnerable consumer is defined as "someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."

Steyn points out that this is still an evolving concept: "In compiling our categories of vulnerable consumers, we had due regard to the types of complaints we have dealt with over many years as well as to international precedents."

The OBS identifies vulnerable consumers according to age (people over 65 years), life event (such as death of a spouse or retrenchment), disability, financial literacy and discrimination.

Steyn says: "A total of 307 such complaints were recorded (4% of all complaints opened in 2022). The fact that 6% of these complainants were over the age of 85 years, and 24% between 75 and 85, remains a concern. Retrenchment, at 28%, is also evidence of the economic hardship facing many consumers."

### **Consolidation of voluntary ombud schemes**

The report also gives an update on progress on the very important change in the financial ombud space: the amalgamation of the four voluntary financial ombud schemes – the OBS, the long-term insurance ombudsman, the credit Ombud, and short-term insurance ombudsman – into a single new entity, in line with World Bank recommendations.

Says Steyn in her report: “With the continued encouragement of the Ombud council as well as our own boards and councils, the project is moving ahead, and by the time this report is published, significant milestones will have been reached. January 1, 2024 is the proposed target date for the new single scheme to go live.

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