



2018

ANNUAL
REPORT



ombudsman for
banking services

SOUTH AFRICA

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OBS PEOPLE

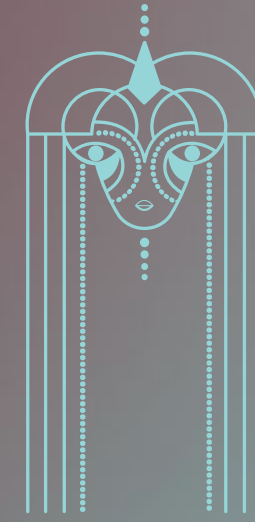
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DIRECTORS

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THE OMBUDSMAN FOR BANKING SERVICES

ENSURING BANKING FREEDOM FOR ALL SOUTH AFRICANS.

Few studying this annual report will need reminding that South Africa has a proud history of success against inequality and oppression. Yet while many freedoms have been won and many miracles achieved on many fronts, these successes cannot be maintained without a concerted effort.

Over the past few years the achievement of financial goals and dreams has taken on renewed significance. South African banking customers have discovered that they need a strong, focused organisation acting on their behalf to adjudicate disputes and mediate between them and their banks in order to achieve financial equity.

SOUTH AFRICANS ARE REDISCOVERING THE VALUE OF THE OMBUDSMAN FOR BANKING SERVICES.

This report examines the role of the Ombudsman as a strong negotiator and trusted mediator who steps in to apply the law fairly and objectively to reach equitable solutions whenever conflicts arise between the customer and their bank.

With the Ombudsman involved, South Africans can rest assured that their disputes will be resolved so that they can enjoy the freedom to pursue their financial dreams and goals.

We invite you to join us as we examine the details of the past financial year's activities at the Office of the Ombudsman for Banking Services. At stake is a free and fair dispensation in the South African banking industry. This is how we go about keeping the peace and ensuring your independence.



VISION

To be known as a trusted mediator of disputes, thereby increasing consumer confidence in the banking sector, and to proactively promote greater awareness of banking matters on the part of consumers.

MISSION

We are committed 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.

INDEPENDENCE

It is vital to the credibility and success of the Ombudsman for Banking Services that it is – and is perceived to be – independent of the banking industry over which it has jurisdiction. There must be no undue influence in this process by banks, consumers or any other party. The structure of the OBS ensures that it alone decides whether a bank has acted fairly or unreasonably when investigating a complaint.

The Ombudsman is independent and impartial. Her independence and impartiality are enhanced by several important factors:

The Ombudsman is appointed by an independent Board of Directors. She is not appointed by the banks.

The independent Board of Directors has a majority of independent, Non-executive Directors, unrelated to, or unconnected with, banking.

The purpose of the independent Board is to:

- Ensure and protect the independence of the Ombudsman against improper pressure brought to bear by the banks which fund the OBS;
- Ensure that the OBS is adequately resourced. The OBS must have sufficient human, financial and operational resources, funded by the participants in the scheme, to enable the Office of the Ombudsman to function efficiently;

- Appoint and renew the appointment of the Ombudsman;
- Receive and approve the Ombudsman's Annual Report;
- Approve any changes to the OBS' Terms of Reference;
- Liaise closely with the Ombudsman on a regular basis.

The Ombudsman enjoys security of tenure. This means that the Ombudsman cannot be dismissed except in certain exceptional instances such as incompetence, gross misconduct or inability to effectively carry out her duties.

The Ombudsman is specifically not liable for dismissal on the grounds of handing down recommendations or rulings that are unpopular with either the banks or consumer groups.



SERVICE STANDARDS

The Ombudsman and her staff are committed to the following values:

Fairness
Independence
Professionalism
Accountability
Accessibility, and
Timeliness.

The full service standards document is available on www.obssa.co.za



CHAIRMAN'S REPORT

IT GIVES ME GREAT PLEASURE TO
ONCE AGAIN PRESENT THE ANNUAL
REPORT OF THE OMBUDSMAN FOR
BANKING SERVICES.

The report presents an opportunity for our stakeholders to reflect on the work of the OBS and it also gives some insight into the challenges faced by the organisation on a daily basis.

The statistics for 2018 demonstrate that the need for the dispute resolution services of the OBS is still on the increase. During the year under review, the office received more calls and complaints than ever before. The dedicated team of adjudicators and managers closed 12% more complaints than in 2017. Despite the increased work load, the turnaround time of 41 working days was well above local and international norms.

One of the new challenges that consumers faced in 2018 was the increase in VAT. As a result, the OBS had to deal with many VAT-related queries by consumers and the media. In relation to unauthorised debit orders, I am happy to report that some of the banks forfeited the bank fees relating to debit order reversals. The OBS in its turn educated consumers about unauthorised debit orders.

For several years, ATM-related complaints accounted for the highest volume of complaints received by the OBS. In 2018, however, for the second year in a row, online-related complaints topped the list of complaints. The major underlying cause was phishing. This points to the need on the part of banks to constantly improve their internet banking security. Consumers should also be careful not to disclose confidential information which enables hackers to gain access to their bank accounts.

The office operates in a complex environment affected by a constantly changing regulatory landscape, fast-paced technological advancement and an ever-increasing awareness among consumers of their rights. All these developments will influence the business of the banks as well as the OBS. The board and management are conscious of their role in ensuring that the OBS is ready to deal with whatever changes and challenges are heading its way.

In closing, I would like to thank my fellow board members for another year of providing guidance to management and for steering the organisation into the future. I salute the men and women working diligently at the Ombud's office. I commend the Ombudsman for Banking Services, Reana Steyn, and all the members of the OBS for another successful year in ensuring that South African bank customers experience free, independent and impartial dispute adjudication services. The OBS board and I are confident that they are ready for the next year's myriad of milestones.

Advocate John Myburgh SC
Chairman



OMBUDSMAN'S REPORT

AT THE OBS, 2018 WILL BE REMEMBERED AS A YEAR FILLED WITH NEW IDEAS, NEW CHALLENGES AND NEW WAYS OF DOING THINGS – IN SOME AREAS AT LEAST.

In other areas, the tried and tested methodologies continued and helped us to stay on track and effectively deal with an influx of cases, while other things changed. During the year under review we launched a new website, introduced a new brand and implemented many changes to the daily operations to ensure that we keep up with the changing times. At the same time, everyone had to get used to a new management style and leadership.

A FEW NEW STAFF MEMBERS JOINED US DURING 2018 AND WE WELCOME THE FRESH NEW PERSPECTIVES AND THE ENERGY THAT THEY CONTRIBUTE.

A steady increase in the complaint numbers reached a peak in July. We had to be innovative and take special measures as well as employ additional professional staff to deal with the increased numbers. Fortunately, it seems that

the complaint numbers have levelled off, and the year ended with 1% more complaints opened and 12% more complaints closed than in 2017. The total increase for the last two years, however, is 36% in opened complaints and 40% in closed complaints. This overall steady increase in work load is the reason for the increase in our staff complement. Despite the increasing complexities of the cases, the year was closed with only one final recommendation and one mediation. Detailed statistics for 2018 will follow later in this report.

The sudden demise of our previous auditors, Nkonki Inc, necessitated an urgent process to identify, assess, interview and appoint a new firm at the AGM in May 2018 to perform this year's audit. Additional board meetings had to be convened and we are pleased that the newly appointed auditors, Ngubane Inc, could step into the breach. Despite having to do more work than usual due to the fact that there was no handover, their first audit was successfully completed. Another change on the finance front was that the finance function was outsourced to RAIN Chartered Accountants after August 2018 when our Finance Manager, Louise Hall, resigned after 16 years with the OBS. Another steep learning curve for the management, but we have now settled in and everything is running smoothly.

We are constantly seeking to improve the ways in which complainants and business interact with us when lodging complaints on the one hand and analysing the statistics on the other. During 2018 we implemented a number of automations in our case management system, which eventually led to a decision to replace the system in its entirety. The new system only went live in January 2019 and no doubt the next annual report will have lots to say about this. Suffice to mention that significant time and effort went into the sourcing, negotiation, development and testing of the new Aptean Respond case management system in the second part of 2018, in order to go live on 2 January 2019. We are excited about the capabilities of the new system and remain committed to continue working towards ever improving efficiencies and greater productivity.

Some of our major challenges remain the increase and complexity of the complaints relating to cybercrime. It may be interesting to note that the top three

categories of complaints at the OBS are not related to service/conduct issues, nor to over-indebtedness, although both these issues have come under the scrutiny of regulators and the press in recent times.

Our top complaints all involve a crime element. As new technologies become part of daily life, they also change the nature of the problems that can arise. We have done everything possible to ensure that we keep pace. We have consulted experts, invited experts to our annual workshop and interacted with the fraud experts in the banks.

Our top category of complaints for a third year running was internet banking fraud matters. We have continued to receive a steady daily stream of complaints from people who have been victims of fraud and it seems the end of this trend is nowhere in sight. Banks and other businesses continuously work to improve their security, but the criminals are also working full time to break through every new security measure. We have seen the devastation such crimes can cause, and we will increase our awareness campaigns this year to make consumers aware of protecting their personal information and online banking credentials, covering all angles such as social engineering, phishing emails and the fake phone calls pretending to be from the bank. We are working with all the stakeholders in this regard to ensure that consumers do not lose confidence in us, and that we can positively influence change in this space. We will also ensure that the skills of our professional staff remain current to enable us to understand the different perspectives and to do things better.

STAKEHOLDERS, MEDIA AND OUTREACH

During 2018, the OBS maintained a high profile and strengthened our relationships with member organisations, the regulators such as National Treasury and the Financial Services Conduct Authority, other Ombudsman schemes and the media, to name a few.

A highlight of the year was the workshop in the form of a half-day interactive seminar that we hosted at Summer Place conference venue in Sandton for the benefit of the staff of our member banks and other interested stakeholders, for example our fellow Ombuds personnel. Our speakers included Prof Basie von Solms, a world-renowned expert

on cyber security; Ms Leanne Jackson, who shared more information about the work of the FSCA and the implementation of TCF, and Dr Monica Vessio, who lectures on credit law at the University of Johannesburg.

The OBS hosted delegations from Swaziland and China, as well as the World Bank, who were on fact-finding missions. They were interested to learn about the work done by the OBS in respect of the implementation of the new case management system, our complaints process as well as complaint trends.

At the annual awards we honoured the banks for excellence in complaints handling and individual bank officials for their dedication in customer service. Capitec Bank and African Bank triumphed in the bank categories and Karen Jonker from Absa and Camagwini Ndevu from Investec won awards in the individual categories. For the second year we also honoured a staff member for exceptional performance and upholding the values of the OBS, as voted for by fellow staff members. Johan Brouwer was the well-deserved winner.

During 2018, the OBS was consulted more times than previously by the media seeking advice on the persistent thorny issue of unauthorised debit orders. A range of other informative topics were discussed in the media to reach as many consumers as possible with information about our office and on how to avoid problems, with the typical internet banking fraud matters topping this list.

The OBS has also taken its mandate to raise awareness of the office and to educate consumers about banking matters, to new heights. We appointed a full-time staff member to assist with the media relations and more particularly, to attend outreach activities in communities to talk to consumers who would otherwise not have heard about us. More detailed feedback is contained later in the report. Our stated goals are to do even more in the future despite limited resources.

INFO NETWORK

The OBS belongs to the International Network of Financial Ombudsmen (INFO network) and is a member of the management committee. We were very privileged to be successful in our bid to host the annual international conference in South Africa in 2019. This announcement was made at the annual conference held in Ireland in September 2018.

THE FUTURE

We made significant strides in improving customer satisfaction during the period under review, but there is always more we can do. It is no coincidence that a continued increase in customer satisfaction is one of the strategic goals for the year ahead. We are determined to meet two other challenges in the next year. Firstly, we need to work towards increasing the public awareness of the OBS. Secondly, we want to promote the confidence of consumers, member organisations and regulators in us, assured that we resolve complaints in an independent, effective and fair manner.

We firmly believe that the OBS, with its 20 years' experience and specialised industry and complaints knowledge, will remain relevant and important in the South African financial services and consumer redress landscape.

The OBS, together with the other financial ombudsman schemes, was actively involved over a number of years in the legislative process that finally culminated in the enactment of the Financial Sector Regulation Act, 2017. We are eagerly awaiting the next phase of the implementation of the Act, notably chapter 14, which will see the appointment of the Chief Ombud and the Ombud Council, with whom we will be working closely in the future to ensure effective redress for consumers of financial services through the Ombud system.

TRIBUTE TO BOARD AND STAFF

This annual report provides a glimpse of the workings of the office and the many achievements that we can all be very proud of. I am grateful for this opportunity to thank our board members, who provide support, strategic direction and guidance. Allow me to make special mention of the Chairman, whom I wish to thank for always showing a special interest in our work and giving his time to offer his wise counsel to the board and me.

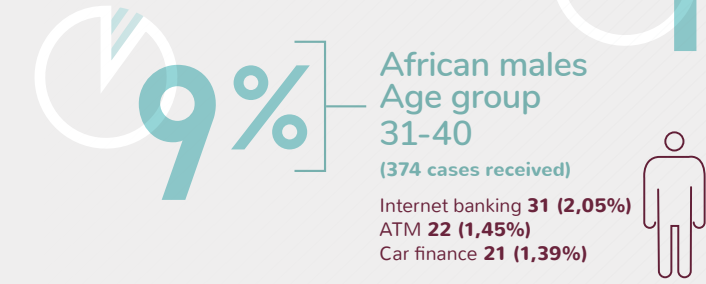
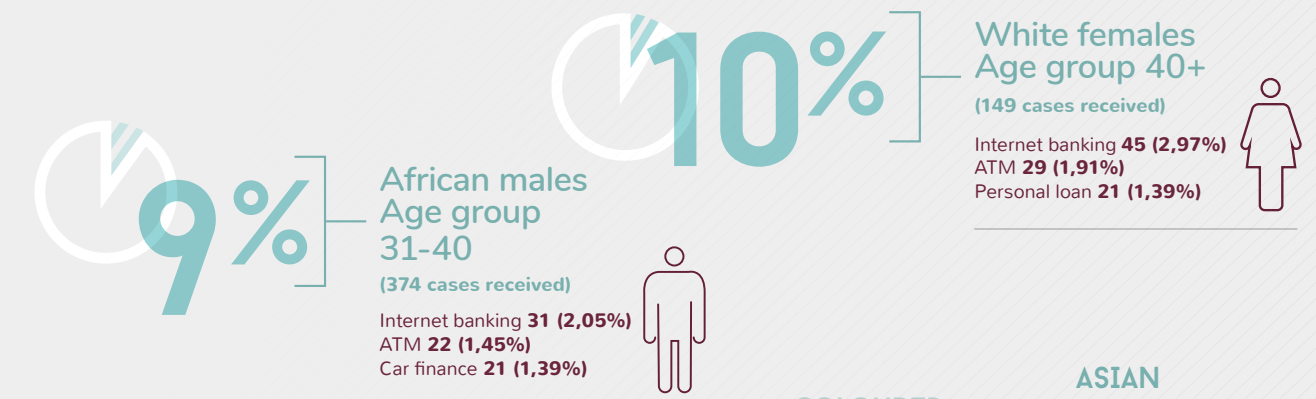
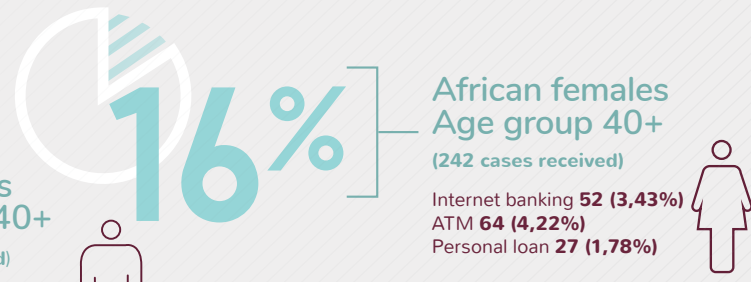
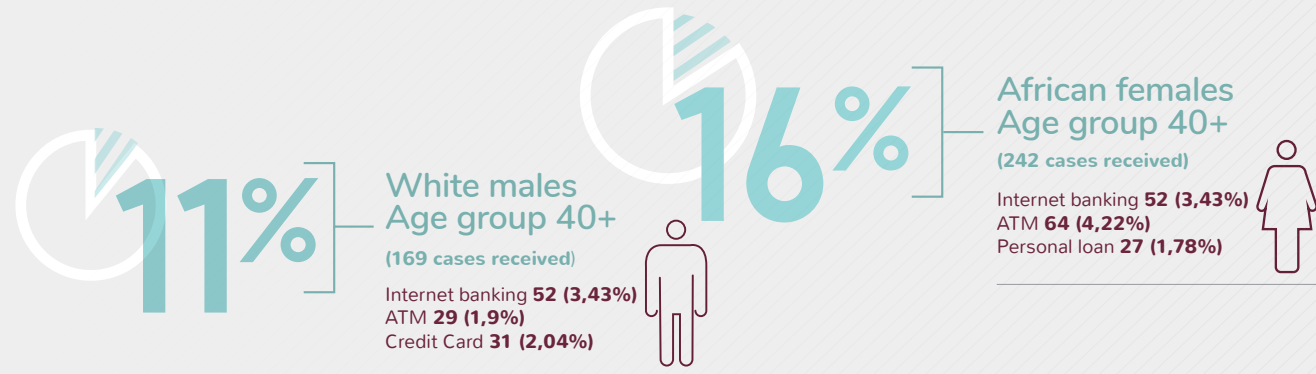
Reana Steyn
CEO and Ombudsman
for Banking Services



I AM TRULY GRATEFUL TO EACH AND EVERY OBS STAFF MEMBER FOR ALL THEIR COMMITMENT AND HARD WORK, WITHOUT WHICH WE WOULD NOT HAVE REACHED THE HEIGHTS WE DID THE PAST YEAR. FINALLY, ALLOW ME TO SINGLE OUT THE MANAGEMENT TEAM, WHO DESERVE A SPECIAL THANK YOU FOR THEIR EXCEPTIONAL DEDICATION AND THE EXCELLENT GUIDANCE THAT THEY PROVIDE TO THEIR TEAMS.

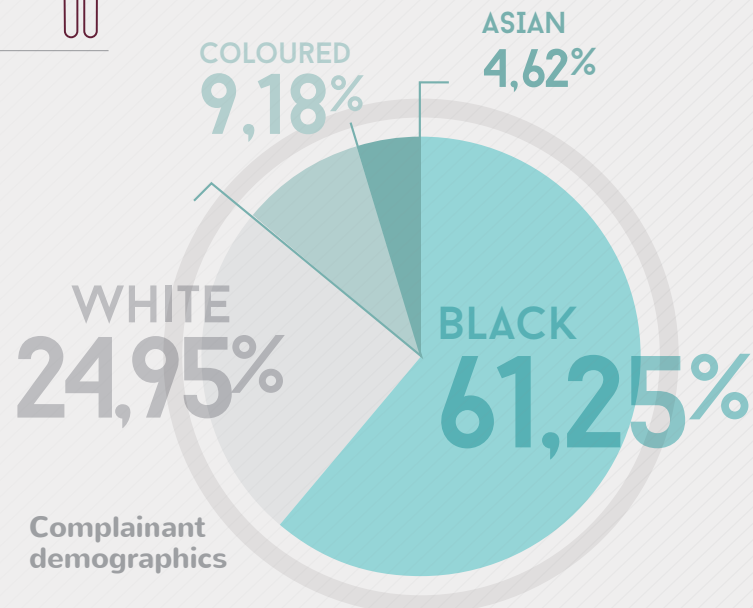
DEMOGRAPHICS REPORT

Based on information that the complainant is willing to disclose (1 515 complainants)

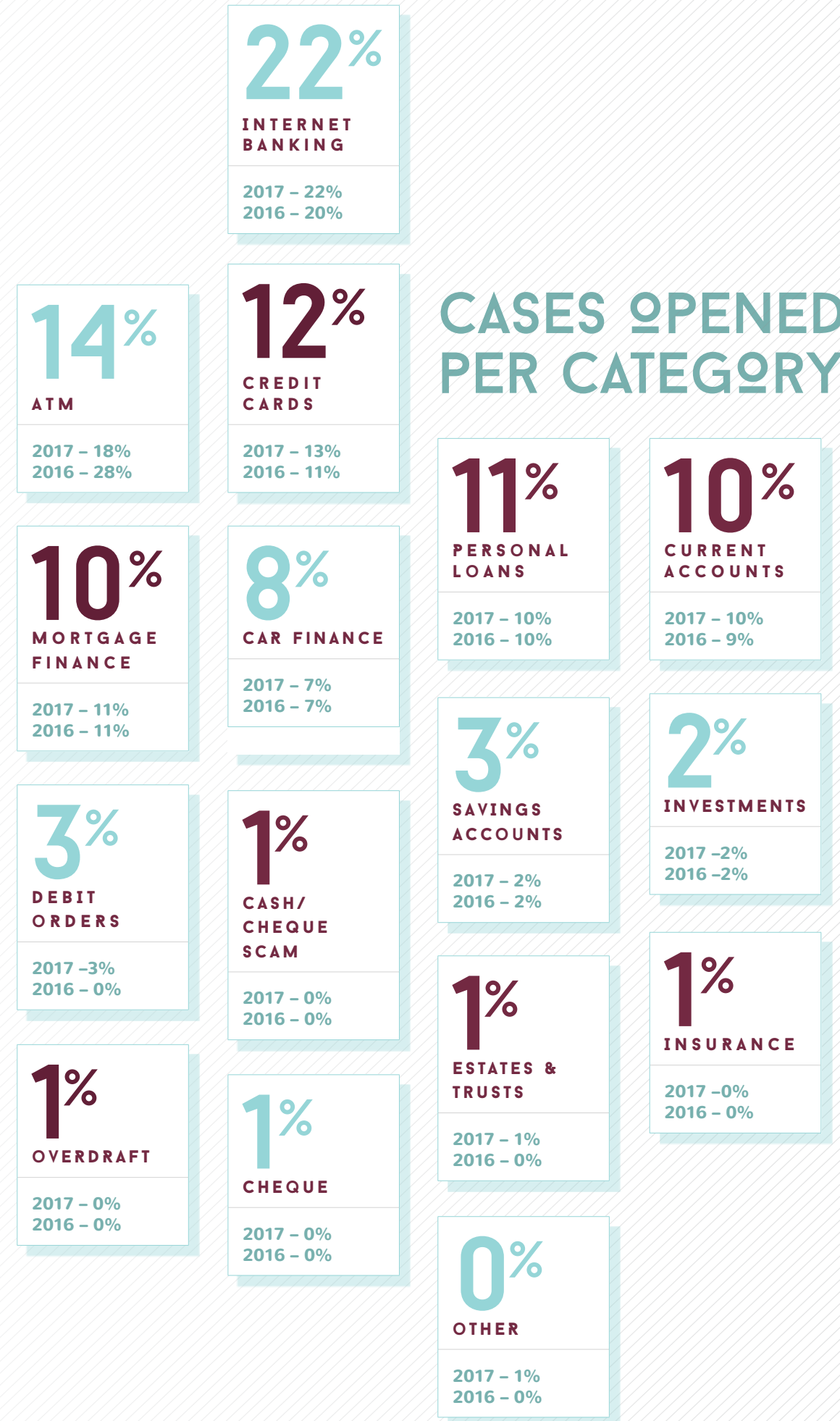


Of all the complaints received where complainants were willing to complete the demographic information section, the percentages per age group are:

AGE GROUP 40+	<31
70,22%	7,92%
31-40	
20,86%	



CASES OPENED PER CATEGORY



CASE STATISTICS

INCREASED BY 1 896 CASES FROM 2016. THIS IS AN INCREASE OF 36% IN CASES OPENED OVER THE PERIOD. CASES CLOSED INCREASED BY 12% FROM 2017 AND BY 40% FROM 2016.

STATISTICS 2018

	2016	2017	2018
WALK-INS	252	242	113
REFERRALS	5 690	7 173	6 309
FORMAL CASES OPENED	5 219	7 056	7 115
FORMAL CASES CLOSED	5 214	6 519	7 307
CALLS RECEIVED BY CALL CENTRE	17 036	22 943	26 970

CASES OPENED PER BANK

	2016	2017	2018
ABSA	888	1 125	1 776
FNB	1 036	1 422	1 560
NEDBANK	888	1 393	1 265
STANDARD BANK	1 279	1 669	1 203
CAPITEC BANK	948	1 225	1 001
AFRICAN BANK	123	156	183
BIDVEST BANK	12	14	64
UBANK	17	8	18
INVESTEC	11	17	15
ITHALA	6	4	6
FINBOND MUTUAL BANK	1	4	6
MERCANTILE	2	3	4
BANK OF ATHENS	4	5	3
GBS MUTUAL	0	0	3
GRINDROD	1	2	2
VBS	1	2	2
CITIBANK	0	0	1
STATE BANK OF INDIA	0	0	1
ALBARAKA	0	2	1
HBZ	0	1	1
HABIB OVERSEAS BANK LTD	1	1	0
SASFIN	1	3	0
TOTAL	5 219	7 056	7 115

HOW CASES WERE CLOSED IN 2018

CASE CATEGORY	TOTAL CASES	IN FAVOUR OF BANK CASES	PERCENTAGE	IN FAVOUR OF COMPLAINANT CASES	PERCENTAGE
INTERNET BANKING	1349	1084	80%	265	20%
ATM	1053	910	86%	143	14%
CREDIT CARDS	856	631	74%	225	26%
PERSONAL LOANS	822	571	69%	251	31%
MORTGAGE FINANCE	731	558	76%	173	24%
CURRENT ACCOUNTS	710	472	66%	238	34%
CAR FINANCE	563	422	75%	141	25%
SAVINGS ACCOUNTS	218	137	63%	81	37%
DEBIT ORDERS	214	105	49%	109	51%
INVESTMENT	145	105	72%	40	28%
ESTATES AND TRUSTS	87	52	60%	35	40%
INSURANCE	75	54	72%	21	28%
MOBILE BANKING	66	57	86%	9	14%
OVERDRAFT	59	42	71%	17	29%
CASH/CHEQUE SCAM	43	34	79%	9	21%
CHEQUES	40	28	70%	12	30%
BUSINESS FINANCE	30	23	77%	7	23%
FOREIGN EXCHANGE	27	18	67%	9	33%
OTHER	24	19	79%	5	21%
CREDIT BUREAU	22	12	55%	10	45%
TELLER DEPOSIT DISPUTE	17	12	71%	5	29%
REVOLVING LOAN	7	2	29%	5	71%
SURETYSHIP	6	6	100%		0%
SECURITY	3	3	100%		0%
SAFETY DEPOSIT	2	1	50%	1	50%
TELLER WITHDRAWAL DISPUTE	2	2	100%		0%
STOP ORDER	1	1	100%		0%
GRAND TOTAL	7172	5361	75%	1811	25%
2017	6394	4651	73%	1743	27%

This does not include cases that were closed as outside jurisdiction, as this method of closure cannot be seen as "in favour of complainant" or "in favour of the bank". In total we closed 125 cases as outside jurisdiction matters. The 75% closure rate in favour of banks shows the fairness with which the banks and their internal resolution departments treat complainants and their complaints.

HOW THE 7 172 CASES WERE RESOLVED

	2016	2017	2018
THE COMPLAINANT WITHDREW THE CASE	8 (0,2%)	9 (0,14%)	35 (0,49%)
THE COMPLAINT WAS FULLY UPHELD	836 (16,6%)	1 384 (21,6%)	1 309 (18,25%)
ONLY A PORTION OF THE COMPLAINT WAS UPHELD	272 (5,4%)	290 (4,5%)	327 (4,56%)
THE COMPLAINT WAS NOT UPHELD	3 818 (75,8%)	4 640 (72,56%)	5 328 (74,3%)
NO AWARD WAS MADE, BUT INFORMATION WAS PROVIDED	99 (2%)	71 (1,1%)	173 (2,4%)

PERIOD FROM OPENING TO CLOSING OF FILES

	2016	2017	2018
CLOSED WITHIN 0 - 2 MONTHS	69,33%	70,43%	55,5%
CLOSED WITHIN 2 - 4 MONTHS	27,04%	28,77%	39,8%
CLOSED WITHIN 4 - 6 MONTHS	3,63%	0,8%	4,4%
CLOSED WITHIN 6 - 9 MONTHS	0%	0%	0,3%

TOTAL ASSETS PER BANK

	2016	2017	2018
ABSA	922 483 094	951 216 605	1 079 045 389
FIRST RAND	1 006 358 966	1 097 696 942	1 183 602 796
NEDBANK	865 170 835	891 067 069	958 456 846
STANDARD BANK	1 230 938 308	1 245 998 556	1 291 515 216
CAPITEC BANK			98 481 689
OTHER	853 677 061	919 264 612	857 797 283

SERVICE STANDARD TARGETS

	2016	2017	2018
PERCENTAGE OF FILES CLOSED IN 4 MONTHS	96%	99%	95%
PERCENTAGE OF FILES CLOSED IN 6 MONTHS	100%	100%	99,7%
AVERAGE DAYS TO CLOSURE (INCLUDING WEEKENDS)	52	48	58
AVERAGE DAYS TO CLOSURE (BUSINESS DAYS)		34	41

CASES CLOSED PER DEPARTMENT

	2016	2017	2018
CASE PROCESSING			
SETTLED BY BANK AFTER FORMAL CASE OPENED	12%	13%	17%
ASSESSMENTS	62%	60%	52%
INVESTIGATION	26%	27%	30%

HOW CASES THAT REQUIRED FURTHER INVESTIGATION WERE FINALISED

	2016	2017	2018
ASSESSMENT	1 340	1 754	2 218
FORMAL MEDIATION	4	4	2
PROVISIONAL RECOMMENDATION	1	0	0
FINAL RECOMMENDATION	0	0	1

HOW THE COMPLAINANT LEARNED OF THE OBS

	2016	2017	2018
WORD OF MOUTH	46%	31%	30%
THROUGH THE BANK	51%	45%	39%
NEWSPAPER	0%	4%	4%
RADIO	2%	4%	6%
TELEVISION	0%	2%	3%
MAGAZINES	0%	0%	1%
REFERRED BY OTHER ORGANISATION	1%	1%	2%
OTHER	0%	13%	15%

COMPLAINANTS PER PROVINCE TAKEN FROM THE DEMOGRAPHIC REPORT

GAUTENG	42%
WESTERN CAPE	15%
KWAZULU-NATAL	13%
EASTERN CAPE	10%
MPUMALANGA	5%
FREE STATE	5%
LIMPOPO	4%
NORTH WEST	4%
NORTHERN CAPE	2%

WE CANNOT EFFECT MEANINGFUL CHANGE IF WE BECOME COMPLACENT, IF WE BECOME COMFORTABLE WITH OUR OWN POSITIONS IN THE STATUS QUO.
CYRIL RAMAPHOSA

TREATING CUSTOMERS FAIRLY (TCF)

Treating Customers Fairly (TCF) is an outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms.

Firms are expected to demonstrate that they deliver the following 6 TCF outcomes to their customers throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints and claims handling, and throughout the product value chain:

1 Customers can be confident they are dealing with firms where TCF is central to the corporate culture

2 Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.

3 Customers are provided with clear information and kept appropriately informed before, during and after point of sale

4 Where advice is given, it is suitable and takes account of customer circumstances

5 Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect

6 Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint.

HOW DOES TFC AFFECT A CONSUMER?

Financial firms have to comply with the TCF outcomes. The code requires financial service providers to render services honestly, fairly, with due skill, care and diligence and in the interest of the client and the integrity of the financial services industry.

The main aim of TCF is to ensure that fair treatment of customers is embedded within the culture of financial firms.

CATEGORY	CLEAR INFORMATION		CULTURE AND GOVERNANCE		DELIVERING ON EXPECTATIONS AND DECENT SERVICE	
	# OF CASES	% OF CASES	# OF CASES	% OF CASES	# OF CASES	% OF CASES
ATM	1 034	14,54%			3	0,04%
BUSINESS FINANCE	27	0,38%			3	0,04%
CAR FINANCE	538	7,57%			12	0,17%
CASH/CHEQUE SCAM	43	0,60%				
CHEQUES	38	0,53%			1	0,01%
CREDIT BUREAU	22	0,31%				
CREDIT CARDS	837	11,77%	1	0,01%	10	0,14%
CURRENT ACCOUNTS	691	9,72%			7	0,10%
DEBIT ORDERS	204	2,87%			8	0,11%
ESTATES AND TRUSTS	84	1,18%			2	0,03%
FOREIGN EXCHANGE	25	0,35%			1	0,01%
INSURANCE	73	1,03%			1	0,01%
INTERNET BANKING	1 318	18,54%	3	0,04%	21	0,30%
INVESTMENT	135	1,90%	1	0,01%	6	0,08%
MOBILE BANKING	66	0,93%				
MORTGAGE FINANCE	716	10,07%	1	0,01%	6	0,08%
OTHER	23	0,32%				
OVERDRAFT	58	0,82%			1	0,01%
PERSONAL LOANS	789	11,10%			22	0,31%
REVOLVING LOAN	7	0,10%				
SAFETY DEPOSIT	1	0,01%			1	0,01%
SAVINGS ACCOUNTS	209	2,94%			6	0,08%
SECURITY	3	0,04%				
STOP ORDER	1	0,01%				
SURETYSHIP	6	0,08%				
TELLER DEPOSIT DISPUTE	15	0,21%			1	0,01%
TELLER WITHDRAWAL DISPUTE	2	0,03%				
GRAND TOTAL	6 965	97,97%	6	0,08%	112	1,58%

NO UNREASONABLE BARRIERS TO CLAIMING, SWITCHING OR COMPLAINING		SUITABLE ADVICE		SUITABLY DESIGNED PRODUCTS AND SERVICES		GRAND TOTAL ON ALL TCF PRODUCTS	
# OF CASES	% OF CASES	# OF CASES	% OF CASES	# OF CASES	% OF CASES	GRAND TOTAL	TOTAL %
						1 037	14,59%
						30	0,42%
				5	0,07%	555	7,81%
						43	0,60%
				1	0,01%	40	0,56%
						22	0,31%
				2	0,03%	850	11,96%
				2	0,03%	700	9,85%
				2	0,03%	214	3,01%
				1	0,01%	87	1,22%
		1	0,01%			27	0,38%
						74	1,04%
				1	0,01%	1 343	18,89%
		1	0,01%	2	0,03%	145	2,04%
						66	0,93%
		1	0,01%	3	0,04%	727	10,23%
						23	0,32%
						59	0,83%
1	0,01%			2	0,03%	814	11,45%
						7	0,10%
						2	0,03%
				1	0,01%	216	3,04%
						3	0,04%
						1	0,01%
						6	0,08%
						16	0,23%
						2	0,03%
11	0,01%	3	0,04%	22	0,31%	7 109	100,00%

CASE SUMMARIES

01

ONLINE BUT NOT ON TIME

The complainant was a victim of online banking fraud, as his confidential online banking access credentials were compromised through a “Microsoft scam”.

The perpetrator(s) performed transactions using the complainant’s online banking profile. Fraudulent transactions totalling R140 000.00 were made from his account. The funds were transferred from the complainant’s bank to a beneficiary bank. The complainant reported the incident to his bank on 25 November 2017. The complainant was then informed by his bank that the funds could not be recovered. The complainant was extremely unhappy and demanded a full refund.

During the course of our investigation it was ascertained that the beneficiary bank informed the complainant’s bank on numerous occasions after the fraud was reported to it that a SAPS case number and affidavit were required from the complainant otherwise the fraud hold on the beneficiary account would be uplifted. The complainant’s bank did not inform the complainant of this requirement from the beneficiary bank and as such the SAPS case number and affidavit were not provided timeously, which resulted in the beneficiary withdrawing all the funds.

The OBS found that although the complainant’s confidential banking credentials were compromised, the loss that was suffered was not because of the compromise but was due to the fact that his bank failed to action the request from the beneficiary bank and communicate the requirement to the complainant timeously. Essentially his bank was in a position to mitigate his loss and failed to do so. It was our recommendation that the complainant’s bank refund the complainant, and the bank agreed.

Complainants should report fraud to the bank timeously, and if the bank fails to take the necessary measures to mitigate the loss, the bank will be held liable.

02

I DIDN’T SAY I DO (no spousal consent)

The complainant’s husband passed away and she was appointed as the administrator of the deceased estate by the Master of the High Court.

It subsequently came to the complainant’s attention that the bank had granted her late husband a loan of R25 000.00 without her knowledge or consent. As they were married in community of property, the complainant asked that the debt incurred be written off as she had not given her consent. Furthermore, the complainant claimed that it was reckless lending since her late husband could not afford the loan repayments.

The bank advised that it had conducted an affordability assessment prior to granting of the loan to the complainant’s late husband and accordingly denied the credit had been granted recklessly. The bank further stated that it had relied on the accuracy of the information supplied by the complainant’s late husband and the fact that he declared that he had obtained the necessary spousal consent.

The OBS’s investigation concluded that the loan had not been granted recklessly.

However, after careful consideration of the agreement that was signed by the complainant’s husband, it was found that the bank could not rely on an agreement that was signed by the complainant’s husband, as the declaration form signed by the complainant’s late husband specifically catered for the complainant to declare that she consented to her late husband obtaining the loan from the bank. The bank could therefore not have been under the impression that the agreement was being entered into with the consent of the complainant, as she had not signed this declaration.

The OBS however did not overlook the fact that the joint estate had benefited from the money advanced by the bank to the complainant’s late husband. It was our recommendation therefore that the joint estate should merely repay the outstanding capital amount and that the bank should write off associated fees and interest, to which it agreed.

The bank can be held liable in instances where it is clear that no spousal consent was obtained, but not to such an extent that a complainant is unjustifiably enriched at the expense of the bank.

03

UNFAIRLY LISTED

The complainant had a vehicle finance account with the bank.

Subsequently, the complainant voluntarily surrendered his vehicle in terms of section 127 of the NCA as he could no longer afford the monthly repayments. He was not in arrears at the time that he surrendered the motor vehicle.

The bank took possession of the vehicle and took the decision to cancel the complainant’s debit order in respect of the account. It subsequently came to the complainant’s attention that the bank had adversely listed him on the credit bureau for his account being “in arrears”.

By exercising section 127, the consumer circumvents defaulting under the account and attempts to circumvent adverse credit information being placed on his/her credit profile. Essentially Section 127 provides recourse to a consumer when he/she foresees that he/she will be unable to adhere to their contractual obligations.

In light of the purpose of section 127, it was unclear as to why the bank still required the complainant to maintain his monthly payment obligations once the vehicle had been handed over. Further we were of the view that if the bank expected the complainant to still maintain payment of the monthly instalment up until the vehicle was sold, then the bank should have advised the complainant of this and the bank should not have cancelled the debit order in respect of such payments.

It was recommended to the bank that it remove the adverse listing on the complainant’s credit profile and the bank agreed with our recommendation.

Banks have a duty to provide clear information to their customers and to adhere to the relevant legislation.

04

FLYING HIGH

Even though the complainant had insufficient funds in his account, he made numerous online payments to service providers expecting that the transactions would be reversed by the bank.

However, the transactions were not reversed, and his account was in arrears. The bank held him liable for the arrears. He denied liability for the amount in arrears and wanted the bank to compensate him for not reversing the transactions.

The bank accused him of “kite flying” (the exploitation of settlement delays to transfer unavailable funds from one account to another, which is tantamount to fraud).

We found that as the complainant’s service providers were paid, he did receive the benefit of the funds. He was therefore liable for the amount in arrears. It was important to note that he voluntarily made the payments knowing full well that he did not have funds available in his account.

Customers cannot be unjustifiably enriched at the bank’s expense.

05

IS IT A PLANE? IS IT A BIRD? IS IT A TAXI?

The bank offered R10 000.00 cash back to all its customers if they settled any of their motor vehicle accounts held with the bank and immediately signed a new motor vehicle finance agreement.

The customer, who had a motor vehicle finance account for his minibus taxi with the bank, saw the cash back offer, settled his vehicle finance account and purchased another minibus taxi financed by the bank.

06

PAY BACK THE MONEY

The customer lodged a complaint alleging that she had overpaid her loan account held with the bank.

However, the bank advised that the loan was still owing and the customer was liable to repay the loan in full.

The customer insisted that the loan was overpaid and that the bank should refund her the overpaid amount. The customer submitted a reconciliation statement (“recon”) to the bank supporting her submissions. The bank considered the recon and prepared its own recon which again supported the bank’s version that the customer still owed the bank.

Upon considering the bank’s recon, the customer submitted yet another recon to support her case, and this time the bank conceded that the loan was overpaid by approximately R12 000.00. The bank offered to refund the complainant, close the loan account and pay the customer a further R5 000.00 for distress and inconvenience. Notably, the bank commended the customer’s unwavering persistence and unreservedly apologised to the customer for its error and miscalculations.

Bank customers must review their statement of accounts.

When he requested the R10 000.00 payback from the bank, he was informed that the offer excluded minibus taxis. He lodged a complaint with our office. We considered the terms and conditions of the cash back offer and discovered that they were ambiguous, as they referred to motor vehicles without specifically stating that minibus taxis were excluded.

We believe any reasonable consumer would believe that the cash back value was available to him if he settled an existing motor vehicle account and financed another motor vehicle. A minibus taxi is a motor vehicle, and therefore the customer was entitled to the cash back value. The bank agreed to pay the customer the cash back value and amend its terms and conditions to eliminate the ambiguity.

The terms and conditions of an agreement must be clear.

07

LET’S GO 50/50

The complainant was a victim of internet banking fraud. It appeared from the documents and information presented that the complainant had compromised her confidential internet banking access credentials.

No evidence was provided to suggest that the bank was either negligent or guilty of maladministration in respect of the compromise of her confidential banking details.

Funds were transferred from the complainant’s account to an account held at a different bank. The complainant reported the incident to her bank before the funds had been utilised and her bank reported the incident to the beneficiary bank. The account held at the beneficiary bank was a long-standing business account and the beneficiary bank could accordingly not place a hold on the beneficiary account without further information from the complainant’s bank. There was a misunderstanding between the banks and the beneficiary bank failed to place a hold on the beneficiary account. In the interim, the fraudsters contacted the beneficiary account holder posing as the complainant and convinced the beneficiary account holder to make payment to the fraudsters’ account. When it was discovered that the funds had been transferred from the beneficiary account to the fraudsters’ account, the funds had already been withdrawn.

It was our finding, after listening to the telephone recording of the conversation between the two bank consultants, that the complainant’s bank and the beneficiary bank were in a position to mitigate the loss had they acted timeously, but that they had failed to do so. The misunderstanding between the two banks was entirely avoidable and the funds could have been recovered if a hold had been placed on the funds when the complainant reported the incident to her bank. This office recommended that each bank refund the complainant 50% of her loss, which the banks agreed to do.

Banks have a duty to mitigate a customer’s loss after the customer reports fraud to the bank.

08

LET’S PLAY FAIR

The complainant purchased a vehicle from a dealership, which purchase was financed by the bank.

A year after she had purchased the vehicle it came to light that the vehicle was a stolen vehicle. The police took the vehicle from the complainant and she reported this to the dealership and the bank. The bank eventually cancelled the complainant’s vehicle finance agreement. However, the bank refused to refund her all the amounts she had paid towards the vehicle finance account and only a portion was refunded, as she had had the use and enjoyment of the vehicle for a year.

The vehicle was a stolen vehicle and accordingly this office was of the view that the agreements between the bank and the dealership and between the bank and the complainant were void and that all parties needed to be returned to the same position they would have been in had the agreements not been concluded. It was noted that the dealership had repaid the bank the full amount it received from the bank.

This office referred the bank to decided case law wherein the court held that upon repossession of stolen property, the innocent purchaser is entitled to, amongst others, the repayment of the purchase price already paid and cancellation of the contract of sale. The bank could not provide this office with a legal basis in terms of which it was entitled to benefit from this incident and retain a portion of the funds paid to it by the complainant. The bank subsequently agreed to refund the complainant in full as per the recommendation of the OBS.

Fairness and reason must always be applied when making a finding.

09

UNJUSTIFIABLY ENRICHED

As a result of an error on the bank's systems, when the complainant made payments from one of her accounts to any other account held at the bank, the account to which the payment was made received a double payment.

The complainant made regular payments between her accounts during this period; however, she did not realise that the double payments were being made. When the bank discovered the system error, it demanded repayment of the amounts paid in error. The complainant approached this office and wanted the bank to, amongst others, take responsibility for its system error, write off the amount of the double payments and refund her the amount she had paid to the bank in respect of the double payments.

The funds were paid to the complainant without a legal basis and she had the use and enjoyment of the funds which she was not entitled to. Accordingly, she was unjustifiably enriched, and the bank was legally entitled to repayment of the amount by which she was unjustifiably enriched. This office could accordingly not make a finding that the bank write off the outstanding amount and refund the amount which she had paid the bank.

Nevertheless, the double payments were made in error and the bank should not benefit from its error. This office accordingly recommended to the bank that the complainant be held liable for the repayment of the capital amount only. The bank agreed to this office's recommendation.

When an unexpected error occurs, all parties must take responsibility in fairly resolving the error.

10

COMPLY OR PAY

The complainant made a payment towards his credit card account in order to settle and close the account.

The payment did not make provision for the fees, interest and the payment protection insurance for the month in which the payment was made, and as a debit balance remained on the account, the bank could not close the account.

Thereafter, the complainant failed to make the required payments on the account and the bank continued debiting fees, charges and interest to the account. According to the provisions of the National Credit Act, the fees, charges and interest charged once an account falls into default may not exceed the outstanding balance on the account at the time the account fell into arrears. Accordingly, the outstanding balance on the credit card account should have been capped at double the amount that was outstanding in the month that the complainant made the payment to settle the account. However, the bank continued debiting fees, charges and interest to the account over and above this amount. The complainant also made several further payments to the account.

This office recommended that the bank refund the complainant all the amounts paid over and above the amount at which the outstanding balance should have been capped in terms of the National Credit Act, write off the outstanding balance on the account and close the credit card account. The bank agreed to our recommendation and the credit card account was closed.

Credit providers have a duty to ensure that they comply with the NCA.

11

TATA MA CHANCE

The customer obtained a business loan from the bank.

The complainant alleged that the loan had an indemnity which covered up to 90% of the loan value, and the customer was liable for only 10%. The business was not profitable and was ultimately discontinued. The customer called up the 90% indemnity but the bank only paid 10% of the outstanding loan, held the customer liable for 90% of the outstanding debt and obtained judgment. The customer insisted he was only liable for 10% of the debt in terms of the contract.

The bank submitted that the indemnity was for 10% and not 90% of the debt. However, due to the lapse of time the bank was unable to provide a copy of the contract or policy documents.

Our office did look into the matter despite the fact that the bank had obtained judgment against the complainant, which we are allowed to do in appropriate instances as per our Terms of Reference. It was found, however, that the complainant could not prove his allegations, hence there was no basis for a finding in his favour.

He who alleges must prove.

13

REPOSSESSED

The bank repossessed a customer's vehicle after his account fell into arrears and subsequently sold it on auction.

There was a shortfall, and the bank held the customer liable for the shortfall amount. Sadly, he passed away 2 years later before paying the shortfall amount. An executor was appointed to administer the deceased's estate 5 years after the vehicle was auctioned. The bank claimed the shortfall amount from the deceased's estate, but the executor believed the claim had prescribed since it was 5 years later.

We found that the bank had complied with the provisions of section 127 of the NCA in repossessing the vehicle, subsequently selling it at a public auction. Importantly, the death of the customer suspended the running of prescription until an executor was appointed. Prescription was suspended for 5 years, and thus the bank was entitled to claim the shortfall amount from the deceased's estate.

Prescription only starts running on a deceased estate once an executor is appointed.

12

A BANKER-CUSTOMER RELATIONSHIP IS ONE OF MANDATE

The customer's deceased husband had approximately a million rand in his current account at the time of his death.

The customer was appointed as an executor and instructed the bank to pay the funds into an estate late account. She was informed that the funds had already been transferred to another account on the instruction of the executor. The bank and the customer discovered that the funds had been paid to a fraudster who purported to be the customer. The bank attributed blame to the beneficiary bank who opened the imposter's account into which the funds were transferred.

It insisted that it had acted upon instruction from the imposter to effect payment and could not have foreseen or prevented the loss. The OBS found that until the funds are paid to the correct customer, namely the executor representing the deceased estate, the bank has not discharged its contractual obligations towards the customer. The bank cannot infer that it has legally performed its mandate when it has paid the funds to a fraudster who is no party to the contract of mandate between the bank and its customer. Furthermore, there was no contractual claim or no debtor and creditor relationship between the deceased and the beneficiary bank. Thus, the beneficiary bank does not owe the customer any duty of care in respect of the funds held at the customer's bank.

We suggested that the bank refund the loss, but the bank was not amenable. The complaint was escalated to assessment, provisional recommendation and final recommendation. The bank ultimately agreed to refund the customer after the final recommendation by the OBS.

Banks have a duty to pay in accordance with a valid mandate.

MARKETING REPORT

Joining the OBS team at the beginning of 2018 as the custodian of the marketing and public relations portfolio has had its rewards for me as an individual, both personally and professionally.

On a personal career level, the move has fulfilled a desire I have had, to promote a service or product in which I genuinely believe. The service offered by this organisation is much needed, especially by banking customers. The numbers speak for themselves: 14 171* cases opened in 2017 and 2018.

Free quality adjudication services play an intricate role in a society as financially diverse as ours. This organisation facilitates transparency in some dealings between two parties when the company itself was not even there upon inception of that relationship or agreement between the two. This organisation educates and shares information with those who need it – over 2 000 counting those who attended our workshops, over 13 000 visitors at exhibitions, 13 482** referrals who heard about the office and called in – so that they may be able to make informed decisions to have better and more fulfilling experiences in the future on their banking journey.

Professionally, a marketing experience in the front row of the customer journey is extremely gratifying. Engaging with the customer during live radio interviews reinforces the relevance and the need for the OBS office. In 2018 the office had over 25 live radio interviews. The exchange that takes place during workshops also provides excellent insight into South African bank customers, their needs and how they understand the role of the bank in their financial lives. These contacts underline the amount of work we as industry players still have to do as far as consumer education is concerned.

In addition the on-line touch point, the OBS Facebook page with 8 544 impressions and a fan base of 1 000, and you see the urgency for solutions that the bank customer and potential OBS customer needs.

In traditional media the OBS has enjoyed over 100 articles in newspapers and magazines, an estimated 60 broadcasts on radio, 10 TV slots and an on-line media presence of over 100 appearances.

The customer is the centre of our world at the Ombudsman for Banking Services. And every day, from our various roles, is spent on building this relationship. Hence our marketing strategic ambitions are:

- I. To increase the awareness of the Office,
- II. To disseminate financial literacy; and
- III. Brand management (and internal PR projects).

My internal stakeholders have had an important role in marketing, and in communications to be specific. This is where the newsletter Vantage Point was born.

The dictionary advises that a vantage point is “a place or position affording a good view of something”. We believe that with this newsletter, set to go off once every quarter, the OBS and its internal stakeholders will be at a vantage point to hear about the OBS.

2018 has been a great start for me at the OBS, and I am excited about the future of the organisation. My Manager, CEO and Ombudsman Reana Steyn, is a driven businesswoman with a love for the betterment of people. To serve under her guidance is an honour. I would also like to acknowledge and extend my thanks to my colleagues, who have welcomed me with such warmth, enthusiasm and support.

Uzille Gugushe
Marketing & PR Manager

* Number of complaints opened in 2017 and 2018.
** Number of referrals in 2017 and 2018.



ANNUAL AWARDS

Every year, the Ombudsman for Banking Services honours banks and bank staff for excellent service and performance, based on the banks' co-operation with the Ombudsman's office in resolving bank customer disputes.

The awards are announced towards the end of the operational year and are usually coupled with a gala dinner and entertainment. The Venue in Sandton provided the setting for the 2018 event, and surrounded by Johannesburg's magnificent night view, the awards were, as always, a good celebration.

In a statement released that evening, Reana Steyn, CEO and Ombudsman for Banking Services, shared: "The Bank Ombudsman's annual awards have become an industry calendar item that epitomises the independence of the Ombudsman as the nominations and voting are done by the office, based on actual experience in the day-to-day resolution of consumer complaints".

The category for the Best Dispute Resolution Bank features two awards, one for the big banks and one for the smaller banks.

The criteria are:

- 1 Quality of the written response of the bank to the office in response to a specific complainant
- 2 The response time, and
- 3 The overall fairness of the response.

In the category for the Big 5 banks, which include ABSA, FNB, Nedbank, Standard Bank and Capitec, the 2018 winning big bank for the Best Dispute Resolution Bank award was Capitec Bank.

For the smaller banks in the Best Dispute Resolution Bank category, based on the same criteria, the 2018 winner was African Bank.

Individual effort is also recognised with an award for bank staff members who impressed with their consistent excellent service. In this category, the bar is raised, and the following criteria are applied:

- 1 Treating all complainants with equal dignity and respect and affording all complaints the necessary level of attention;
- 2 Providing prompt and efficient service to the complainant and the OBS;
- 3 Initiate and/or improve measures and/or service level agreements to enhance his/her bank's level of service in complaints handling; and
- 4 The individual must be knowledgeable about his/her bank's products, services and processes, including internal complaints handling mechanisms, as well as those of the OBS.

In the previous annual awards, an award for an OBS staff member had been introduced, and in 2018 for the second year running, excellent service from an employee was recognised.

The 2018 winners were Karen Jonker from ABSA Bank and Camagwini Ndevu of Investec.

In the previous annual awards, an award for an OBS staff member had been introduced, and in 2018 for the second year running, excellent service from an employee was recognised.

The 2018 winner was Johan Brouwer. Johan, who joined the OBS in 2016, was chosen by his peers as a colleague who epitomises the REAP cultural values of the OBS



CEO AND OMBUDSMAN FOR BANKING SERVICES REANA STEYN welcomed the guests at the gala event.

A WORD OF THANKS BY DOUG HARDIE FROM NEDBANK.

Kwanda Vabaza was Master of Ceremonies at the annual awards evening hosted by the office of the Ombudsman for Banking Services at The Venue in Sandton.



Individual effort is also recognised with an award for bank staff members who impress with their consistent excellent service. **HERE CAMAGWINI NDEVU OF INVESTEC BANK RECEIVES HER AWARD.**



The group Sterling IQ provided entertainment during the evening.



THE 2018 WINNING BIG BANK FOR THE BEST DISPUTE RESOLUTION BANK AWARD WAS CAPITEC BANK.



Service Excellence by an OBS employee was also recognised. **THE 2018 WINNER WAS JOHAN BROUWER.**



KAREN JONKER FROM ABSA BANK RECEIVES HER AWARD IN THE CATEGORY FOR BANK STAFF MEMBERS WHO IMPRESS WITH THEIR CONSISTENT EXCELLENT SERVICE.



IN THE CATEGORY BEST DISPUTE RESOLUTION BANK FOR SMALLER BANKS, AFRICAN BANK WALKED AWAY WITH THE HONOURS. Here the African Bank team receive their award from Advocate John Myburgh SC.

OBS PEOPLE

The OBS people ethos is built in alignment with the OBS mission, vision, objectives and values. The well-being and development of our people are important factors contributing to this ethos.

We believe that staff members who are active in their career and personal development are individuals who can grow alongside the organisation. Our role is to encourage development and facilitate this journey by providing the resources, the time and the study finances required. This has led to an employee value proposition that has enabled our staff retention and empowerment.

Continuous individual development enables the organisation to be fit and proper and stay true to its mission, vision and objectives by ensuring that its staff members persevere in being qualified and being on par with industry standards. This in turn ensures the ultimate success of both the organisation and its staff members.

Our expectations during recruitment are high for all staff members, including adjudicators. Selecting individuals who have been in practice is one of the elements that ensure that we have a high calibre of legal experts. In the year under review, three staff members and adjudicators enrolled for their LLM degrees, namely Kwanda Vabaza, Audrey Tau and Johan Brouwer. Kwanda also successfully completed his Compliance Diploma.

Two additional staff members and adjudicators completed certificate courses as part of their Compliance Diploma studies and will complete the qualification this year, namely Ismael Surtee and Tamaren ten Oever.

Marketing and Public Relations Manager Uzile Gugushe completed a course in Graphic Design.

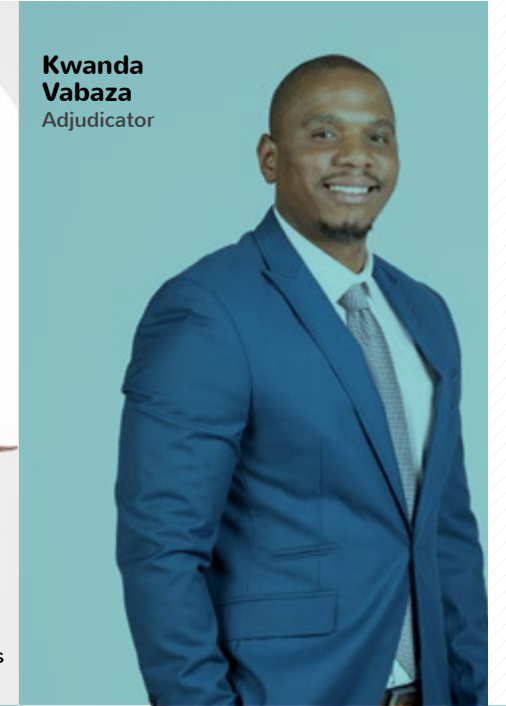
Due to the adverse nature of the work that the office is tasked with, a culture of good work ethics is prime. We strive to demonstrate this by inculcating a culture of firm principles and values. In a team-building and strategy initiative, the team defined what their experience, knowledge, expertise, learning, expectations and tenor at the OBS translate to them, and how that real insight can be capitalised on to continue to make the OBS a good place to work in.

THIS IS HOW THE REAP CULTURAL VALUES CAME ABOUT, WHERE R = RESPECT, E = EMPLOYEE EMPOWERMENT, A = ACCOUNTABILITY AND P = POSITIVITY.

Several new entrants into the OBS joined the team in 2018, namely Dhirishka Maharajh-Ramnarayan, Barry Thabani Hlabangana, Gerrit van der Merwe, Manishka Moodley, Siyabonga Ledwaba, Uzile Gugushe and Valerie Dladla.



Nerosha Maseti
Manager:
Investigations



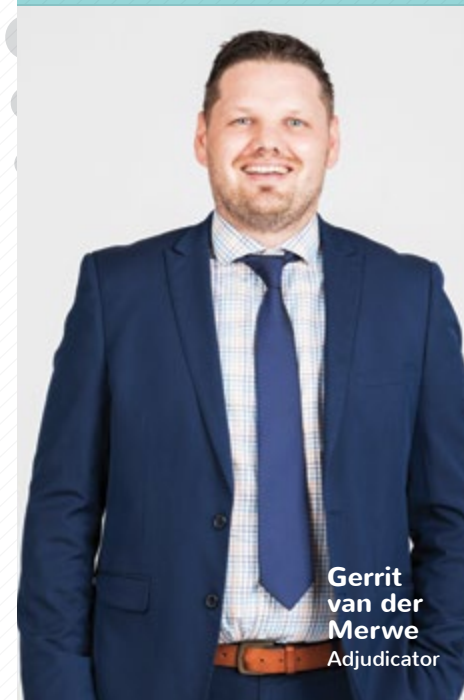
Kwanda Vabaza
Adjudicator



Johan Brouwer
Adjudicator



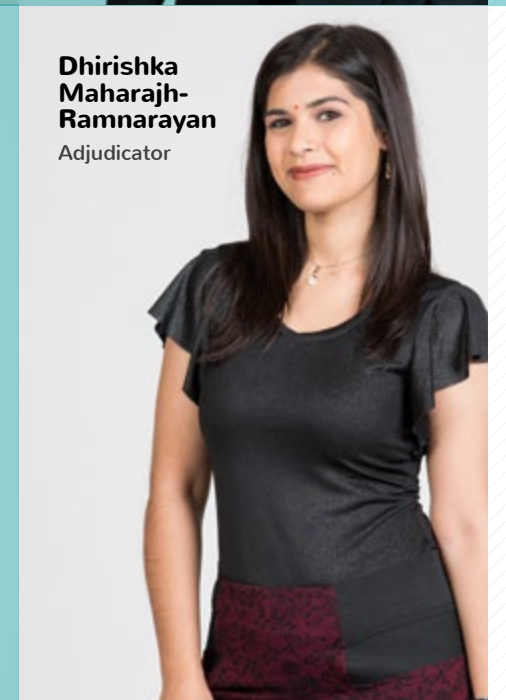
Frans Maja
Adjudicator



Gerrit van der Merwe
Adjudicator



Maryrose Mafalo
Adjudicator



Dhirishka Maharajh-Ramnarayan
Adjudicator

INVESTIGATION STAFF



Emmanuel Kwakye-Agyekum
Adjudicator



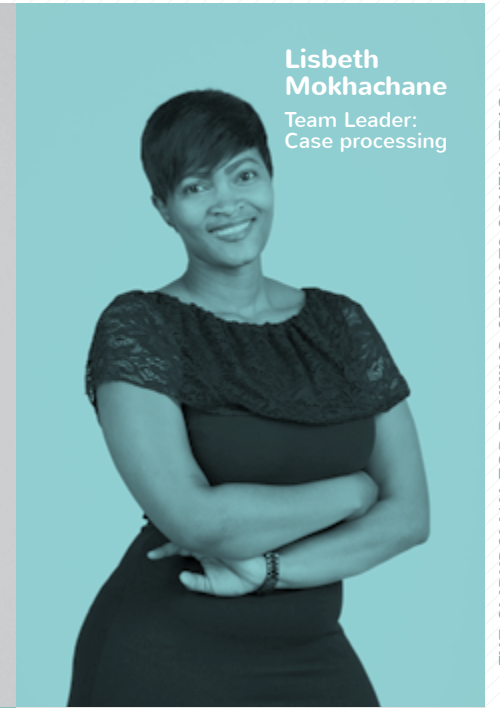
Manishka Moodley
Adjudicator



Charne Willemse
Administrator:
Case Processing



Ronel van der Merwe
Manager: Case
Processing and
Call Centre



Lisbeth Mokhachane
Team Leader:
Case processing



Tamaren ten Oever
Adjudicator



Alison de Bruin
Adjudicator



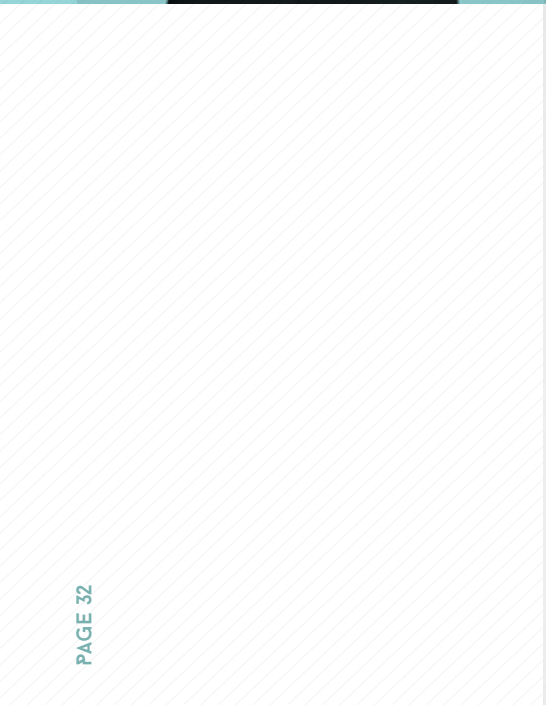
Maggie Machette
Administrator:
Assessments



Nqobile Ngwenya
Administrator:
Case Processing



Tumelo Babusi
Administrator:
Case Processing



Edrich Buytendorp
Manager:
Assessments



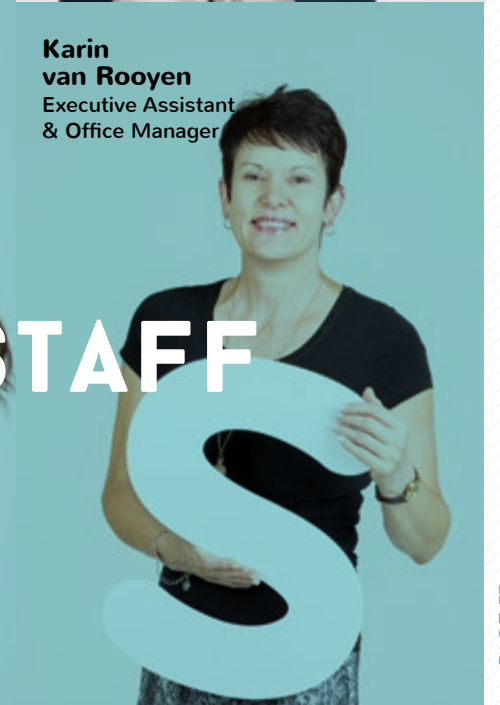
Siyabonga Ledwaba
Adjudicator



Uzille Gugushe
Marketing & PR
Manager



Shelley-Ann McMaster
HR, L & D
Manager



Karin van Rooyen
Executive Assistant
& Office Manager

Valerie Dladla
Receptionist



Ronel van der Merwe
Manager: Case Processing and Call Centre



Mrs Tanya Venter
Director



Mrs Thembi Msibi
Director



Mrs Penelope Beck
Director



Boitumelo Mpitsang
Call Centre



Cylvia Tladi
Team leader: Call Centre



Barry Hlabangana
Call centre



CALL CENTRE STAFF

Mr Tefo Raditapole
Director



Advocate John Myburgh
Chairman



Mr Darren Beyers
Director



DIRECTORS

SUPPORT STAFF

Irene Moloi
Office assistant



Mpho Sejabeng
Housekeeping



Mrs Felina Fernandez
Director



Mr Cas Coovadia
Director



Mrs Marguerite Jacobs
Director



**ABSENT:**

Mr Cas Coovadia
Director

Mrs Felina Fernandez
Director

Mr Doug Hardie
Director

Mrs Marguerite Jacobs
Director

DIRECTORS' RESPONSIBILITIES

The directors are required in terms of the South African Companies Act No. 71 of 2008 to maintain adequate accounting records to enable the company to satisfy all reporting requirements applicable to it and provide for the proper conduct of an audit.

The accounting records required to be kept by the Act and this regulation must be kept in such a manner as to provide adequate precautions against theft, loss or intentional or accidental damage or destruction, falsification, to facilitate the discovery of any falsification and to comply with any other applicable law dealing with accounting records, access to information, or confidentiality. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment.

To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company.

While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The financial statements have been audited by the independent auditing firm, Ngubane and Company Inc. which has been given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on page 36.

The annual financial statements as set out on pages 38 to 49 were approved by the board on 7 March 2019 and were signed on its behalf by:

ADVOCATE JF MYBURGH SC

TN RADITAPOLE

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the annual financial statements of Ombudsman for Banking Services for the year ended 31 December 2018.

1. NATURE OF BUSINESS

Ombudsman for Banking Services was incorporated in South Africa with interests in the banking industry. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No. 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. DIRECTORATE

The directors in office at the date of this report are as follows:

Advocate JF Myburgh SC – South African

TN Raditapole – South African

PA Beck – South African

TN Msibi – South African

T Venter – South African

FA Fernandez – South African
Appointed 01 January 2018

C Coovadia – South African

M Jacobs – South African

DWL Hardie – South African
Appointed 01 January 2018

4. DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the company.

5. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation

for the foreseeable future and accordingly the annual financial statements have been prepared on a going-concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

7. AUDITORS

At the AGM, the shareholders will be requested to reappoint Ngubane and Company (Johannesburg) Incorporated as the independent external auditors of the company and to confirm Mrs Nomathamsanqa Ashom as the designated lead audit partner for the 2019 financial year.

8. SECRETARY

The company secretary is Corporate Law Services (Pty) Ltd.

Postal address:
P.O. Box 77550
Centurion
0046

Business address:
Central Office Park
Unit 3
257 Jean Avenue
Centurion
0157

COMPANY SECRETARY'S REPORT

For the year ended 31 December 2018

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Properties Commission (CIPC) for the financial year ended 31 December 2018 all such returns and notices as are required of a public company in terms of the Act, and that all such returns and notices are true, correct and up to date.



Corporate Law Services (Pty) Ltd.
Company Secretary

INDEPENDENT AUDITOR'S REPORT

to the Members of
OMBUDSMAN FOR BANKING
SERVICES SOUTH AFRICA

OPINION

We have audited the financial statements of Ombudsman for Banking Services, as set out on pages 9 to 25, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the annual financial statements of Ombudsman for Banking Services present fairly, in all material respects, the financial position of Ombudsman for Banking Services as at 31 December 2018, and its financial performance and cash flows for the year ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa No 71 of 2008.

BASIS FOR OPINION

We have conducted the audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa No 71 of 2008.

which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa No 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ngubane & Co (Jhb) Inc.
Registered Auditors
Director: Nomathamsanqa Ashom
Registered Auditor
Date 11 March 2019
Midrand

FINANCIALS

STATEMENT OF FINANCIAL POSITION

(Registration Number 2000/002577/08),
Annual Financial Statements as at 31 December 2018

FIGURES IN R	NOTE(S)	2018	2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	716 646	669 920
Intangible assets	4	238 832	328 913
		955 478	998 833
CURRENT ASSETS			
Trade and other receivables	5	434 753	467 168
Cash and cash equivalents	6	29 364 077	20 296 843
		29 798 830	20 764 011
TOTAL ASSETS		30 754 308	21 762 844
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings		(432 218)	118 116
CURRENT LIABILITIES			
Trade and other payables	7	30 808 435	21 297 768
Operating lease liability	8	378 091	346 960
		31 186 526	21 644 728
TOTAL EQUITY & LIABILITIES		30 754 308	21 762 844

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Registration Number 2000/002577/08),
Annual Financial Statements as at 31 December 2018

FIGURES IN R	NOTE(S)	2018	2017
Revenue	9	25 882 29	23 938 201
Other operating income	10	13 378	-
Other operating gains	11	28 874	-
Other operating expenses		(27 440 271)	(27 225 216)
OPERATING LOSS	12	(1 515 728)	(3 287 015)
Investment income	13	965 393	991 876
LOSS FOR THE YEAR		(550 335)	(2 295 139)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(550 335)	(2 295 139)

STATEMENT OF CHANGES IN EQUITY

(Registration Number 2000/002577/08),
Annual Financial Statements as at 31 December 2018

FIGURES IN R	RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2017	2 413 255	2 413 255
Loss for the year	(2 295 139)	(2 295 139)
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2 295 139)	(2 295 139)
Opening balance as previously reported	133 247	133 247
Adjustments		
Prior period errors	(15 130)	(15 130)
BALANCE AT 01 JANUARY 2018 AS RESTATED	118 117	118 117
Loss for the year	(550 335)	(550 335)
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(550 335)	(550 335)
BALANCE AT 31 DECEMBER 2018	(432 218)	(432 218)

STATEMENT OF CASH FLOW

(Registration Number 2000/002577/08),
Annual Financial Statements as at 31 December 2018

FIGURES IN R	NOTE(S)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		25 828 842	23 937 380
Cash paid to suppliers and employees		(17 184 486)	(27 086 402)
Cash generated from/(used in) operations	14	8 644 356	(3 149 022)
Interest income		965 393	991 876
NET CASH FROM OPERATING ACTIVITIES		9 609 749	(2 157 146)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(345 598)	(193 444)
Sale of property, plant and equipment	3	38 331	-
Purchase of other intangible assets	4	(266 379)	(368 713)
NET CASH FROM INVESTING ACTIVITIES		(573 646)	(562 157)
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in operating lease liability		31 131	292 452
Total cash movement for the year		9 067 234	(2 426 851)
Cash at the beginning of the year		20 296 843	22 723 694
TOTAL CASH AT END OF THE YEAR	6	29 364 077	20 296 843

ACCOUNTING POLICIES

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on the going-concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa No. 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2, International Financial Reporting Standards.

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment

calculation, based on the company's past history, existing market conditions and forward-looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date on which the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
IT equipment	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Security equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.

- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets, amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Average useful life
Computer software	2 years

1.5 FINANCIAL INSTRUMENTS

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).
- Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms

of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).
- Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 5).

Trade and other payables

Classification

Trade and other payables (note 7), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk.

1.6 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.7 IMPAIRMENT OF ASSETS

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.9 EMPLOYEE BENEFITS

Short term employee benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.10 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

- Provisions are not recognised for future operating losses.
- If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition, contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.
- Contingent assets and contingent liabilities are not recognised.

1.11 REVENUE FROM CONTRACTS WITH CUSTOMERS

Subscription recognition

Subscriptions are recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and value-added taxation (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with. In these financial statements, surplus is used instead of profit as the company is not profit driven, yet could generate surplus revenue over costs.

Rendering of services

Subscriptions are accounted for when services are rendered.

When the outcome of a transaction involving the rendering of services can be estimated reliably, subscriptions associated with the reference "to the stage of completion of the transaction" shall be recognised at the Statement of Financial Position date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of subscriptions can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the Statement of Financial Position date can be measured reliably;
- the costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, subscriptions shall be recognised only to the extent of the expenses recognised that are recoverable.

Finance income

Finance income comprises interest income on funds invested, dividends received and gains on day one of recognition of an external interest-free loan.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(Registration Number 2000/002577/08),
Annual Financial Statements as at 31 December 2018

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

STANDARD/ INTERPRETATION:	EFFECTIVE DATE YEARS BEGINNING ON OR AFTER:	EXPECTED IMPACT:
IFRS 9 Financial Instruments	01 Jan 2018	The impact of the standard is not material
IFRS 15 Revenue from Contracts with Customers	01 Jan 2018	The impact of the standard is not material
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 Jan 2018	The impact of the standard is not material

An entity such as a venture capital organisation, mutual fund or similar institution may elect to measure investments in associates or joint ventures at fair value through profit or loss in accordance with IFRS 9 rather than by applying the equity method. The amendment to IAS 28 Investments in Associates and Joint Ventures now specifies that the election must be made separately per associate or joint venture and at the time of initial recognition of such investment.

Further, if an entity is not an investment entity but has interests in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement of the associate or joint venture. The amendment now provides that such election must be made separately for each investment entity associate or joint venture.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2018 annual financial statements.

The amendment deals specifically with circumstances under which property must be transferred to or from investment property. The amendment now requires that a change in use of property only occurs when the property first meets, or ceases to meet, the definition of investment property and that there is evidence of a change in use. The amendment specifies that a change in management's intentions for use of the property do not, in isolation, provide evidence of a change in use.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2018 annual financial statements.

The interpretation applies to circumstances when an entity has either paid or received an amount of consideration in advance and in a foreign currency, resulting in a non-monetary asset or liability being recognised. The specific issue addressed by the interpretation is how to determine the date of the transaction for the purposes of determining the exchange rate to use on the initial recognition of the related asset, expense or income when the non-monetary asset or liability is derecognised. The interpretation specifies that the date of the transaction, for purposes of determining the exchange rate to apply, is the date on which the entity initially recognises the non-monetary asset or liability.

The effective date of the interpretation is for years beginning on or after 01 January 2018.

The company expects to adopt the interpretation for the first time in the 2018 annual financial statements.

The amendment provides a temporary exemption that permits, but does not require, insurers, under specified criteria, to apply IAS 39 Financial Instruments: Recognition and Measurement, rather than IFRS 9 Financial Instruments for annual periods beginning before 1 January 2021. The exemption is only available provided the insurer has not previously applied any version of IFRS 9 (with some exceptions) and that the activities are predominantly connected with insurance.

A further exemption has been provided from IAS 28 Investments in Associates and Joint Ventures. In terms of the exemption, an insurer is exempt from applying uniform accounting policies when applying the equity method, insofar as the IAS 39/IFRS 9 exemption is applied. Thus, the relevant accounting policies of the associate or joint venture are retained if the entity applies the IFRS9/IAS 39 exemption and the associate or joint venture does not apply the exemption, or vice versa.

The amendment further permits, but does not require, insurers to apply the "overlay approach" to designated financial assets when it first applies IFRS 9. The overlay approach requires the entity to reclassify between profit or loss and other comprehensive income, an amount which results in the profit or loss of the designated financial assets at the end of the reporting period being equal to what it would have been had IAS 39 been applied to the designated financial assets.

Additional disclosures are required as a result of the amendment.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2018 annual financial statements.

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2017 annual financial statements.

The amendment now specifies the treatment of vesting and non vesting conditions with regard to cash settled share based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity settled share based payment transactions. That is, non market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non vesting conditions are taken into consideration when determining the fair value of the share-based payment liability, both initially and subsequently.

The amendment also provides for share based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date.

The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash settled share based payment transactions to equity settled share based payment transactions. For such modifications, the equity settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash settled share-based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2017 annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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as at 31 December 2018

3. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE
FURNITURE AND FIXTURES	744 347	(388 112)	356 235	744 347	(246 373)	497 974
OFFICE EQUIPMENT	148 219	(38 089)	110 130	148 219	(8 445)	139 775
IT EQUIPMENT	359 051	(108 770)	250 281	489 551	(457 380)	32 171
TOTAL	1 251 617	(534 971)	716 646	1 382 117	(712 198)	669 920

Reconciliation of property, plant and equipment - 2018

	OPENING BALANCE	ADDITIONS	DISPOSALS	DEPRECIATION	TOTAL
FURNITURE AND FIXTURES	497 974	-	-	(141 739)	356 235
OFFICE EQUIPMENT	139 775	-	-	(29 644)	110 130
IT EQUIPMENT	32 171	345 598	(9 457)	(118 031)	250 281
TOTAL	669 920	345 598	(9 457)	(289 414)	716 646

Reconciliation of property, plant and equipment - 2017

	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
FURNITURE AND FIXTURES	604 356	35 654	(142 036)	497 974
OFFICE EQUIPMENT	20 965	132 675	(13 865)	139 775
IT EQUIPMENT	165 450	25 115	(158 394)	32 171
SECURITY EQUIPMENT	9 720	-	(9 720)	-
TOTAL	800 491	193 444	(324 015)	669 920

4. INTANGIBLE ASSETS

	2018			2017		
	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION	CARRYING VALUE
COMPUTER SOFTWARE	849 372	(610 540)	238 832	582 992	(254 080)	328 912

Reconciliation of intangible assets - 2018

	OPENING BALANCE	ADDITIONS	AMORTISATION	TOTAL
COMPUTER SOFTWARE	328 913	266 379	(356 460)	238 832

Reconciliation of intangible assets - 2017

	OPENING BALANCE	ADDITIONS	DISPOSALS	TOTAL
COMPUTER SOFTWARE	246 031	368 713	(285 833)	328 913

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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5. TRADE AND OTHER RECEIVABLES

	2018	2017
FINANCIAL INSTRUMENTS:		
TRADE RECEIVABLES	16 673	182 115
OTHER RECEIVABLES	5 904	-
NON FINANCIAL INSTRUMENTS		
VAT	264 971	-
PRE-PAYMENTS	147 205	285 053
TOTAL TRADE AND OTHER RECEIVABLES	434 753	467 168

Categorisation of trade and other receivables

TRADE AND OTHER RECEIVABLES ARE CATEGORISED AS FOLLOWS IN ACCORDANCE WITH IFRS 9: FINANCIAL INSTRUMENTS:		
AT AMORTISED COST	22 577	182 115
NON-FINANCIAL INSTRUMENTS	412 176	285 053
	434 753	467 168

6. CASH AND CASH EQUIVALENTS

	2018	2017
CASH AND CASH EQUIVALENTS CONSIST OF:		
BANK BALANCES	29 364 077	20 296 843

7. TRADE AND OTHER PAYABLES

	2018	2017
FINANCIAL INSTRUMENTS:		
TRADE PAYABLES	56 376	248 659
ACCRUED PAYROLL EXPENSES	1 035 555	-
ACCRUED LEAVE PAY	476 360	204 943
ACCRUED PERSONNEL COST	-	839 736
NON FINANCIAL INSTRUMENTS:		
AMOUNTS RECEIVED IN ADVANCE	29 240 144	19 993 516
VAT	-	10 914
	30 808 435	21 297 768

8. OPERATING LEASE ACCRUAL

	2018	2017
CURRENT LIABILITIES	(378 091)	(346 960)

9. REVENUE

	2018	2017
REVENUE FROM CONTRACTS WITH CUSTOMERS		
RENDERING OF SERVICES	25 882 291	23 938 201

Disaggregation of revenue from contracts with customers

THE COMPANY DISAGGREGATES REVENUE FROM CUSTOMERS AS FOLLOWS:

	2018	2017
RENDERING OF SERVICES		

10. OTHER OPERATING INCOME

	2018	2017
BANK SETA REBATE	13 378	-

11. OTHER OPERATING GAINS

	2018	2017
GAINS ON DISPOSALS, SCRAPPINGS AND SETTLEMENTS		
PROPERTY, PLANT AND EQUIPMENT	3	28 874

12. OPERATING LOSS

Operating loss for the year is stated after charging (crediting) the following, amongst others:

	2018	2017
AUDITORS' REMUNERATION - EXTERNAL		
AUDIT FEES	156 946	145 176
Leases		
OPERATING LEASE CHARGES		
PREMISES	1 833 803	1 972 864

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	2018	2017
DEPRECIATION AND AMORTISATION		
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	289 414	324 015
AMORTISATION OF INTANGIBLE ASSETS	356 460	285 833
TOTAL DEPRECIATION AND AMORTISATION	645 874	609 848

13. INVESTMENT INCOME

	2018	2017
Interest income:		
INVESTMENTS IN FINANCIAL ASSETS:		
BANK AND OTHER CASH	965 393	991 876

14. CASH GENERATED FROM/(USED IN) OPERATIONS

	2018	2017
LOSS BEFORE TAXATION	(550 335)	(2 295 139)
ADJUSTMENTS FOR:		
DEPRECIATION AND AMORTISATION	654 874	609 848
GAINS ON DISPOSALS, SCRAPPINGS AND SETTLEMENTS OF ASSETS AND LIABILITIES	(28 875)	-
INTEREST INCOME	(965 393)	(991 876)
CHANGES IN WORKING CAPITAL:		
TRADE AND OTHER RECEIVABLES	32 415	14 309
TRADE AND OTHER PAYABLES	9 510 669	(486 164)
	8 644 356	(3 149 022)

15. DIRECTORS' EMOLUMENTS

2018	2018	TOTAL
JF MYBURGH	184 000	184 000
TN RADITAPOLE	220 341	220 341
PA BECK	176 625	176 625
TN MSIBI	181 125	181 125
T VENTER	144 512	144 512
	906 603	906 603

2017	2018	TOTAL
JF MYBURGH	128 631	128 631
TN RADITAPOLE	102 657	102 657
PA BECK	104 676	104 676
TN MSIBI	104 676	104 676
T VENTER	89 670	89 670
C COOVADIA	-	-
	530 310	530 310

DETAILED INCOME STATEMENT

(Registration Number 2000/002577/08),
Annual Financial Statements
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FIGURES IN R	NOTE(S)	2018	2017
REVENUE			
Rendering of services		25 882 291	23 938 201
OTHER OPERATING INCOME			
Other income		13 378	-
OTHER OPERATING GAINS			
Gains on disposal of assets or settlement of liabilities		28 874	-
Expenses (refer to page 27)		(27 440 271)	(27 225 216)
Operating loss	12	(1 515 728)	(3 287 015)
Investment income	13	965 393	991 876
Loss for the year		(550 335)	(2 295 139)
OTHER OPERATING GAINS			
Amortisation		(356 460)	(285 833)
Auditors' remuneration - external auditors	12	(156 946)	(145 176)
Bank charges		(16 187)	(11 572)
Board fees		(906 603)	(530 310)
Call centre		(112 446)	(141 658)
Compensation commissioner		(74 883)	-
Computer expenses		(951 230)	(983 602)
Consulting and professional fees		(219 660)	(141 469)
Depreciation		(289 414)	(324 015)
Employee costs		(19 339 342)	(19 331 608)
Entertainment		(213 420)	(201 363)
Equipment rental and maintenance		(218 458)	(211 421)
Events		(486 540)	(322 054)
Fines and penalties		(184)	-
Gifts		(4 595)	-
Insurance		(91 747)	(100 484)
Lease rentals on operating lease		(1 833 803)	(1 972 864)
Postage		(8 320)	(4 439)
Printing and stationery		(52 580)	(41 852)
Promotions		(903 204)	(1 038 976)
Recruitment fees		(404 580)	(678 205)
Repairs and maintenance		(138 918)	(149 829)
Staff welfare		(52 669)	(35 731)
Subscriptions		(83 724)	(72 633)
Telephone and fax		(226 728)	(210 467)
Training		(297 630)	(289 655)
		(27 440 271)	(27 225 216)

TOWARDS A MORE EQUITABLE FINANCIAL SOCIETY

To be a peacekeeper one needs to fiercely protect what is right and fair. The Ombudsman for Banking Services will continue to use the expertise and resources at its disposal to be a strong, focused organisation keeping the peace within the South African banking industry.

Ensuring banking equity for South African banking customers and their banks is a cause we love fighting for. And a battle we have to win.

AUDITED FINANCIAL STATEMENTS IN COMPLIANCE WITH COMPANIES ACT 71 OF 2008

Prepared: Zelda Standing
Position: Financial Manager
Audited: Ngubane & Co (Jhb) Inc.
Position: Registered Auditors

THE ADDRESS OF THE COMPANY SECRETARY IS:

Corporate Law Services (Pty) Ltd
Business address
Central Office Park Unit 3
257 Jean Avenue
Centurion 0157

Postal address
PO Box 77550
Centurion 0046

THE ADDRESS OF THE AUDITORS IS:

Ngubane & Co (Jhb) Inc.
Registered Auditors
Director: Nomathamsanqa Ashom
Registered Auditor
Midrand

Ngubane House
1 Superior Road
Midrand
1685



ombudsman for
banking services

SOUTH AFRICA