

## Ewart S Williams: Office of the Financial Services Ombudsman

Remarks by Mr Ewart S Williams, Governor of the Central Bank of Trinidad and Tobago, at the launch of the Office of the Financial Services Ombudsman, Port-of-Spain, 29 April 2005.

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Good morning Ladies and Gentlemen. It is indeed a great pleasure to welcome you all this morning, on behalf of the Central Bank of Trinidad and Tobago, to the launch of the Office of the Financial Services Ombudsman. A special welcome to Minister Conrad Enill, Minister in the Ministry of Finance for taking the time to be with us on this special occasion.

I would like to recognize the **President of ATTIC** and the **Vice- President of the Bankers' Association** as the major contributors to the fruition of this event, representatives from the participating insurance companies and commercial banks.

I am also pleased to welcome four members of the public who had their complaints resolved as a result of the intervention of the Market Conduct Unit of the Central Bank and who are here with us today to celebrate the launch of this very important Office. The majority of the complaints received by that Unit will now be considered by the Office of the Financial Services Ombudsman.

In many ways this event is yet another manifestation of the ongoing integration of the financial sector, under the aegis of a single regulator. This morning we say goodbye to **the Office of the Banking Services Ombudsman** and welcome to the **Financial Services Ombudsman** Judy Chang who graduates from being the Banking Services Ombudsman to the Financial Services Ombudsman. **It sounds routine but, in fact, all this represents progress.**

I would like to thank all those who have made this possible. The idea was first broached by the ATTIC Executive who thought that the establishment of an Ombudsman would be of tremendous assistance in strengthening confidence and credibility in the insurance industry. (I am told that the idea of an Ombudsman for the insurance industry has been floating around for the last ten years).

The non-ATTIC members who have signed on to the scheme deserve a special commendation for accepting the challenge we put to them earlier this year to make the scheme as inclusive as possible. (We have 90 percent participation among active insurance companies – that is a good participation rate).

I would like to express sincere thanks to the banks, through the Bankers Association, for their collaboration and their commitment to making this integrated scheme a reality.

And finally, I must thank Bernard Aquino who did a lot of the ground work and was an excellent and most knowledgeable Advisor, and the Inspector of Financial Institutions, Catherine Kumar and her staff, and the Committee, who did yeoman service in bringing this scheme into operation in such a relatively short time.

As you may know, the establishment of a Financial Services Ombudsman, encompassing all financial services is an important pillar of our vision for the financial sector, as outlined in the Government's White Paper for Financial Sector Reform. This vision sees Trinidad and Tobago as the financial center of a larger PanCaribbean area with all the required architecture including:

- a range of strong diversified financial institutions;
- a robust regulatory framework that meets international best practices;
- a cadre of well-trained financial sector professionals;
- an efficient, impartial judicial system; and
- a set of supporting institutions such as information vendors like our Automated Credit Bureau, the Regional Credit Rating Agency and now our Financial Services Ombudsman which we are launching today.

Experience elsewhere shows that a well functioning Ombudsman scheme, by facilitating the orderly resolution of disputes, goes a long way towards strengthening credibility in the financial sector. Ombudsman schemes are becoming more popular even in developing countries:

- **Firstly**, competition in the financial sector is giving rise to a range of new financial products, the full implications of which are not always obvious to the unsophisticated customer; and
- **Secondly**, in today's environment, customers are becoming increasingly aware of their rights and are more demanding about good service and fair treatment.

Both these factors underscore the need for mechanisms for lodging complaints and seeking redress.

Our very short experience with the Banking Services Ombudsman has been very positive. For example, the data for 2004 shows that the number of eligible complaints received by the Ombudsman's Office fell compared with the previous year. One possible reason is that the establishment of the Office prompted banks to strengthen their internal mechanisms and to resolve complaints earlier to avoid having cases referred to the Ombudsman. If this is indeed so, we have much to look forward to, with the expansion of the scheme to the insurance companies.

Ladies and Gentlemen, we are fully aware that expanding the Ombudsman Scheme to cover the insurance industry will present special challenges. If we can judge from the number of complaints received by the Market Conduct Unit (some 425 in about 10 months) the office is likely to get very busy. But we think that we are well prepared.

In terms of the organizational arrangements for the Financial Services Ombudsman (FSO), the current staff from the Banking Services Ombudsman Office will be supplemented, at the beginning, with two transfers from FISD.

In addition, technical assistance will be sourced from a panel of insurance experts with the required knowledge and experience. We intend to continue to provide extensive training to the staff both on banking and insurance matters.

Mrs. Judy Chang will, in her presentation give you the detailed operating modalities of the Financial Services Ombudsman scheme. I would, however, like to underscore a few of its most salient aspects.

**Firstly**, the main purpose of the scheme is to seek to resolve complaints by individuals and small businesses about the provision of banking and insurance services, using the criteria of law, industry, best practices and basic fairness.

**Secondly**, once a bank or insurance company has voluntarily signed to participate in the scheme, the decision of the Ombudsman is binding.

**Thirdly**, the proper operation of the scheme requires that insurance companies set up their own formal complaints mechanisms (as the banks have done). This is so, since the complaint must first have gone through internal processes before it is referred to the Ombudsman.

**Fourthly**, as in the case with the banks, the Financial Services Ombudsman will have a specific Terms of Reference for insurance complaints, and there will be some matters that will be outside the authority of the Ombudsman. There will also be a cut-off date so that the Ombudsman does not get lost in trying to resolve long-standing complaints.

I would like to assure you that the office of the Financial Services Ombudsman, which comes under the Governor's Office is committed to:

- Providing responsive service based on fairness, integrity, equity and respect.

**Your customers should know that:**

- We are committed to maintaining our independence from member financial services providers, and
- We are committed to upholding the highest standards of excellence, in both our decision-making process and in the timely response to their complaints.

Insurance companies, the banks could vouch for our integrity. They could tell you that the FSO is completely independent, including from the regulator. It is not a consumer champion. Its role is to settle disputes without taking sides. Also, the FSO, is not a court : rather it is a free informal alternative to going to court.

Over the next several months the Ombudsman's office will intensify its education and outreach programs through direct contact with the public and through its new website. I would like to invite the financial sector to join us in educating the public on financial matters.

Let me once again thank you for joining us at this ground breaking event. I have full confidence that all parties present here today will ensure the success of the operations of the office of the Financial Services Ombudsman which will redound to the benefit of our society as a whole.