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ombudsman for  
banking services  
SOUTH AFRICA

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# SEEKING CERTAINTY IN UNCERTAIN TIMES

We live in a world which almost daily presents us with unimagined opportunities, and unexpected challenges. New technologies are rolled out, consumer behaviours evolve, and fraudsters become ever more resourceful. When people have complaints about how their banks have treated them, especially when the sums of money involved are significant to them, emotions can run high. Set against a backdrop of widespread anxiety, and threats to a way of life we may have taken for granted, the consequences can be stressful for all concerned.

That places a premium on certainty; people like to know that there are fixed points in life which they can depend on. Our Office aims to be one such fixed point. By fulfilling this role, we can help our stakeholders and the South African banking public meet challenges with confidence, secure in the knowledge that their banking services Ombud is a dependable resource.

## SPREADING THE WORD

Of course, we can only be of assistance to banking consumers who are aware of our existence and understand how and when we can help them. We've made internal changes to help us be better at achieving these twin aims – our new communications team is engaging with more consumers than ever before, online, on social media, and face-to-face as part of our community outreach programmes. In this way, we can be sure that South Africans know who to turn to in the case of unresolved banking services disputes. Ultimately, this will help to create a society of consumers who know their rights and that the Ombud can be a recourse if needed.

We are proud to present our 2019 Annual Report which details the work of the Ombud. It provides a welcome dose of quantifiable success, and instructive case studies that contain lessons that could help avoid future disputes.

We invite all interested parties to examine the details of the past financial year's results, and to survey the data that reveals our successes and challenges.

## 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.

## SERVICE STANDARD

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

Fairness

Independence

Professionalism

Accountability

Accessibility

Timeliness

## 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:

1. The Ombudsman is appointed by an independent Board of Directors. She is not appointed by the banks.
2. The independent Board of Directors has a majority of independent, non-executive directors, unrelated to, or unconnected with, banking.
3. 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 Terms of Reference of the OBS; and
  - Liaise closely with the Ombudsman on a regular basis.
4. 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.
5. 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.



## CHAIRMAN'S REPORT

The office of the Ombudsman for Banking Services plays a pivotal role in providing free, fair and independent resolution of disputes in the banking sector. It is therefore a privilege, as Chairperson of the Board, to present the annual report for 2019.

One of the aims of our annual report is to demonstrate our commitment to transparency and accountability - two of the fundamental cornerstones of any Ombud scheme. The report presents an opportunity for our stakeholders to reflect on the work of the OBS and gives insights into the challenges faced daily by both banks and bank customers.

The report demonstrates both that the dispute resolution services of the OBS are indispensable for the many complainants who logged their complaints with the OBS, and that there is always more that can be done. Greater visibility in the media and increased consumer awareness activities will ensure that more consumers are made aware of the free service that the office provides.

During the year under review, the office received more calls than previously but opened fewer formal complaints. The dedicated team of managers and adjudicators achieved their targets and reported that only 0.8% of cases were older than 6 months, and that the average turnaround time of 40 working days was ahead of both local and international norms.

Not surprisingly, one of the constant challenges that consumers faced in 2019 was the occurrence of fraud in the internet banking and credit card spaces. As a result, the OBS continued to deal with many complaints of this nature, where consumers had lost their hard-earned money as a result of the targeted efforts of fraudsters rather than through any fault on the part of their bank.

The outcomes in these matters can make for unwelcome news for consumers and can lead to emotional responses. The Ombudsman and her staff continue to use multiple platforms to educate consumers about the potential pitfalls of online banking and how best to safeguard themselves against fraud.

The board and the office faced the challenge of potentially far-reaching changes to the structure of the organisation, culminating in the decision of the banks to withdraw their membership from the Credit Ombud and request that this office deal with credit information disputes. The office adapted with commendable speed and was able to add credit information disputes to its mandate as of September 2019.

The board and management are conscious of their role in ensuring that the OBS is equipped to deal with whatever changes and challenges are heading its way.

I take this opportunity to thank my fellow board members for another year of astute 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 would like to congratulate the Ombudsman for Banking Services, Reana Steyn, and all the members of the OBS on another successful year. Their dedication to ensuring that South African bank customers obtain the best possible outcomes is commendable. The OBS Board and I are proud of the work of this organisation and confident that they will continue to set the benchmark in this specialised and necessary field of work.



**Advocate John Myburgh SC**  
Chairman



# CEO & OMBUDSMAN'S REPORT

“There is no passion to be found in playing small – in settling for a life that is less than the one you are capable of living”

- Nelson Mandela

## Overview

People often say that each year, time seems to go by more quickly than ever. The staff at the OBS can attest to feeling the same way. While we had thought that 2018 was a year filled with challenges and new ideas, 2019 surpassed the previous year in every regard.

With minimum disruption and zero downtime, we implemented a new case management system, Respond Aptean, as referred to in our previous annual report. The new system provides improved accountability and productivity with dashboards for easy navigation. We have recently adopted exciting new functionalities which will improve our output still further, and we will report on the results next year.

We opened and closed fewer cases than the previous year, but the increased complexity of some of these complaints meant that they took much longer to resolve. The adjudication staff increasingly have to investigate matters and respond to objections to outcomes from consumers. This means an increased workload which is not necessarily reflected in our statistics.

The year ended with 9% fewer complaints opened and 13% fewer complaints closed than in 2018. These results should also be seen in light of the substantial increase in numbers of complaints over the preceding two years.

Despite an increasing number of matters which had to be escalated both internally and within the banks before resolution could be reached, we closed off the year with only one final recommendation. We made a concerted effort to mediate more matters and suggested this route in several matters. Three successful mediations were finalised. The detailed statistics for the categories of complaints and total number of complaints for each bank for 2019 will follow later in this report.

Analysing the types of complaints that kept us busy, we again must report that our major challenges stemmed from the increased complexity of the complaints relating to certain types of crime.

The top three categories of complaints each involved an element of fraud and theft committed by cyber-fraudsters. Complaints relating to service/conduct and maladministration

are still in the minority, although they definitely give cause for concern in certain instances. The issue of over-indebtedness and consequent lack of ability to pay back credit agreements, has not yet given rise to significant numbers of complaints. With the anticipated financial downturn, we expect to see an increase in these types of matters.

Our top category of complaints for a fourth consecutive year was internet banking fraud matters. We continued to receive new complaints on a daily basis from people who had been victims of fraud and it seems the end of this trend is nowhere in sight. What is encouraging is the slight decrease in the overall percentage of these complaints.

Banks and other businesses continuously work to improve their security, but more importantly, they are also re-looking at the handling of these matters in line with the TCF outcomes and the shift towards customer-centric behaviour. We are committed to increasing our awareness campaigns in 2020 to make more consumers aware of the need to protect their personal information and online banking credentials,

covering all angles such as social media, phishing emails and purported phone calls from the bank (“vishing”).

We are working with all the stakeholders in this regard to ensure that consumers retain trust in the financial system, and to positively influence change on the part of both banks and bank customers. We will also ensure that the skills of our professional staff remain current so that we can understand the nuances brought about as a result of innovations and new technology being rolled out by the banks in their product offering.

#### Stakeholders, media and outreach

The OBS is proud to report that during 2019, we did more in relation to stakeholder engagements, awareness and consumer financial education initiatives than ever before. We continued our engagements with our member organisations, regulators (in particular the Financial Services Conduct Authority), other Ombudsman schemes and the media.

The annual workshop was a highlight and delegates commented that it was “the best yet”. We held the half-day interactive seminar at Summerplace conference venue in

Sandton. Our speakers this year included Illana Meltzer, founder and lead consultant at analytics consultancy 71point4, who spoke about “Bringing wealth closer to home”; Ingrid Goodspeed, who shared her knowledge on the “Changes to the regulation of banks”; and Adv John Sympson, who spoke on the Credit Amendment Bill and relevant cases. Having recently completed a diploma in the topic, I gave an overview of what to expect from the new world of Fintech.

The OBS hosted fact-finding delegations from the Central Bank of Uganda and the Reserve Bank of India. I was very privileged to be invited to address the annual conference of the Banking Ombudsman of India in June. The discussions were very insightful and the organisation of the event a great success.

As is traditional, we honoured the banks for excellence in complaints handling, and individual bank officials for their dedication to customer service, at our annual awards function.

During 2019, the OBS was consulted regularly by the media seeking advice on a wide range of topics, in addition to the persistent thorny issue of unauthorised debit orders, as reported in previous years. Our policy of proactively publishing press releases on

topical issues led to a number of media discussions. We also provided information about our office and on how to avoid problems with internet banking and credit card fraud matters. Our media presence generated an AVE (Advertising Value Equivalent) of some R30 484 946 in 2019 – a significant increase on the 2018 figure (R18 700 222).

The OBS continues to fulfil its mandate to raise awareness of the office and to educate consumers about banking matters to the best of its ability. We created a communications department with this specific aim in mind and to increase our resources for dealing with media queries, exploring financial education outreach activities in communities. More detailed feedback is contained later in the report.

Our goal remains to do even more in the future, and despite limited resources, we believe that we have the expertise to succeed in this area.

#### INFO Network

The OBS belongs to the International Network of Financial Ombudsman Schemes (INFO Network) and is a member of the management committee.

Between 30 September and 2 October 2019, the Ombudsman

for Banking Services South Africa hosted the 12th Annual INFO Network Conference at Bakubung Bush Lodge. The Conference was attended by 92 delegates from 27 countries representing 36 financial Ombudsman schemes from all over the world. The INFO Network Conference provides a platform for delegates to share information, knowledge and experience. It allows Ombudsman schemes to benchmark themselves against current international best practice in the industry.

The INFO Network, the OBS board, stakeholders and delegates congratulated the OBS on its successful hosting of the INFO Conference. Many delegates also expressed their gratitude for the opportunity to experience the beauty, diversity and cultures of South Africa.

I wish to express my sincere gratitude for the trust that was placed in me by the international community of financial Ombud schemes and by my board. It was an honour to have been entrusted with the responsibility of hosting this auspicious event. The venue, the organisation and the standard of presentations were all excellent, and it was a privilege to learn from international colleagues.

It is necessary for Ombudsman schemes to stay informed about the issues experienced by consumers all over the world,

as well as the challenges faced by financial services providers – and how these trends impact Ombudsman schemes. The common thread that emerged in a number of the sessions, was that Ombudsman schemes need to ensure that they remain relevant by keeping up with the changes in financial services, consumer behaviour and demands.

#### The future

The worldwide panic caused by the COVID-19 virus outbreak is a stark reminder that the future is neither predictable nor certain. From a service delivery standpoint, we will continue to work on improving customer satisfaction – just as we are determined to increase the public awareness of the OBS. We are also well on our way to achieving the goal of being recognised as an employer of choice, thereby ensuring that our current workforce and skills bank (built up over many years) are retained.

We firmly believe that the OBS, with its 20 years’ experience and specialised industry and complaints knowledge, should be an exemplary Ombud scheme and at the same time, prove to our members that we add value for their customers.

The OBS, together with the other voluntary financial Ombudsman schemes, will engage with each

other, the National Treasury and the FSCA, to be ready for any changes resulting from chapter 14 of the Financial Sector Regulation Act, 2017 coming into force.

#### Tribute to board and staff

I wish to thank the board members for their continued commitment to the OBS and their support, strategic direction and guidance. Once again it would be remiss of me not to say a special thank you to the Chairman for his strategic acumen and leadership of the board during difficult times, as well as his wise counsel throughout the year.

Finally, I am truly grateful to be able to say that I work with great people who make my job much easier than it might otherwise be. Thank you to each and every OBS staff member for their hard work and commitment over this past year. I have the privilege of working with a truly excellent group of managers and it is their hard work, dedication and leadership that shine through in the results outlined in this annual report.



**Reana Steyn**  
CEO and Ombudsman  
for Banking Services

CASE

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# DEMOGRAPHICS REPORT

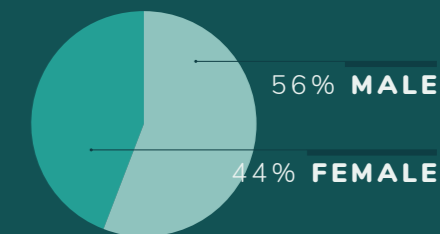
BASED ON INFORMATION THAT THE COMPLAINANT IS WILLING TO DISCLOSE

2 698 COMPLAINANTS

Top 3 complaints per age range

AGE/RANGE	MOST COMPLAINED ABOUT	2 <sup>ND</sup> MOST COMPLAINED ABOUT	3 <sup>RD</sup> MOST COMPLAINED ABOUT
<31	ATM	Internet Banking	Car Finance
31-40	Personal Loans	Internet Banking	ATM
40+	Internet banking	Credit Cards	ATM

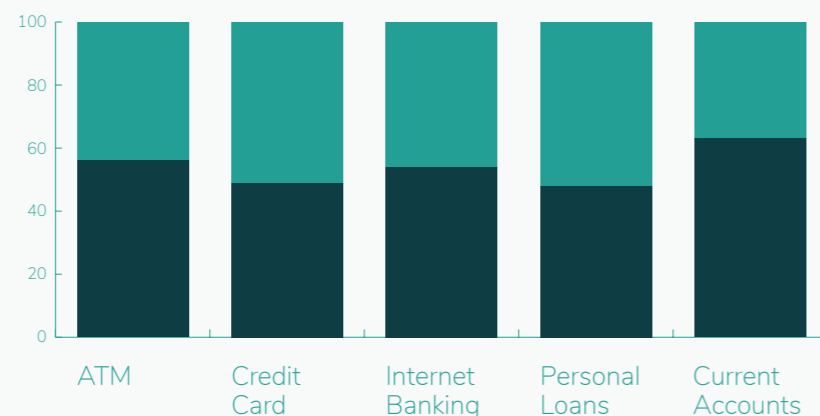
Gender breakdown



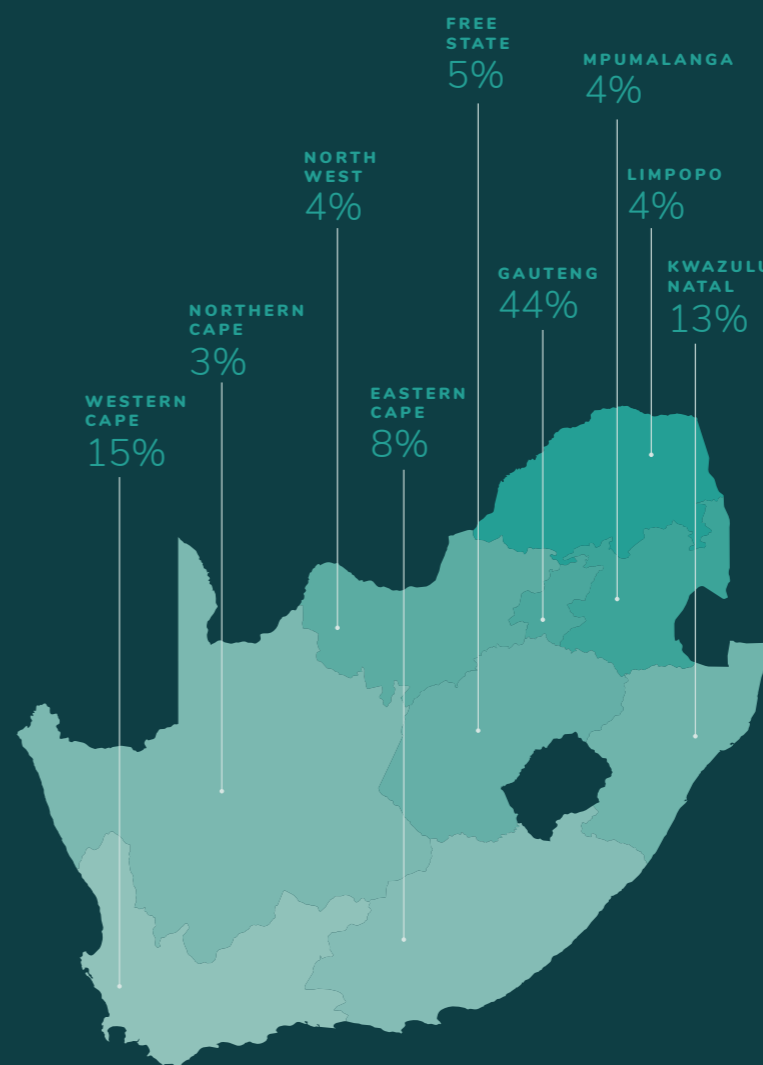
Gender breakdown per top 5 categories

FEMALE  
MALE

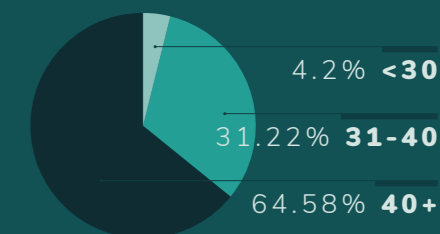
Interesting Statistic  
Most of the personal loan complaints come from single women over 40 years of age.



Complainants per province



Percentages per age group

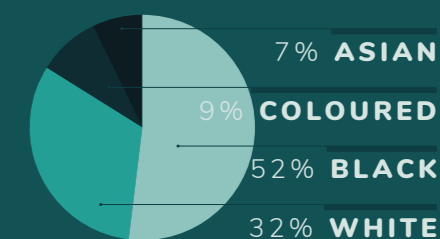


Demographic breakdown per top 5 categories

ASIAN  
COLOURED  
BLACK  
WHITE



Complainant demographics



# CASE STATISTICS

## Statistics 2019

	2017	2018	2019
Walk-in complaints	242	113	326
Referrals	7 173	6 309	4 709
Formals cases opened	7 056	7 115	6 472
Formal cases closed	6 519	7 307	6 333
Calls received by call centre	22 943	26 970	26 257

There was an increase of 188% in walk-in complainants in our office.  
Our office opened 9% fewer cases than in 2018 and closed 13% fewer cases.  
Call volumes received by the call centre were similar to the previous year.

## Total assets per bank

	2017	2018	2019
ABSA	951 216 605	1 079 045 389	1 155 041 631
First Rand	1 097 696 942	1 183 602 796	1 259 588 037
Nedbank	891 067 069	958 456 846	1 050 746 157
Standard Bank	1 245 998 556	1 291 515 216	1 402 549 148
Capitec Bank	-	98 481 689	117 049 399
Other	919 264 612	857 797 283	931 220 897

## Cases opened per bank

	2017	2018	2019
FNB	1 422	1 560	1 707
Absa	1 125	1 776	1 483
Standard Bank	1 669	1 203	1 127
Nedbank	1 393	1 265	1 094
Capitec Bank	1 225	1 001	763
African Bank	156	183	151
Bidvest Bank	14	64	91
Investec	17	15	16
Ubank	8	18	14
Mercantile	3	4	4
Discovery	-	-	4
TymeBank	-	-	3
Sasfin	3	-	3
Ithala	4	6	2
State Bank of India	-	1	2
First Rand	-	-	2
Bank of Athens	5	3	2
Finbond Mutual Bank	4	6	1
Albaraka	2	1	1
HSBC	-	-	1
HBZ	1	1	1
GBS Mutual	-	3	-
Grindrod	2	2	-
VBS	2	2	-
Citibank	-	1	-
Habib Overseas Bank Ltd	1	-	-
<b>Total</b>	<b>7 056</b>	<b>7 115</b>	<b>6 472</b>

The number of files opened in 2019 per bank is not necessarily indicative of the individual bank's complaints handling performance or performance in general, for that matter. Banks vary considerably in size, client profile and product mix and these factors all impact on the number of complaints made against a bank. Most banks saw a decline in the number of cases opened, mostly because of the efficient way in which matters were handled at the referral stage thereby negating the opening of a formal case.

Cases opened  
per category

	2017	2018	2019
Internet Banking	22%	22%	18%
Credit Cards	13%	12%	15%
ATM	18%	14%	13%
Current Accounts	10%	10%	12%
Personal Loans	10%	11%	11%
Mortgage Finance	11%	10%	8%
Car Finance	7%	8%	8%
Debit Orders	3%	3%	3%
Savings Accounts	2%	3%	3%
Credit Information Disputes	0%	0%	3%
Investment	2%	2%	2%
Overdraft	0%	1%	1%
Estates and Trusts	1%	1%	1%
Other	1%	0%	1%
Business Finance	0%	0%	1%
Insurance	0%	1%	0%
Cheques	0%	1%	0%
Cash/Cheque Scam	0%	1%	0%

Credit card fraud matters increased by 3% and current account complaints increased by 2% as a percentage of our total claims.

How cases were  
closed in 2019

	% IN FAVOUR OF BANK	NUMBER OF CASES	% IN FAVOUR OF COMPLAINANT	NUMBER OF CASES	TOTAL NUMBER OF CASES
ATM	84%	694	16%	127	821
Business Finance	79%	27	21%	7	34
Car Finance	78%	361	22%	101	462
Credit Cards	76%	690	24%	214	904
Credit Information Dispute	62%	82	38%	51	133
Current Accounts	65%	445	35%	244	689
Debit Orders	52%	98	48%	92	190
Estates & Trust	61%	35	39%	22	57
Foreign Exchange	61%	11	39%	7	18
Insurance	68%	36	32%	17	53
Internet Banking	73%	947	27%	345	1 292
Investment	70%	67	30%	29	96
Mortgage Finance	72%	351	28%	139	490
Over Counter Withdrawal	83%	10	17%	2	12
Overdraft	68%	25	32%	12	37
Personal Loans	69%	461	31%	205	666
Safety Deposit	100%	1	0%	-	1
Savings Accounts	58%	98	42%	71	169
Suretyship	89%	8	11%	1	9
<b>Grand Total 2019</b>	<b>72%</b>	<b>4 447</b>	<b>28%</b>	<b>1 686</b>	<b>6 133</b>
2018	75%	5 361	25%	1 811	7 172

This does not include cases that were closed as outside jurisdiction matters, as this method of closure cannot be seen as "in favour of complainant" or "in favour of the bank". In total we closed 200 cases as outside jurisdiction matters. Although down by 3%, the 72% closure rate in favour of banks shows the fairness with which the banks and their internal resolution departments treat complainants and their complaints.

Our office found in favour of complainants 3% more than in the previous year although this could not be contributed to a specific dispute category.

## How the 6 133 cases were resolved:

	2017	2018	2019
The complainant withdrew the case	9 (0.14%)	35 (0.49%)	29 (0.47%)
The complaint was fully upheld	1384 (21.6%)	1 309 (18.25%)	1 085 (17.7%)
Only a portion of the complaint was upheld	290 (4,5%)	327 (4.56%)	314 (5.12%)
The complaint was not upheld	4640 (72.56%)	5 328 (74.3%)	4 417 (72.01%)
No award was made, but information was provided	71 (1.1%)	173 (2.4%)	288 (4.7%)

## Period from opening to closing of files

	2017	2018	2019
Closed within 0-2 months	70,4%	55,5%	63,7%
Closed within 2-4 months	28,8%	39,8%	31,4%
Closed within 4-6 months	0,8%	4,4%	4,1%
Closed within 6-9 months	0,0%	0,3%	0,8%
Closed after 9 months	0,0%	0,0%	0,0%

## Service standard targets

	2017	2018	2019
Percentage of files closed in 4 months	99,00%	95,00%	95,00%
Percentage of files closed in 6 months	100,00%	99,70%	99,20%
Average days to closure (including weekends)	48	58	57
Average days to closure (business days)	34	41	40

## Cases closed per department

	2017	2018	2019
Case Processing (settled by bank after formal case opened)	13,00%	17,00%	14,00%
Assessments	60,00%	53,00%	52,00%
Investigation	27,00%	30,00%	34,00%

## How cases that required further investigation were finalised

	2017	2018	2019
Assessment	1 754	2 218	2 171
Formal Mediation	4	2	3
Provisional Recommendation	-	-	-
Final Recommendation	-	1	-

## How the complainant learned of the OBS

	2017	2018	2019
Word of mouth	31%	30%	43%
Through the bank	45%	39%	22%
Radio	4%	6%	13%
Television	2%	3%	4%
Newspaper	4%	4%	2%
Referred by other organisation	1%	2%	2%
Magazines	0%	1%	1%
Other	13%	15%	13%

# TREATING CUSTOMERS FAIRLY

Treating Customers Fairly (TCF) is an outcome-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 six 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:

- Customers can be confident they are dealing with firms where TCF is central to the corporate culture;
- Products and services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly;
- Customers are provided with clear information and kept appropriately informed before, during and after point of sale;

- Where advice is given, it is suitable and takes account of customer circumstances;
- Products perform as firms have led customers to expect, and service is of an acceptable standard and in line with their expectations; and
- 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 this affect consumers?

Financial firms must 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 interests of the client and the integrity of the financial services industry, which correspond with the TCF Outcomes.

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

# OUTCOMES

	CLEAR INFORMATION	CULTURE AND GOVERNANCE	DELIVERING ON EXPECTATION AND SERVICE	UNREASONABLE BARRIER TO COMPLAIN	SUITABLE ADVICE	SUITABLY DESIGNED PRODUCT OR SERVICES	GRAND TOTAL
ATM	4		553			264	821
Business Finance	21		13			1	35
Car Finance	200	1	199	15		79	494
Credit Cards	222	28	57		1	612	920
Credit Information Dispute	2		135			3	140
Current Accounts	430	4	224		3	55	716
Debit Orders	26	2	29	7		129	193
Estates & Trusts	14	1	55				70
Foreign Exchange	17		1				18
Insurance	60	2			1		63
Internet Banking	59		1 245			5	1 309
Investment	53		29		27	1	110
Mortgage Finance	271	2	164	1	2	75	515
Over Counter Withdrawal			14				14
Overdraft	25		9		1	2	37
Personal Loans	380	1	107			198	686
Safety Deposit			1				1
Savings Accounts	93	1	73		1	14	182
Suretyship	1		8				9
<b>Grand Total</b>	<b>1 878</b>	<b>42</b>	<b>2 916</b>	<b>23</b>	<b>36</b>	<b>1 438</b>	<b>6 333</b>

# CASE SUMMARIES

2019

## 01

### BANKS WILL BE LIABLE IF THEIR BOOKS DON'T BALANCE

The Complainant tried to withdraw R3 000 from a Spark ATM. However, the ATM only dispensed R1 400. The Complainant lodged a complaint at our offices as the Bank refused to refund him the R1 600 after he reported the discrepancy to the Bank.

in order to investigate whether the ATM balanced. The Bank was unfortunately unable to provide this information and therefore refunded the Complainant the R1 600 in full.

Upon investigation, our office requested the balancing sheets and the ATM journal from the Bank

#### Principle

Bank must ensure that it is able to provide evidence supporting its position.

## 02

### GESTURE OF GOODWILL

The Complainant was robbed whilst she was on holiday in France. The Complainant's cards and cell phone (which were in a bag attached securely to her waist) were stolen. The Complainant phoned her brother from the local police station to ask him to cancel the cards. While the Complainant was at the police station, fraudulent transactions took place on her account. The Complainant requested that the Bank refund the total amount of these transactions (R14 936).

that the Complainant's card and PIN were used to carry out the disputed transactions. The Bank however agreed to refund the Complainant in full as a gesture of goodwill, taking into consideration the lengths the Complainant had gone to in an attempt to mitigate her losses.

The matter was investigated by our office and it was ascertained

#### Principle

In certain instances, a Bank will compensate consumers as a gesture of goodwill. These goodwill gestures are in line with ensuring the TCF principles are central to its corporate culture.

## 03

NO CREDIT,  
NO PROBLEM

A third party entered into an instalment sale agreement with a bank customer for the purchase of a property, over which a mortgage bond was registered in favour of the bank. The Bank was in possession of the original title deed to the property.

The third party requested that the instalment sale agreement be endorsed on the title deed to the property. The Bank refused to consent to the endorsement on the basis that the decision fell within the Bank's commercial discretion and that it would impede the Bank's rights to foreclose on the property if such action became necessary.

The facts showed that a contract was concluded between the third party and the bank customer as contemplated in terms of the relevant sections of the Alienation of Land Act 68 of 1981 ("the Act") for payment of the purchase price by means of more than two instalments. No instalments could

be paid prior to the instalment sale agreement being endorsed on the title deed to the property. The third party also communicated all the relevant information to the Bank as contemplated in the Act.

The OBS found that the refusal by the Bank to consent to the endorsement of the instalment sale agreement on the title deed was contrary to the provisions of the Act. The Act provides that the owner of land and any person in possession of the owner's copy of the title deed concerned shall render all necessary assistance to enable a seller or purchaser of that land to cause a contract to be recorded in terms of the Act.

It was our recommendation that the Bank consent to the endorsement as the processes in terms of the Act did not impede the Bank's rights to foreclose on the property if needed. The Bank agreed to our recommendation, subject to certain conditions being adhered to by the third party.

## Principle

A property over which a mortgage bond is registered can be purchased in terms of an instalment sale agreement despite no mortgage finance being obtained or the purchase price being paid over immediately.

## 04

## IT WASN'T ME

The Complainant fell victim to internet banking fraud. The fraud was detected by the Bank, which proactively placed a hold on the Complainant's current account. The Bank thereafter received a call from a person purporting to be the Complainant, requesting that the hold be lifted. This was actioned by the Bank.

Subsequently the Bank once again placed a hold on the Complainant's card that was linked to the current account due to suspicious activity. The Bank then received another call from the person purporting to be the customer, and once again the same chain of events took place.

The Bank repudiated the Complainant's claim for a refund on the basis that her internet banking credentials and card details were compromised. The Bank stated that it placed

temporary holds on the Complainant's card linked to the current account and unsuccessfully attempted to contact the Complainant. The Bank advised that it released the respective holds when it received the two calls from the person who purported to be the Complainant as the Bank accepts a 75% pass rate for authentication of banking clients by means of telephone.

The customer authentication process is performed by the Bank to ensure that they are dealing with the correct customer. It was evident from the recorded calls between the fraudster and the consultant that during the consultant's engagement with the fraudster she became suspicious as to the caller's identity, prompting her to ask "Who is telling you the answers?" and "Whose account is this?".

It was our finding that the Bank had a duty to display reasonable care when verifying the identity of the caller before unblocking the account to ensure that it was allowing access to the true account holder, especially in light of the fraud hold that it had proactively placed on the account.

It was the view of our office that it cannot be considered reasonable, especially in the current fraud climate, for a banker to unblock the account purely based on the pass rate of the scripted verification process when the banker's engagement with the caller had clearly raised suspicions about the caller's true identity.

It was our finding that the Bank was in a position to mitigate the loss that was suffered by the Complainant and had failed to do so. The Bank accepted our findings in this regard and reimbursed the customer.

## Principle

In addition to being required to have a standard customer verification process in place, the current fraud climate demands that a Bank's process allows for a trained consultant to be able to assess a situation and make a judgement call.

## 05

NO PASSING  
THE BUCK

The Complainant's monthly instalment in respect of her insurance policy was deducted from her bank account by way of debit order. Her debit order was returned unpaid for two consecutive months which resulted in the policy lapsing.

The Bank advised that the debit orders were returned unpaid as there were insufficient funds in the Complainant's account and referred to the terms and conditions of the account which stipulated that there should always be a minimum balance in the Complainant's account. The Bank also confirmed that it had sent the complaint SMS notifications on each occasion that the debit order was returned unpaid and that it met with the Complainant to educate her on the functioning of her account.

A month after the two returned debit orders, the Complainant was in a car accident. She lodged a claim with the insurance company which was repudiated. The Complainant lodged a complaint with this office and alleged that her claim was repudiated because of the Bank's negligence in administering her account.

Our investigation ascertained that as per the terms and conditions of the account the Complainant agreed to maintain a minimum balance on the account and that the two debit orders for the insurance premium were returned unpaid due to insufficient funds.

The matter turned on whether, at any time prior to the lapsing of the policy, the Complainant was placed in a position to remedy the situation. As the SMS notifications and the meeting with the Bank occurred prior to the policy lapsing, the Complainant was fully aware that her premiums were not being met. The Complainant was placed in a position to rectify the situation by making the necessary arrangements to ensure that her outstanding premiums were paid. Her failure to act on this information timeously and remedy the situation by making payment resulted in her insurance claim being declined.

We had to be mindful of the fact that there were two separate agreements in place in this instance, one between the Complainant and the Bank and one between the Complainant and the insurance company. In

respect of her agreement with the insurance company, it was the Complainant's responsibility to ensure that her premiums were paid and her failure to attend to these payments constituted a breach of the agreement between the Complainant and the insurance company.

This office accordingly found that there was no basis to hold the Bank liable for the Complainant's claim being denied by the insurance company as a result of the Complainant not ensuring that there were sufficient funds in her account and/or ensuring that her premium was paid after being informed that the debit order had been returned unpaid.

### Principle

It is extremely important to familiarise yourself with the terms and conditions of your contractual relationship with your Bank. In respect of your payment obligations to third parties, it is your responsibility to ensure that these obligations are met to avoid finding yourself in a precarious position.

## 06

FAILURE TO FOLLOW  
MANDATE CAN BE COSTLY

The Complainant came to South Africa from Australia to sell his property and transfer the proceeds to his account in Australia. The Bank's failure to advise the Complainant that it required an indemnity resulted in a delay in the proceeds from the sale of his property being paid to the Complainant's account in Australia. Due to fluctuations in the exchange rate, the Complainant lost an amount of approximately A\$40 343.

The Bank responded to the Complaint and offered to pay the Complainant the amount of R50 000 as a gesture of goodwill. The Complainant rejected the Bank's offer.

Upon perusal of the documents and information provided to us by the Complainant and the Bank, it appeared that the Bank was always aware that the Complainant wanted the proceeds of the sale of the property to be transferred to his account in Australia and failed to advise the Complainant of all the requirements for the funds to be transferred.

It also appeared that the Complainant acted reasonably and diligently, taking proactive steps to ascertain from the Bank what documentation was required in order for the funds to be transferred to his Australian bank account.

The Bank only advised the Complainant that an indemnity was required at a late stage and after the Complainant had returned to Australia. This was despite the Bank being fully aware that the funds would need to be transferred to Australia from the inception of the transaction. The Bank also had ample time within which to request the indemnity from the Complainant and failed to take advantage of multiple opportunities to do this.

The delay in the funds being transferred to the Complainant's account accordingly appeared to be directly attributable to the Bank's conduct and failure to advise the Complainant correctly.

The Complainant's claim was quantifiable as the historical exchange rates were available

and this office recommended that the Bank refund the Complainant the difference in the funds the Complainant would have received and the funds he actually received. The Bank accordingly revised its offer and offered the Complainant the amount of R355 000 as compensation for the loss which he had suffered.

### Principle

The Banker/customer relationship is one of mandate. In instances where a Bank fails to act in accordance with the mandate given, it will be held liable for losses suffered.



## 07

LET FAIRNESS AND  
REASONABLENESS BE  
OUR GUIDE

The Complainant had a home loan account with the Bank and as a result of losing his job, he could no longer pay his instalments. The Bank proceeded with legal action against the Complainant and obtained judgment as well as an order authorising the sale of the Complainant's property at auction without a reserve price.

The Bank attempted to assist the Complainant to sell the property prior to the property being sold at auction and offers to purchase the property for prices of R1 200 000 and R1 300 000 were submitted. However, the offers received were not followed through as the prospective buyers could not obtain finance.

The property was ultimately sold at auction for an amount of R1 000. The outstanding balance on the home loan account at the time the property was sold was R1 037 371.

The possibility of the Bank selling a mortgaged property at a sale in execution for a price far below the outstanding amount, amount loaned, property valuation amount and/or purchase price (in this case R1 000) does not fulfil the objectives of the security provided by a mortgage bond or any constructive objective for that matter.

The Bank loses its security and the customer remains liable for a large debt which, in all likelihood, he/she will never be able to settle in his/her lifetime. This outcome is certainly not fair to either party. This issue received attention in our courts and the case law (see Absa Bank v Mokebe and related cases 2018 (6) SA 492 (GJ)) supports a view that the selling of a property for amounts such as R1 000 is unfair.

In this regard it is noted that the courts have specifically dealt with matters where the property was the customer's primary residence, as was the case here.

Our courts' views on this matter has led to the promulgation of Uniform Rule 46A, which came into effect on 22 December 2017. It is concerned with matters related to the execution against immovable property which is the primary residence of the judgment debtor. This rule results in a court being placed in a position to determine the imposition of a reserve price (below which the property cannot be sold). This would not necessarily result in the customer being left with no debt, but rather in a position resulting from a just and equitable process, and the application of the law is intended to avoid situations such as these.

In this instance, the property was declared executable prior to the promulgation of Rule 46A and that the Bank did not act contrary to the law when selling the property, this office could not, however, ignore the considerations of fairness and the subsequent developments in the law.

The following criteria is used when this office resolves disputes: the law, applicable industry codes and guidelines, good banking practice, banking practice in other jurisdictions and fairness in all circumstances. Whilst it was noted that the Bank had followed what was, at the time, the correct legal process when attaching and selling the property at auction, this office was of the view that selling the property at auction for an amount of R1 000 was neither fair nor reasonable.

Based on the principles of fairness and reasonableness, this office suggested that the Bank write off 50% of the amount outstanding on the home loan account (having a similar effect to that if the property was sold at reasonable market-related price at auction). The Bank agreed to our suggestion in this regard.

It was noted that the Complainant's desired outcome was for the Bank to write off the

full outstanding balance on the home loan account. However, this office was of the view that this would not be fair and reasonable in the circumstances as the Complainant signed and agreed to the home loan agreement and agreed to repay the Bank the amount loaned to him.

In addition, it did not appear that the property would have been sold for an amount in excess of R1 000 000. Lastly, it must also be borne in mind, as set out above, that the legal developments (that is, the requirement to have a reserve price in place) would not necessarily result in the customer being left with no debt, but rather in a position resulting from a just and equitable process. This office was of the view that the Bank's actions in writing off 50% of the outstanding balance adhered to this desired outcome.

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### Principle

Fairness and reasonableness must always be taken into account.

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## 08

IF IT SEEMS TOO  
GOOD TO BE TRUE,  
IT PROBABLY IS

The Complainants received an unexpected payment into their account. They did not know who had made the payment and contacted their Bank to ascertain this.

Despite numerous follow-ups, the Complainants' Bank was unable to advise them who had made the payment and referred them to the paying Bank. The paying Bank was also unable to assist the Complainants.

A month after the payment had been received, the paying Bank contacted the Complainants and advised them that the payment had in fact been made in error by the paying Bank itself. The paying Bank then demanded that the Complainants repay the funds. The Complainants were unable to make payment as they had by then utilised some of the funds.

Upon investigation it appears that the error was a bona fide human error on the part of the

paying Bank. The Complainants had the use and enjoyment of the funds which they were not entitled to. The Complainants were unjustifiably enriched, and the paying Bank was legally entitled to repayment of the amount in question.

This office was of the view, however, that the paying Bank should not be entitled to charge the Complainants interest and other fees in respect of the repayment of this amount. The payment was made in error and the paying Bank cannot benefit from its error. The Bank in question agreed and requested the Complainants to enter into a payment arrangement only for the repayment of the amount that was paid in error.

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### Principle

If you utilise funds that were not due and payable to you, you will be held liable for the repayment of those funds.

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## 09

## JOINTLY AND SEVERALLY LIABLE

The Complainant and her ex-husband held a joint bond account. They were divorced in 2017 and in terms of the divorce settlement her ex-husband was solely liable for the home loan account. Despite the divorce settlement agreement, her ex-husband failed to make the required payments towards the bond account and further refused to sell the property to her.

The Complainant requested that the Bank remove her from the bond or demand that her ex-husband sell the property. The Bank advised that it did not receive a substitution of debtor application in respect of the bond,

and as such, both the Complainant and her ex-husband remain jointly and severally liable for the repayment of the bond.

It had to borne in mind that the divorce settlement agreement was an agreement entered into by the Complainant and her ex-husband; it is not binding on the Bank. In order to be released from the bond payment, the party who agreed to take over full payment of the bond would need to make an application to be substituted as the sole debtor in respect of the mortgage bond. Such an application would be treated by the Bank as a new

credit application and in so doing, the Bank is required to assess that person's ability to bear the full indebtedness.

It was our finding that the Complainant and her ex-husband both remained jointly and severally liable for the repayment of the bond. Until such time as a substitution of debtor occurred, both parties would remain liable for the debt.

### Principle

After a divorce you will remain liable for a joint bond until such time as the bank approves a substitution of debtor application or the property is sold.

## FOR RICHER OR POORER

## 10

The Complainant was married in community of property and was pre-approved for a home-loan on his personal banking app. He went house hunting and subsequently signed an offer to purchase and paid for all the costs involved. His home application was subsequently declined by the Bank due to his spouse's poor credit record.

The Complainant wanted the Bank to be compelled to grant him the loan as per the pre-approval and compensation for the costs he incurred. He did not understand why his application was declined

as he had applied in his personal capacity.

The Bank advised that the information displayed on the app was merely an indication of how much he could qualify for if he applied for a home-loan; it did not constitute an offer to finance the purchase of the property. His application was subsequently declined as a result of his spouse's poor credit record.

It was our finding that the information displayed to the Complainant on the banking app did not constitute an offer

from the Bank. It was merely communicating what he qualified for should he apply. We further found that a mortgage bond would be a liability to the joint estate and as such, the Complainant's wife had to consent to this and could not be excluded from the credit assessment. The OBS could not find any maladministration on the part of the Bank.

### Principle

Spousal consent is required when entering into a credit agreement if you are married in community of property.

## 11

## WHAT IS EXPECTED OF A REASONABLE, PRUDENT BANKER?

The Complainant's handbag, containing her bank cards, was stolen. The Complainant immediately went to the nearest branch of her Bank to report the theft. She was advised by the consultant who assisted her to block her card at the ATM. The Complainant then went to the ATM and blocked her personal ATM card. Subsequently however it came to her attention that unauthorised transactions occurred on her business account. The Complainant wanted the Bank to reimburse her loss.

The Bank advised that the disputed transactions were performed using her card and PIN. The Bank further stated that the

disputed transactions occurred because she had failed to cancel all the cards which were linked to her account.

We were of the view that when the Complainant visited the branch and advised her Bank of the situation, a reasonable, prudent banker would have assisted her in the branch and would have blocked her account. The Bank essentially was in a position to mitigate the loss and failed to do so.

The OBS recommended to the Bank to refund the Complainant her full loss, which was a sum of R80 000, and the Bank agreed with our recommendation.

### Principle

A Bank will have to accept liability if it is placed in a position to mitigate the loss that is suffered by its customer and fails to do so.

# 12

## COOLING - OFF PERIOD

The Complainant approached a dealership and applied for finance to purchase a vehicle. A finance agreement was subsequently concluded between the Bank and the Complainant. Following the approval of the vehicle finance, and after signing the necessary documentation at the dealership, the Complainant left the vehicle at the dealership having advised the dealership that he would collect the vehicle the following day.

When the Complainant returned to the dealership as promised, he informed the dealer that he could not afford the instalments and wished to cancel the agreement. The Complainant was advised that it was not possible to cancel the agreement, but the Complainant could not understand why as the vehicle had not left the dealership premises.

The Bank advised that they granted credit in line with the NCA. The cooling-off period was not applicable as the agreement was signed at the principal place of business of the Bank. The Complainant would therefore be bound by the finance agreement.

The OBS found that the Bank had already paid the dealer the purchase price. The finance agreement between the Complainant and the Bank was a binding document and any cancellation had to be in line with the terms of the contract. Cooling-off periods allows for cancellation of an agreement if it is not signed at the principal place of business. As the premises of the dealership is considered as the Bank's principal place of business, it was our finding that the cooling-off period was not applicable. There was no legal basis to cancel the agreement which had been validly concluded.

### Principle

Ensure that you understand the terms and conditions of any agreement before signing.

# 13

## IT IS NOT THAT EASY TO WALK AWAY

The Complainant had a vehicle finance account with the Bank, and the vehicle was hijacked before the account was settled. Since the vehicle was insured, the insurer instructed the Bank to deregister the vehicle before the account was settled. Before the insurer paid out the outstanding balance, the deregistered vehicle was recovered and taken in for repairs as it had been damaged by the hijackers. The insurer did not pay out the customer's claim; instead, it subsequently instructed the Bank to re-register the vehicle. The Complainant lodged a complaint with the Short-Term

Insurance Ombudsman and a finding was made in the insurer's favour.

The Complainant then lodged a claim against the Bank at our offices and insisted that the deregistration of the vehicle was tantamount to termination of the instalment contract, and thus stopped paying her monthly instalments. Ultimately, she wanted the outstanding balance to be written off.

The OBS found that the Bank did not unilaterally deregister the vehicle but acted upon instruction from the Complainant's insurer.

The Complainant was advised that having ceded her right in terms of the insurance claim to the Bank, the Bank was within its rights to act upon the insurer's instruction. The deregistration did not terminate the instalment contract and she remained liable to the Bank until the account was paid in full.

### Principle

You cannot be relieved of your obligations under a credit agreement based on a technicality.

# 14

## NO! THOSE AREN'T THE RULES OF THE GAME

The Complainant obtained vehicle finance from the Bank and also took out disability cover for the debt, which was duly recorded in the Instalment Sale Agreement. In January 2019 the Complainant was declared permanently disabled and the Bank was informed.

However, the Complainant's disability claim was not processed and thus the account was not settled. The Bank continued to

debit the Complainant's monthly instalments from his current account over a period of 6 months (from January 2019 to July 2019).

The OBS found that since the risk insured against had materialised, the Bank should have stopped deducting instalments from the Complainant's account in January 2019 when he was declared permanently disabled and settled the vehicle finance account using the policy pay-out.

The OBS found further that the Bank should refund the Complainant all instalments paid after he was declared permanently disabled.

### Principle

Banks must ensure that they play by the rules and play fair.

CONSUMER  
AWARENESS,  
COMMUNICATIONS  
& PUBLIC  
RELATIONS

# CONSUMER AWARENESS

Consumer awareness continues to be integral to the OBS' strategic goals.

Common themes in complaints received by our office were:

1. Lack of information;
2. Misunderstanding contractual terms connected to bank products and services; and
3. Over-indebtedness.

These three pain-points provided our team with a clear guide to the needs of consumers and where our focus should lie, in terms of delivering consumer awareness. We also focused on online banking fraud, which was one of the most

complained-about categories. In our presentations and awareness activities, emphasis was placed on the 'rules of engagement' to be followed when transacting online, and the recommended security measures and potential fraud risks associated with the different banking channels.

Budgeting and affordability when searching for and opening new bank accounts was also a frequent theme. We directed consumers to available resources like published bank fee schedules and bank statements. We also encouraged bank consumers to familiarise themselves with the Code of Banking Practice in order to help

them understand the general expectations from Banks, and some of the Banks' promises to its customers.

We engaged with almost 8 000 consumers through workshops and exhibitions during the year. The conversations we had with consumers stressed the need for an impartial adjudication service in the industry and we saw a spike in the number of complaints received after each engagement. The workshops were also opportunities to demonstrate how to lodge complaints with the OBS, including on the website.

On the public relations front, our endeavours to increase consumer awareness continued. We were the subject of, or featured in, some 205 print articles and 208 online features, as well as conducting 83 radio interviews and 28 broadcast television appearances.

The OBS achieved an Advertising Value Equivalency (AVE) in 2019 of R30 484 946 compared to R18 700 222 in 2018, a 63% increase, year on year.

We are expanding our networks with the public and private sectors and during the year in review this provided us with engagement opportunities and participation in campaigns and employee wellness initiatives.

Our Facebook page has shown growth in activity, where bite-sized informative messages are posted to prompt conversations. In some instances, new complaints were facilitated via social media.

### Improving our skill set

As an organisation we do not only focus outwards, on the awareness of consumers about banking matters. We believe that the organisation itself must be both fit for purpose and futureproof, in order to meet its consumer awareness responsibilities. As such, the Ombudsman, together with the Custodian for Consumer Awareness, participated in the

global Organisation for Economic Cooperation and Development (OECD) conference about financial education.

An external training course on coaching best practice was attended by the OBS communications team in order to ensure the effectiveness of our education initiatives and empower consumers to make informed decisions about their banking matters.

Our plans for the future entail even more engagements and a more focused approach. We are excited about engaging with consumers and promoting our dispute resolution services.



# CSI PROJECTS

## Mandela Day Initiative

Mandela Day is a global initiative that encourages people to try and transform the world and create a positive impact where they can. The Mandela Day campaign message is: "Nelson Mandela fought for social justice for 67 years". "We would be honoured if such a day can serve to bring together people around the world to fight poverty and promote peace, reconciliation and cultural diversity".

Every OBS staff member was allocated 67 minutes to give to their community or an initiative of their choice. Our intention is for this to become a lifestyle and not just a once-off activity.

Some staff members seized the opportunity with both hands and shared with us how they spent their 67 minutes (or more). Ronel and her girls donated pet food to the SPCA and spent a wonderful time with the animals. They struggled to limit their time to 67 minutes and will be going back every weekend to give more love.

Valerie, Uzile, Irene, Frans and Tumelo visited Door of Hope in Berea, Johannesburg. Door of Hope is a faith-based organisation that strives to reflect Jesus' heart, and be His hands and feet to destitute and abandoned children. Their strong desire is to save

abandoned children and help them to not only survive but to thrive. The OBS donated funds to buy much-needed items for this worthwhile cause.

Charne was awarded with a certificate for dedicating up to 24 hours of her time to Wollies Dogs or Cats. Cylvia generously donated bags of clothes, shoes and handbags. She feels that "we can change the world and make it a better place. It's in our hands to make a difference!"

For the last 3 years, Shelley has personally been giving and raising donations for the National Freedom Network. This NGO is dedicated to rescuing men, women and children from human trafficking. When they are rescued, they have nothing. The OBS staff decided to donate money towards toiletries for the rescued women. Anyone interested in making a difference can connect with the OBS to learn more and assist. Please also visit the NFN website.

Tamaren has been contributing towards a fundraiser for Rimon Botha, a 5-year-old girl who was diagnosed with Burkitt's Lymphoma (a form of leukaemia) and who urgently needs a bone marrow transplant.

Our hope is that Nelson Mandela Day will inspire all of us to help even more worthy causes in the future.



# OBS ANNUAL AWARDS

During a gala dinner in November 2019, the Ombudsman for Banking Services recognised banks and individual bank staff members for excellence in terms of co-operation with the Ombudsman's office in resolving bank customer disputes.



"In as much as the OBS functions as an independent non-profit organisation (NPO), and the banks recognise the authority of The Ombudsman for Banking Services, the work that this office does cannot be fully accomplished without the co-operation of all the banks involved," commented Reana Steyn, the Ombudsman for Banking Services.

**Standard Bank** was named as the Category A winner for 2019, ahead of FNB, Nedbank, Absa Bank and Capitec. They also won the Engagement Award, which is awarded to the bank which best collaborated with the

Ombudsman's office. This was in recognition of their training initiatives and other ongoing engagements, which led to less time being spent by our office on investigations and more rapid turnaround times for our cases.

The Category B winner for 2019 was **African Bank**, which was judged to be the leading small bank in this regard. The winning banks in each category had demonstrated their commitment to providing high quality and timeous responses to complainants, as well as their adherence to the 'Treating Customers Fairly' principles.

The Innovation Award went to

**Absa Bank** for having introduced innovations (technical advances or improved business or liability models) which led to an improved customer experience and therefore fewer complaints and fewer cases in our office.

The two winners of the individual bank staff member awards were **Karen Jonker** (Absa Bank) and **Rachel Grunstein** (Bidvest Bank). Individual staff members were assessed on their knowledge of their bank's products, services and processes; the promptness and efficiency of their responses; and their contribution to enhancing or improving their bank's internal complaints handling procedures.

# OUR PEOPLE

With the assistance of the newly appointed Human Resources (HR) manager, we began 2019 by identifying the nine pillars that underpin our HR strategy and by taking strategic decisions to determine our focus areas for the year.

At the same time, we realised that we must remain flexible as this is one area which has to rapidly respond to changing needs within the business environment. One of the OBS's strategic goals is to be an employer of choice. A number of HR initiatives were aimed at achieving this result.

The OBS also continuously strives to align with industry best-

practice, hence our participation in the annual PWC salary benchmarking process. We submitted all our remuneration data in order to be part of PWC's online salary and wage movement survey. This process allowed us to ensure that our remuneration is in line with prevailing market salaries and that it assists with organisational and structural design decision-making.

We completed, submitted and obtained approval of our WSP (Workplace Skills Plan) and the ATR (Annual Training Plan) with the Bank SETA. We were also able to successfully reaffirm our B-BBEE status.



## Staff changes

Applying sound recruitment principles, we appointed one new HR manager, two new adjudicators, and had five internal changes of position. We only had one resignation during 2019. Due to improved efficiency of our new case management system (Respond), one administrator position became redundant, and the team member in question opted for voluntary retrenchment.

With a view to transforming and improving our operational efficiency, an organisational restructure allowed for the opening of an EE role for a Communications Manager. The marketing and PR functions were allocated to the Brand Ambassador with a new support role created for corporate services co-ordinator to ensure the success of this department.

Following due process, Kwanda Vabaza, one of our senior adjudicators, was appointed to the position of Communications Manager. Kwanda had always shown a keen interest in assisting with public relations. With his legal and complaints background, his interactions with the media will add value to the OBS brand and strengthen the messages we are sharing with consumers.

We also aim to empower people and are proud to see the benefits of one such succession plan - from cleaner to call centre agent. The staff member in question, Mpho Sejabeng, is excelling in her new role and was recognised for taking the most calls over a three-month period.

With the movement of support staff to the Communications Department, we had a vacancy for the PA to the Ombudsman, which was filled internally by our previous receptionist, Valerie Dladla, effective from January 2020.

The subsequent reorganisation of our reception function created an opportunity to give back to the youth of our community and provide skills development training. We provided a black higher education student with the opportunity to gain practical work experience. She worked under contract in the role of receptionist gaining meaningful work experience and a credible reference.

## Organisational development

Two staff engagements in the form of climate surveys were conducted in February

and November. Both surveys documented the outcomes for feedback to all staff. In the spirit of transparency and living our new values, the reports were emailed to all staff, with HR and the management team being available for comments.

Our induction and onboarding programmes were re-designed to improve the onboarding of new employees.

To further our people development, we conducted an organisational training initiative in collaboration with Retrain, a training provider. This focused on harnessing the team's individual and collective potential, understanding individual traits and needs, and self- and mutual understanding with a view to improving team cohesiveness and productivity. Individual feedback sessions were held, followed by interactive group training and departmental coaching sessions.

We felt it was time to move forward and renegotiate and establish a new set of values that will continue to uphold the heart and mandate of the OBS. Our team chose the five core values of, excellence, growth, integrity, ownership and passion.

Excellence

Growth

Integrity

Ownership

Passion

We look forward to shifting mindsets and building a positive organisational culture around these values.

In addition, we conducted two wellness training sessions, facilitated by Momentum. Our key speaker provided valuable insights on financial stewardship, managing a daily/monthly budget, Pension Fund management, and market updates on medical aid products.

During October, we received notification of a site visit from the Department of Labour. The key objective was to ensure that the OBS could provide clear evidence of compliance with the Basic Conditions of the Employment Act. This included an inspection of attendance records, proof of OBS insurance, CIPRO registration and more. They also had two unscheduled interviews with staff members of their choice. We are pleased to report that they were very satisfied with our status and compliance.

Also, in October, a training session was held for all staff, with the focus on new and updated policies. This included our Transformation and Diversity Policy, Annual Leave Cycle, Leave

Accumulation, Paternity Leave and Long Service Awards Policies. We also updated our Maternity Leave Policy, with the revised policy due to come into effect from January 2020. We had one staff member going on maternity leave in December and another in January 2020.


Ronel Van Der Merwe continues to conduct internal Law Update Training on a regular basis for all adjudicators. Selected adjudicators and managers have attended seminars and conferences throughout the year to ensure continuous professional development, the acquiring of new skills and remaining current within our industry. Kwanda and Uzile from the Communications Department attended an accredited training programme to increase their facilitation and presentation skills and make their awareness and educational talks and campaigns even more effective.

At our annual awards evening, long-service awards were presented to Irene Moloi (15 years) and Tumelo Babusi (5 years). The prestigious title of Employee of the Year was bestowed on Gerrit Van Der Merwe.


Finally, we committed to maintaining a skeleton staff for an extended period during our standard year-end shutdown, in support of all stakeholders. This proved to be a fruitful decision.

In conclusion, we can look back on a highly successful year which once again highlighted the importance and value of our people as we strive to be an employer of choice.






**RONEL VAN DER MERWE**  
Manager: Case Processing and Legal Training



**NQOBILE NGWENYA**  
Administrator: Case Processing



**TUMELO BABUSI**  
Administrator: Case Processing




**CHARNE WILLEMSE**  
Administrator: Case Processing



**NEROSHA MASETI**  
Manager: Investigations

# CASE PROCESSING INVESTIGATIONS




**LISBETH MOKHACHANE**  
Team Leader: Case Processing



**SIYABONGA LEDWABA**  
Adjudicator: Investigations



**FRANS MAJA**  
Adjudicator: Investigations



**JOHAN BROUWER**  
Adjudicator: Investigations



**KWANDA VABAZA**  
Manager: Communications

# COMMUNICATIONS

Absent  
**DHIRISHKA MAHARAJH-RAMNARAYAN**  
Adjudicator: Investigations



**GERRIT VAN DER MERWE**  
Adjudicator: Investigations



**KARIN VAN ROOYEN**  
Corporate Services Coordinator



**UZILE GUGUSHE**  
Brand Ambassador



**SHELLEY-ANNE MCMASTER**  
Manager: HR, Learning and Development

# HR



**ZELDA STANDING**  
Financial Manager

# FINANCIAL MANAGER



**CYLVIA TLADI**  
Team Leader: Call Centre



**KWANDA VABAZA**  
Manager: Call Centre



**EDRICH BUYTENDORP**  
Manager: Assessments



**EMMANUEL KWAKYE-AGYKUM**  
Adjudicator: Assessments

# CALL CENTRE

# ASSESSMENTS



**MPHO SEJABENG**  
Call Centre Agent



**BOITUMELO MPITSANG**  
Call Centre Agent



Absent

**ALISON DE BRUIN**  
Adjudicator: Assessments

**MANISHKA MOODLEY**  
Adjudicator: Assessments



**TAMAREN TEN OEVER**  
Adjudicator: Assessments



**BARRY HLABANGANA**  
Call Centre Agent



**REANA STEYN**  
CEO and Ombudsman

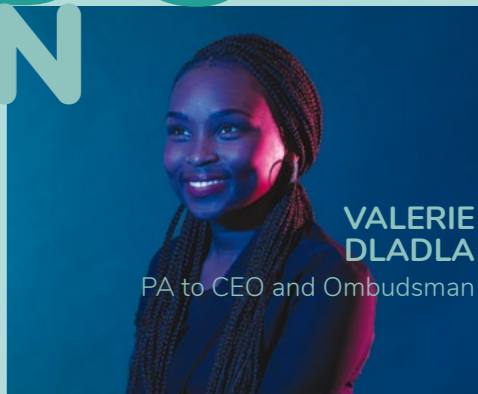
# OMBUDSMAN



**IRENE MOLOI**  
Office Cleaner



**BOTSHELO RAPODILE**  
Receptionist



**VALERIE DLADLA**  
PA to CEO and Ombudsman

THEMBELIHLE  
MSIBI



PENELOPE  
BECK



WENDY  
KNOWLER



FELINA  
FERNANDEZ



DORIS  
TSEPE



MARGUERITE  
JACOBS



ADV JOHN  
MYBURGH SC  
Chairman



Absent

CAS COOVADIA  
DARREN BEYERS

## DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa No. 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies supported by reasonable and prudent judgements and estimates. Before 2019 the annual financial statements were prepared in accordance with International Financial Reporting Standard.

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 of

directors 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, 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 directors have reviewed the company's cash flow forecast for the year to 31 December 2020 and, in the light of this review and the current financial position, they are satisfied that the company has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 59 - 61.

The annual financial statements set out on pages 63 - 77, which have been prepared on the going concern basis, were approved by the board of directors on 11 March 2020 and were signed on its behalf by:

Advocate JF Myburgh SC

TN Msibi

# 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 2019.

## 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 Standard for Small and Medium sized Entities and the requirements of the Companies Act of South Africa No. 71 of 2008. This complete set of financial statements is the Ombudsman for Banking Services' first financial statements that conform to the International Financial Reporting Standard for Small and Medium sized Entities

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

## 3. Directors

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

DIRECTORS	NATIONALITY	CHANGES
Advocate JF Myburgh SC	South African	
TN Raditapole	South African	Resigned 12 June 2019
PA Beck	South African	
TN Msibi	South African	
T Venter	South African	Resigned 12 June 2019
FA Fernandez	South African	
C Coovadia	South African	
M Jacobs	South African	
WL Knowler	South African	Appointed 12 June 2019
DLJ Tshepe	South African	Appointed 12 June 2019
DC Beyers	South African	Appointed 01 January 2019

## 4. Directors' interests in contracts

During the financial year, no contracts were entered into 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. Tax exemption

The company is a Public Benefit Organisation as set out in section 30(3) of the Income Tax Act No. 58 of 1962. In terms of Section 10(1)(cN) of the Income Tax Act, receipts and accruals of any Public Benefit Organisation approved by the Commissioner in terms of Section 30(3) of the Act are exempt from income tax.

## 8. Auditors

Ngubane and Company (Johannesburg) Incorporated

continued in office as auditors for the company for 2019.

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 Nomathamsanqa Ashom as the designated lead audit partner for the 2020 financial year.

## 9. 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 2019

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 December 2019 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 the  
Ombudsman for Banking  
Services South Africa for  
the year ended  
31 December 2019

## Opinion

We have audited the financial statements of Ombudsman for Banking Services South Africa set out on pages 63 - 77, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ombudsman for Banking Services as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for SMEs and the requirements of the Companies Act 71 of 2008 of South Africa.

## Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) (IRBA Code (Revised January 2018)), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (IRBA Code (Revised November 2018)) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Code

(Revised January 2018), the IRBA Code (Revised November 2018) and in accordance with other ethical requirements applicable to performing audits in South Africa. Sections 290 and 291 of the IRBA Code (Revised January 2018) are consistent with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. Parts 1 and 3 of the IRBA Code (Revised November 2018) are consistent with parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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. The 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 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 financial statements in accordance with the International Financial Reporting Standards for SMEs and the requirements of the Companies Act of South Africa, 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 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Audit tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane and Company (Jhb) Inc. has been the auditor of Ombudsman for Banking Services South Africa for 2 years.

Ngubane & Co (Jhb) Inc.

### Registered Auditors

Director: Nomathamsanqa Ashom  
Registered Auditor  
17 March 2020  
Midrand

# ANNUAL FINANCIAL STATEMENTS

Registration number: 2000/002577/08  
Annual Financial Statements for the year ended 31 December 2019

# FINANCIALS

Registration number: 2000/002577/08  
Annual Financial Statements for the year ended 31 December 2019

## Statement of Financial Position as at 31 December 2019

FIGURES IN RAND	NOTE(S)	2019	2018
<b>Assets</b>			
Non Current Assets			
Property, plant and equipment	2	734 651	716 646
Intangible assets	3	27 748	238 832
		<b>762 399</b>	<b>955 478</b>
Current Assets			
Loans to employees	4	1 000	-
Trade and other receivables	5	756 332	434 753
Cash and cash equivalents	6	29 160 783	29 364 077
		<b>29 918 115</b>	<b>29 798 830</b>
<b>Total Assets</b>		<b>30 680 514</b>	<b>30 754 308</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		2 374 771	(432 218)
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables	7	27 441 313	30 332 075
Operating lease liability	8	291 208	378 091
Provisions	9	573 222	476 360
		<b>28 305 743</b>	<b>31 186 526</b>
<b>Total Equity and Liabilities</b>		<b>30 680 514</b>	<b>30 754 308</b>



## Statement of Profit or Loss and Other Comprehensive Income

FIGURES IN RAND	NOTE(S)	2019	2018
Revenue	10	29 708 648	25 882 291
Other income	11	1 515 376	42 252
Operating expenses		(30 244 462)	(27 440 271)
<b>Operating profit (loss)</b>	<b>12</b>	<b>979 562</b>	<b>(1 515 728)</b>
Investment revenue	13	1 298 294	965 393
Finance costs		(1 167)	-
<b>Profit (loss) for the year</b>		<b>2 276 689</b>	<b>(550 335)</b>
Other comprehensive income		-	-
<b>Total comprehensive income (loss) for the year</b>		<b>2 276 689</b>	<b>(550 335)</b>

## Statement of Changes in Equity

FIGURES IN RAND	RETAINED INCOME	TOTAL EQUITY
Opening balance as previously reported	133 247	133 247
Adjustments		
Prior period error	(15 130)	(15 130)
<b>Balance at 01 January 2018 as restated</b>	<b>118 117</b>	<b>118 117</b>
Loss for the year	(550 335)	(550 335)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(550 335)</b>	<b>(550 335)</b>
Opening balance as previously reported	432 218	432 218
Adjustments		
Prior period error	(42 865)	(42 865)
Prior year adjustments	573 165	573 165
<b>Balance at 01 January 2019 as restated</b>	<b>98 082</b>	<b>98 082</b>
Profit for the year	2 276 689	2 276 689
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>2 276 689</b>	<b>2 276 689</b>
<b>Balance at 31 December 2019</b>	<b>2 374 771</b>	<b>2 374 771</b>

## Statement of Cash Flows

FIGURES IN RAND	NOTE(S)	2019	2018
<b>Cash flows from operating activities</b>			
Cash receipts from customers		30 902 445	25 828 842
Cash paid to suppliers and employees		(32 346 340)	(17 153 355)
Cash (used in) generated from operations	16	(1 443 895)	8 675 487
Interest income		1 298 294	965 393
Finance costs		(1 167)	-
<b>Net cash from operating activities</b>		<b>(146 768)</b>	<b>9 640 880</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(75 146)	(345 598)
Sale of property, plant and equipment	2	19 620	38 331
Purchase of other intangible assets	3	-	(266 379)
<b>Net cash from investing activities</b>		<b>(55 526)</b>	<b>(573 646)</b>
<b>Cash flows from financing activities</b>			
Movement in loans to employees		(1 000)	-
<b>Total cash movement for the year</b>		<b>(203 294)</b>	<b>9 067 234</b>
Cash at the beginning of the year		29 364 077	20 296 843
<b>Total cash at end of the year</b>	<b>6</b>	<b>29 160 783</b>	<b>29 364 077</b>

# ACCOUNTING POLICIES

## 1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium sized Entities, and the Companies Act of South Africa No. 71 of 2008. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These financial statements are presented in South African Rands and all financial figures have been rounded to the nearest rand.

The company decided to convert its reporting standard from IFRS to IFRS for SME's. Please refer to note 18 First time adoption of the International Financial Reporting Standard for Small and Medium sized Entities.

### 1.1 Significant judgements and sources of estimation uncertainty

#### Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

#### Key sources of estimation uncertainty

##### Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date.

##### Impairment testing

The company reviews and tests the carrying value of property, plant and equipment, investment property on the cost model and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

##### Fair value estimation

Several assets and liabilities of the company are measured at fair value.

The valuation process requires management to always first consider whether there is a quoted price in an active market for an identical or similar asset. If no such quoted price exists, then the fair value is determined by reference to a recent binding sale agreement or a recent transaction for an identical or similar asset.

The recent binding sale agreement or transaction is only applied where it is between knowledgeable willing parties in an arms length transaction and where there has not been a significant change in economic circumstances or significant time lapse between the date of such agreement or transaction and the measurement date. Where there have been significant changes in economic circumstances, then the price is adjusted to determine fair value. If there is no quoted price and there have been no recent binding sale agreements or recent transactions for the identical or similar assets, then management will determine fair value by applying appropriate valuation techniques. Observable market data is used as inputs to the extent that it is available.

### 1.2 Property, plant and equipment

Property, plant and equipment 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 period.

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 costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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 period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years

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

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

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.

### 1.3 Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance.

Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2 years

In cases where management is unable to make a reliable estimate of the useful life of an intangible asset, its best estimate is applied, limited to 10 years.

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate.

### 1.4 Financial instruments

#### Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at

the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

#### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the

payments are not on that basis, or

- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

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

#### 1.6 Impairment of assets

The company assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

#### 1.7 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 leave pay 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.

#### 1.8 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

#### 1.9 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Interest is recognised, in profit or loss, using the effective interest rate method.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 2. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated Depreciation	Carrying value	Cost or revaluation	Accumulated Depreciation	Carrying value
Furniture and Fixtures	913 144	(585 348)	327 796	744 347	(388 112)	356 235
Office equipment	91 658	(46 342)	45 316	148 219	(38 089)	110 130
IT equipment	770 485	(408 946)	361 539	359 051	(108 770)	250 281
	<b>1 775 287</b>	<b>(1 040 636)</b>	<b>734 651</b>	<b>1 251 617</b>	<b>(534 971)</b>	<b>716 646</b>

#### Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Re-Assessments	Prior Period Error Movement	Depreciation	Closing balance
Furniture and fixtures	356 235	23 014	-	161 915	(11 789)	(201 579)	327 796
Office equipment	110 130	-	-	27 714	(70 085)	(22 443)	45 316
IT equipment	250 281	52 132	(30 077)	383 537	15 987	(310 321)	361 539
	<b>716 646</b>	<b>75 146</b>	<b>(30 077)</b>	<b>573 166</b>	<b>(65 887)</b>	<b>(534 343)</b>	<b>734 651</b>

#### Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	497 974	-	-	(141 739)	356 235
Office equipment	139 774	-	-	(29 644)	110 130
IT equipment	32 171	345 598	(9 457)	(118 031)	250 281
	<b>669 919</b>	<b>345 598</b>	<b>(9 457)</b>	<b>(289 414)</b>	<b>716 646</b>

### 3. Intangible assets

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	266 380	(238 632)	27 748	849 372	(610 540)	238 832

#### Reconciliation of intangible assets – 2019

	Opening balance	Prior Period Error Movement	Amortisation	Total
Computer software	238 832	23 021	(234 105)	27 748

#### Reconciliation of intangible assets – 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	328 913	266 379	(356 460)	238 832

## Material intangible assets

	2019		2018	
	Carrying Amount	Remaining amortisation period	Carrying Amount	Remaining amortisation period
Base server with software	27 748	3 months	160 938	15 months

## 4. Loans to employees

	2019	2018
<b>Loans to directors, managers and employees</b>		
Advances	7 169	-
Repayments	(6 169)	-
	<b>1000</b>	<b>-</b>

The loan is interest free with a fixed repayment amount of R500 per month.

## 5. Trade and other receivables

	2019	2018
Trade receivables	-	16 673
Prepayments	158 215	147 205
VAT	598 117	264 971
Other receivable	-	5 904
	<b>756 332</b>	<b>434 753</b>

## 6. Cash and cash equivalents

	2019	2018
Cash and cash equivalents consist of:		
Bank balances	29 160 783	29 364 077

## 7. Trade and other payables

	2019	2018
Trade payables	55 500	56 376
Amounts received in advance	27 385 813	29 240 144
Refund Liability	-	1 035 555
	<b>27 441 313</b>	<b>30 332 075</b>

## 8. Operating lease accrual

The company entered into a 5 year lease arrangement as a lessee for the office building starting from the 1st of April 2016 and ending on the 31st of March 2021.

The company does not have the option to purchase the office building on completion of the lease term.

The premises shall only be used for the purpose of administrative offices and purposed ancillary thereto and for no other purpose whatsoever.

An annual escalation rate of 9% is applicable.

The total of future minimum lease payments are set out as follows:

- not later than one year : R225 871
- later than one year and not later than five years : R65 338
- later than five years: R0

Lease payments to the amount of R1 993 081 has been recognised as an expense.

## 9. Provisions

## Reconciliation of provisions – 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	476 360	587 043	(227 287)	(262 894)	573 222

The measurement of the leave pay provision is driven by a vesting obligation where employees are entitled to cash payment for unused leave entitled upon leaving the entity. The amount of the obligation will therefore be equal to the number of unused leave multiplied by the relevant employee's gross salary at the reporting date.

Due to the nature of the leave pay provision, the amount and timing of the outflow is uncertain.

## 10. Revenue

	2019	2018
Membership fees	29 708 648	25 882 291

## 11. Other income

	2019	2018
Profit on sale of property, plant and equipment	-	28 874
INFO 2019	1 477 765	-
Bank SETA rebate, eBucks & Juta Law	37 611	13 378
	<b>1 515 376</b>	<b>42 252</b>

## 12. Operating profit (loss)

Operating profit (loss) for the year is stated after accounting for the following:

	2019	2018
<b>Operating lease charges</b>		
Premises		
• Contractual amounts	1 993 081	1 833 803
Property, plant and equipment	(10 457)	28 874
Amortisation on intangible assets	234 107	356 460
Depreciation on property, plant and equipment	534 343	289 414
Employee costs	20 787 251	19 339 342

## 13. Investment revenue

	2019	2018
<b>Interest revenue</b>		
Bank	1 298 294	965 393

## 14. Prior period errors

During the current financial year, the Ombudsman for Banking Services conducted a reconciliation between the physical assets of Property, plant and equipment and the fixed asset register. The following discrepancies were identified:

- \* Incorrect classification of assets which resulted in incorrect depreciation rates applied.
- \* Depreciation calculation errors.
- \* Unable to trace assets from the fixed asset register to the floor.

The correction of the errors results in adjustments as follows:

	2019	2018
<b>Statement of Financial Position</b>		
Property, plant and equipment	(42 865)	-
Opening retained earnings	42 865	-

## 15. Prior year adjustments

During the reconciliation between the physical assets of property, plant and equipment and the fixed asset register, as discussed in note 14, there were assets identified on the floor, but could not be traced to the fixed asset register.

The condition of all the assets have been assessed and a new depreciated replacement cost have been assigned to each asset.

The effects of the reclassification are as follows:

	2019	2018
<b>Statement of Financial Position</b>		
Property, plant and equipment	573 165	-
Opening retained earnings	(573 165)	-

## 16. Cash (used in) generated from operations

	2019	2018
Profit (loss) before taxation	2 276 689	(550 335)
Adjustments for:		
Depreciation and amortisation	768 450	645 874
Loss (profit) on sale of assets	10 457	(28 874)
Loss on foreign exchange	11 324	-
Interest received	(1 298 294)	(965 393)
Finance costs	1 167	-
Movements in operating lease assets and accruals	(86 883)	31 131
Movements in provisions	96 862	271 417
Changes in working capital:		
Trade and other receivables	(332 903)	32 415
Trade and other payables	(2 890 764)	9 239 252
	<b>(1 443 895)</b>	<b>8 675 487</b>

## 17. Auditor's remuneration

	2019	2018
Fees	150 247	156 946

## 18. First time adoption of the International Financial Reporting Standards for Small and Medium-sized Entities.

The company has applied the International Financial Reporting Standard for Small and Medium-sized Entities, for the first time for the 2019 year end. On principle this standard has been applied retrospectively and the 2018 comparatives contained in these annual financial statements does not differ from those published in the annual financial statements for the year ended 31 December 2018. No adjustments needed to be made to the opening comparative statement of financial position.

The date of transition was 01 January 2018.

## 19. Directors' remuneration

FIGURES IN RAND	Other benefits*	Directors' fees	Total
<b>EXECUTIVE</b>			
<b>2019</b>			
Advocate JF Myburgh SC	-	241 040	241 040
TN Raditapole	-	58 421	58 421
PA Beck	-	136 162	136 162
TN Msibi	-	152 382	152 382
T Venter	-	68 081	68 081
WL Knowler	37 608	87 401	125 009
DLJ Tshepe	-	51 061	51 061
	<b>37 608</b>	<b>794 548</b>	<b>832 156</b>
<b>2018</b>			
Advocate JF Myburgh SC		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
		<b>906 603</b>	<b>906 603</b>

\* Other benefits comprise travel allowance and other income.

## 20. Categories of financial instruments

Figures in Rand	Note(s)	Debt instruments at amortised cost	Financial liabilities at amortised cost	Leases	Equity and non financial assets and liabilities	Total
<b>CATEGORIES OF FINANCIAL INSTRUMENTS 2019</b>						
<b>Assets</b>						
<b>Non Current Assets</b>						
Property, plant and equipment	2	-	-	-	734 651	734 651
Intangible assets	3	-	-	-	27 748	27 748
		-	-	-	<b>762 399</b>	<b>762 399</b>
<b>Current Assets</b>						
Loans to directors, managers and employees	4	1 000	-	-	-	1 000
Trade and other receivables	5	-	-	-	756 332	756 332
Cash and cash equivalents	6	29 160 783	-	-	-	29 160 783
		<b>29 161 783</b>	-	-	<b>756 332</b>	<b>29 918 115</b>
<b>Total Assets</b>		<b>29 161 783</b>	-	-	<b>1 518 731</b>	<b>30 680 514</b>
<b>Equity and Liabilities</b>						
<b>Equity</b>						
Equity Attributable to Equity Holders of Parent:						
Accumulated profit		-	-	-	2 374 771	2 374 771
<b>Total Equity</b>		-	-	-	<b>2 374 771</b>	<b>2 374 771</b>
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Operating lease liability	8	-	-	291 208	-	291 208
Trade and other payables	7	-	54 827 128	(27 385 813)	-	27 441 315
Provisions	9	-	-	-	573 222	573 222
			<b>54 827 128</b>	<b>(27 094 605)</b>	<b>573 222</b>	<b>28 305 745</b>
<b>Total Liabilities</b>			<b>54 827 128</b>	<b>(27 094 605)</b>	<b>573 222</b>	<b>28 305 745</b>
<b>Total Equity and Liabilities</b>			<b>54 827 128</b>	<b>(27 094 605)</b>	<b>2 947 993</b>	<b>30 680 516</b>

## Detailed Income Statement

FIGURES IN RAND	NOTE(S)	2019	2018
<b>Revenue</b>			
Rendering of services		29 708 648	25 882 291
<b>Other income</b>			
INFO 2019		1 477 765	-
Other income		37 611	13 378
Gains on disposal of assets		-	28 874
		<b>1 515 376</b>	<b>42 252</b>
<b>Expenses (Refer to page 77)</b>		<b>(30 244 462)</b>	<b>(27 440 271)</b>
<b>Operating profit (loss)</b>	12	<b>979 562</b>	<b>(1 515 728)</b>
Investment income		1 298 294	965 393
Finance costs		(1 167)	-
		<b>1 297 127</b>	<b>965 393</b>
<b>Profit (loss) for the year</b>		<b>2 276 689</b>	<b>(550 335)</b>

## Detailed Income Statement

FIGURES IN RAND	NOTE(S)	2019	2018
<b>Operating expenses</b>			
Auditors remuneration	17	(150 247)	(156 946)
Bank charges		(14 583)	(16 187)
Board fees		(819 821)	(906 603)
Call centre		(92 060)	(112 446)
Compensation commissioner		(18 983)	(74 883)
Computer expenses		(1 121 712)	(951 230)
Consulting and professional fees		(65 106)	(219 660)
Depreciation, amortisation and impairments		(768 450)	(645 874)
Employee costs		(20 787 251)	(19 339 342)
Entertainment and Travel		(168 397)	(213 420)
Equipment rental and maintenance		(148 781)	(218 458)
Events		(527 505)	(486 540)
Fines and penalties		(35 388)	(184)
Gifts		(23 576)	(4 595)
INFO 2019		(1 428 031)	-
Insurance		(72 696)	(91 747)
Postage		(6 217)	(8 320)
Printing and stationery		(55 273)	(52 580)
Profit and loss on exchange differences		(11 324)	-
Profit and loss on sale of assets and liabilities		(10 457)	-
Promotions		(884 084)	(903 204)
Recruitment fees		(185 225)	(404 580)
Rent Expense		(1 993 081)	(1 833 803)
Repairs and maintenance		(133 879)	(138 918)
Staff welfare		(50 456)	(52 669)
Subscriptions		(80 585)	(83 724)
Telephone and fax		(231 546)	(226 728)
Training		(359 748)	(297 630)
		<b>(30 244 462)</b>	<b>(27 440 271)</b>

# TIMELESS VALUES AND ENDURING COMMITMENT

The way we live and bank is currently under unprecedented stress. More than ever, consumers are relying upon online means to transact and engage with Banks. There are benefits to a more digital approach: cost-savings for the Banks, and more efficient, customised service for their consumers – especially at a time when reduced interpersonal contact has become the new normal. There is a danger though that some consumers may be left behind by these changes and may not know how to use the new technology. This could increase their risk of falling victim to fraud.

In what has become an unfamiliar world, we hold true to the values that have earned us the trust of both the Banks and consumers: fairness, impartiality, independence and transparency. All else may change, but our commitment to upholding these values won't.

## CONTACT DETAILS

### Ombudsman for Banking Services

Banking Ombudsman Call Centre	0860 800 900
Centralised Complaints Helpline [Sharecall]	0860 662 837
Telephone	011 712 1800
Fax	011 483 3212
Email	info@obssa.co.za
Website	www.obssa.co.za
Media Enquiries	media@obssa.co.za

Registered Office and Physical Address	Ombudsman for Banking Services Ground Floor 34 Fricker Road Illovo Johannesburg 2198
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Postal Address	P.O. Box 87056 Houghton Johannesburg 2041
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### Company Secretary - Corporate Law Services

Physical Address	Central Office Park No. 4 257 Jean Avenue Centurion 0157
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Postal Address	P.O. Box 7750 Centurion 0046
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### Auditors – Ngubane & Co (Jhb) Inc.

Physical Address	Ngubane House 1 Superior Road Midrand 1685
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### Audited Financial Statements in compliance with the Companies Act 71 of 2008

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





**ombudsman for  
banking services**

SOUTH AFRICA