



BANK SUPERVISION DIVISION

Consultative Document

CONSUMER PROTECTION PRUDENTIAL STANDARDS

Issued for comments by 31 July 2016

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July 2016

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1 SECTION A: PRELIMINARY

1.1 Title

Consumer Protection Prudential Standards.

1.2 Authorisation

1.2.1 These Prudential Standards are issued in terms of section 4C of the Banking Act [*Chapter 24:20*].

1.3 Definitions

1.3.1 For purposes of these Prudential Standards the following words or phrases shall have meanings indicated below.

“authorised agent” means an entity that provides financial services on behalf of a regulated entity.

“consumer/customer”, in respect of any particular goods or services, means—

- (a) a person to whom those particular goods or services are marketed in the ordinary course of the supplier’s business;
- (b) a person who has entered into a transaction with a supplier in the ordinary course of the supplier’s business; and
- (c) if the context so requires or permits, a user of those particular goods or a recipient or beneficiary of those particular services, irrespective of whether that user, recipient or beneficiary was a party to a transaction concerning the supply of those particular goods or services.

“cooling off period” means the period of time, during which a consumer can cancel their contract without penalty.

“dormant account” means an account on which no customer initiated activity has occurred for a period pre-determined by the banking institution in

accordance with the rules relating to the specific type of account and which contain monies that have not been claimed.

“regulated entity” means **banking** and non-banking financial institutions that are regulated by the Reserve Bank of Zimbabwe.

1.4 **Scope of Application**

1.4.1 These Prudential Standards shall apply to all banking and non-bank financial institutions that are regulated by the Reserve Bank of Zimbabwe and their agents. Wherever the term ‘banking institution’ is used in these Prudential Standards, it shall be read to include, as may be applicable, non-bank financial institutions that are regulated by the Reserve Bank. The Prudential Standards shall apply also to the activities of any third party engaged by the regulated entities for outsourced activities.

1.5 **Objectives**

1.5.1 The objectives of these Prudential Standards are to:-

- (a) capture best practice in consumer protection and promote consumer rights by setting up minimum standards for regulated entities in achieving consumer protection;
- (b) increase public awareness of financial services and products, promote greater transparency and minimize information asymmetry between consumers and regulated entities and facilitate hence ensuring that consumers are enabled to make informed decisions;
- (c) ensure availability of consumer redress and development of formal or informal robust grievance redress mechanisms for handling customer grievances that are fair, expeditious, inexpensive and accessible;
- (d) ensure that interests of both consumers and regulated entities are

protected; and

(e) foster customer confidence and trust in the banking sector.

1.6 **Rationale for Consumer Protection**

- 1.6.1 The ever-increasing complexity and diversity of the range of products and services offered by financial institutions, and the increasing transfer of opportunities and risks to consumers call for enhanced protection of consumers of financial services.
- 1.6.2 Financial market development, innovation and misaligned incentives for financial services providers increase the risk that consumers may face fraud, abuse and misconduct. In particular, low-income and less experienced consumers often face particular challenges in the market place.
- 1.6.3 Consumer protection empowers consumers with information and basic rights, provides an important source of market discipline to the financial services sector, and fosters competition by encouraging regulated entities to offer better products and services rather than taking advantage of poorly informed consumers.
- 1.6.4 The existence of a sound financial consumer protection framework is fundamental to increasing access to and usage and quality of financial services, along with supporting further banking sector deepening. Financial consumer protection is a necessary precursor to building trust in the formal banking sector and thus in encouraging financial inclusion. Further, consumer protection helps ensure that expanded access benefits consumers and the economy as a whole.
- 1.6.5 Adopting good practises on consumer protection will positively influence the financial services sector as this is consistent with the Reserve Bank's overall

objective of promoting and maintaining efficient financial markets and financial stability.

1.6.6 It is against this background, which is also guided by international best practice that the Reserve Bank, is issuing these Prudential Standards on Consumer Protection to enhance consumer protection in the banking sector.

1.6.7 A sound financial consumer protection regime needs to be complemented with prudential regulation and supervision and a stable macroeconomic environment. Prudential requirements are intended to ensure that the financial system remains sound and stable, while the financial promises made by financial institutions are met. Proper supervisory oversight and adequate resources are therefore essential to ensure adherence to these Standards.

1.7 **General Consumer Protection Principles**

Equitable and Fair Treatment of Customers

1.7.1 Regulated entities should treat all customers equitably, honestly and fairly at all stages of their relationship with the institutions. Special attention should be dedicated to the needs of vulnerable groups.

Disclosure and Transparency

1.7.2 Regulated entities and their authorised agents should set out and explain clearly the key features, risks and terms of the products, fees, commissions or charges

applicable. All promotional material should be accurate, honest, understandable and not misleading.

Financial Education and Awareness

- 1.7.3 Regulated entities should promote financial education and awareness and help existing and future customers to develop and deepen the knowledge, skills and confidence appropriately to understand financial risks.

Responsible Business Conduct of Institutions and Authorized Agents

- 1.7.4 Regulated entities and their authorized agents should work in the best interest of their customers and avoid conflict of interest.

Protection of Customer Assets against Fraud and Misuse

- 1.7.5 Regulated entities should have in place relevant information, control and protection mechanisms to protect customers' financial assets against fraud, misappropriation or other misuses.

Protection of Consumer Data and Privacy

- 1.7.6 Regulated entities should have in place appropriate control and protection mechanisms to protect customers' financial and personal information. Such mechanisms should define the purposes for which the data may be collected, processed, held, used and disclosed.

Complaints Handling and Redress

- 1.7.7 Regulated entities should provide customers with reasonable channels to submit claims, make complaints and seek redress that are accessible, fair, accountable, timely and efficient.

2 SECTION B: OBLIGATIONS OF REGULATED ENTITIES

2.1 Fair Business Practices and Fair Dealing

- 2.1.1 A regulated entity should conduct its business and interact with customers in a manner that will boost customer confidence.
- 2.1.2 A regulated entity should be honest and have integrity in its dealings with customers.
- 2.1.3 A regulated entity should not engage in misrepresentation, in deceptive advertising and pricing, in improper trade practices or in oppressive or unconscionable acts or practices.

2.2 Provision of Information & Advice

- 2.2.1 Prior to a customer choosing a product or service, a regulated entity should:
- a) explain clearly in simple and ordinary language which the consumer understands, the key features of the range of products and services that the consumer is interested in so as to enable the consumer to arrive at an informed decision about the products and services.
 - b) inform the customer of all charges, fees penalties and any other financial liability or obligation which would be incurred arising from accessing the product or service; and
 - c) request the customer to provide, where applicable, all the information

needed to verify whether or not the consumer is eligible for the product or service.

2.2.2 Where a customer has chosen a product or service, a regulated entity should, before the customer buys the product or service give the customer a copy of the document which contains the terms and conditions of the agreement.

2.3 **Account Opening**

2.3.1 Before opening an account, a regulated entity should advise the customer of rights and obligations relating to that account. This will include informing the customer about:

- (a) the type of account and how and by whom the account may be operated;
- (b) how funds may be deposited or withdrawn from the account;
- (c) the usual time taken for clearing a cheque or a payment instrument credited to the account;
- (d) any minimum balance requirements and the charges payable if the balance falls below the prescribed minimum;
- (e) any rights of set-off claimed by the regulated entity;
- (f) the requirements for closing the account; and
- (g) how the regulated entity will deal with an account if it becomes dormant and has any unclaimed balance in it.

2.3.2 The customer will be required to provide a regulated entity with the relevant identification and verification documents in terms of applicable KYC requirements.

2.3.3 The regulated entity may also require updated identification and verification documentation on a regular basis, including when there is a change in circumstances (e.g. change of name upon marriage, change of residential

address, or change in company, or any other change that may require notification of the regulated entity).

2.3.4 The level of information gathered should be commensurate with the nature and complexity of the product or service being sought by the customer, but must be to a level that allows the regulated entity to provide a professional service and must include details of the customer.

2.4 **Account Closing**

2.4.1 The regulated entity should assist customers to close accounts they no longer require.

2.4.2 A regulated entity is prohibited from closing a customer's account without giving reasonable prior notice at the customer's last contact details.

2.4.3 A regulated entity however reserves the right to protect its interests in its discretion, which might include closing a customer's account without notice:

(a) if compelled to do so by law;

(b) if the account has not operated for a significant period of time; or

(c) if there is reason to believe that the account is being used for any illegal purposes.

2.4.4 A regulated entity should inform customers about the implications of abandoning an account (not using it) as opposed to closing it. For instance, there may be unclaimed balances with associated fees, balances may have to be written off and the customer will need to be advised of the reclaim process.

2.5 **Statements of account**

2.5.1 To assist the customer in managing its accounts, and verify entries on it, a regulated entity must provide a customer with regular account statements,

including through electronic banking terminals or other means of electronic or telephone banking if these have been registered with the regulated entity.

2.5.2 The statement of account should include the following information:-

- (a) opening balance;
- (b) all withdrawals;
- (c) all interest credited;
- (d) all charges;
- (e) the closing balance; and
- (f) details of the interest rate(s) applied to the account during the period covered by the statement.

2.6 **Business Conditions**

2.6.1 A regulated entity should make full disclosure to a prospective customer of a financial service or product that includes both its advantages and disadvantages.

2.6.2 A regulated entity should provide up to date terms and conditions for products and services to new customers or at the request of existing customers, through the channels available from the regulated entity and in accordance with the customer's preference.

2.6.3 A regulated entity should communicate any changes in terms and conditions at least 30 days in advance of any such changes being implemented. All terms and conditions shall be written in clear and understandable language, in a manner

that is not misleading and provided to the customer in a language that the consumer understands.

- 2.6.4 A regulated entity should ensure that its customer contracts contain provisions that are fair, just and reasonable, and that they are not designed in a way that benefits the regulated entity and penalise the customer.
- 2.6.5 A customer may at any time prior to the agreed maturity date prepay, in whole or in part, the unpaid balance of any loan and other credit accommodation, subject to such reasonable terms and conditions as may be agreed upon between the regulated entity and its consumer. The terms and conditions of the contract must be clear on the circumstances under which a prepayment can be done and the methodology for calculating the penalty and the justification thereof. In the absence of specific terms and conditions on prepayment in the contract, a regulated entity is not entitled to charge a prepayment penalty.
- 2.6.6 A regulated entity should not misrepresent the meaning or consequence of contract provisions, and shall allow a customer the opportunity to have a copy of the contract prior to signing in order to obtain independent advice.

Interest Rates, Fees & Charges...

- 2.6.7 Banking institutions should disclose interest rates, fees and charges to their customers as follows:
- a) Upon opening a new account for a person, a banking institution will be required to provide the person in writing with a written statement of:
 - i. all its charges for maintaining the account and allowing the person access to the funds in the account;

- ii. the interest it will pay on the funds in the account, and the interest the person will have to pay on any overdraft; and
- iii. such other particulars as may be prescribed by the Registrar.

2.6.8 Where a banking institution extends credit to a borrower, it shall disclose to the borrower in writing:

- a) the interest charged and the manner in which it is to be calculated;
- b) any applicable fee or other charge and the manner in which it was calculated;
- c) every term or condition applicable to the credit, clearly identifying the obligations of the borrower; and
- d) such other conditions as may be prescribed or as the Registrar may specify.

2.6.9 During the period of a credit agreement, the banking institution shall send or make available to the borrower and the guarantor (if applicable), a statement of account in written or electronic form, not later than the end of the month following each six months period showing, the capital and interest amount of principal and interest, during the six months period, payments received as capital and interest, the annual rate of interest.

2.6.10 Where the banking institution issues a credit or debit card, to a person, it shall disclose his rights and obligations under the card pertaining the credit limit authorised under the card and the amount of indebtedness outstanding at any time, the period for which each statement is issued, any charges and interest,

balance outstanding for any period, charges to be levied in the event of a default and the manner in which charges are calculated.

- 2.6.11 Before changing terms and conditions, a banking institution is required to give the account holder, borrower or cardholder at least 30 days written notice of the expected change and the aforementioned are required to be given 14 days written notice of the changes. The banking institution shall not raise any charges for any such information.
- 2.6.12 Regulated entities should charge interest rates to borrowers computed on reducing balance basis, based on the outstanding loan balance.
- 2.6.13 Regulated entities should ensure that they comply with in-duplum rule. The rule provides that **the total amount of unpaid interest on a loan or credit transaction may accrue only to an amount equal to the outstanding capital sum, and that all arrear interest ceases to run when that interest has reached the outstanding capital amount.**
- 2.6.14 Thus where sums are claimed for moneys loaned and advanced, the capital component and the interest component should be clearly distinguished, so that the rule can be properly applied.
- 2.6.15 Regulated entities should therefore note that despite any provision of the common law or a credit agreement to the contrary, the amounts contemplated under the *in duplum* rule that accrue during the time that a consumer is in default under the credit agreement may not, in aggregate, exceed the unpaid balance of

the principal debt under that credit agreement as at the time that the default occurs.

2.6.16 The amounts referred to include initiation fees, service fees, interest, the cost of any credit insurance, default administration charges and collection costs (charges).

Display of information...

2.6.17 A regulated entity should enable the customer to obtain desired information at a quick glance, at all its branches and through any promotional materials or other communication channels it uses.

2.6.18 Every banking institution at all times, should display information as provided for in the Banking Act [Chapter 24:20], in a conspicuous place in every building in Zimbabwe in which it carries on such business.

2.6.19 At least every six months, a banking institution shall cause to be published, in a newspaper circulating in each area in which the institution carries on banking business, a notice setting out the interest rates offered by the institution on deposits and loans, and the terms and conditions under which it accepts deposits and makes loans.

2.7 **Fair and responsible marketing**

- 2.7.1 A regulated entity should market its products in a fair and responsible manner by means of truthful and accurate communication which would serve to educate the customer about a financial service or product.
- 2.7.2 A regulated entity should not prey upon the vulnerabilities inherent in segments of customers and shall ensure that its targeted marketing is not aimed at putting anyone in an untenable position of debt or loss.
- 2.7.3 A regulated entity may use its main channels (branches, website, automated teller machines, telephone banking, account statements) as well as use public media channels (audio, visual and print, etc.) for the marketing of its products and services using promotional methods and marketing as it deems appropriate for the target segment.
- 2.7.4 A regulated entity should ensure that the design, presentation and content of all advertising and promotional materials are fair, clear and not misleading or deceptive. The information should be written in simple language and with a minimum font size of 11 which is easily readable, including footnotes.
- 2.7.5 A regulated entity should ensure that an advertisement does not seek to influence a customer's attitude to the advertised product or service or the institution either by ambiguity, exaggeration or omission.
- 2.7.6 Without limiting the generality of the above provisions, a regulated entity must ensure that an advertisement is not misleading in particular in relation to:
- a) the regulated entity's ability to provide the advertised product or service;
 - b) the scale of the regulated entity's activities;
 - c) the extent of the resources of the regulated entity;
 - d) the scarcity of the advertised product or service; and
 - e) past performance or possible future performance of the advertised product

or service.

- 2.7.7 A regulated entity must ensure that an advertisement that promotes more than one product sets out clearly the key information relating to each product in such a way that a consumer can distinguish between the products. Further, comparisons or contrasts should be based either on facts verified by the institution, or on reasonable assumptions stated within the advertisement.
- 2.7.8 A regulated entity must ensure that an advertisement only describes a product or service as free where the product or service in its entirety is available free of charge to the consumer.
- 2.7.9 Where a regulated entity advertises or promotes any product or service, it should include the name and logo of the regulated entity and the regulated entity's contact details.
- 2.7.10 The Reserve Bank will compel a regulated entity that does not comply with the conditions set forth in these Prudential Standards to immediately withdraw the advertisement.
- 2.7.11 Regulated entities are legally responsible for all statements made in their advertising and sales materials and will be subject to applicable penalties under the law for making any false or misleading statements.

2.8 **Plain Language**

- 2.8.1 A regulated entity should draft documents that:
 - (a) serve to inform customers in making a decision;
 - (b) serve to inform customer about the customer's rights and obligations; or
 - (c) are intended to bind him legally, in plain language that accurately and clearly describes the financial service or product and that communicates unambiguously the respective rights and responsibilities of the regulated

entity and the customer.

2.8.2 The documents described above should contain provisions that are pertinent to the financial service or product or the respective rights and responsibilities of the regulated entity and the customer and not extraneous material that render them voluminous, overwhelming, confusing and impractical or impossible to read.

2.9 Debt Collection Procedure

2.9.1 A regulated entity, authorised agent or third party may not employ unethical, unfair or abusive debt collection practices against a customer. Further, a regulated entity may not give a false statement or give false credit information to others.

2.9.2 A regulated entity should inform a customer when the loan becomes subject to its debt collection procedures.

2.9.3 A debt collector acting on behalf of a regulated entity should not contact a third party with respect to a customer who is in default without informing the third party of-

- (a) the debt collector's right to do so; and
- (b) the type of information that the debt collector seeks.

2.9.4 Where a law allows the sale or transfer of a debt without obtaining the debtor's consent, a regulated entity should -

- (a) notify the customer in writing prior to the sale or transfer;
- (b) inform the customer that he/she remains obligated on the debt; and
- (c) provide the customer with adequate information relating to the purchaser, the purchaser's contact information, where payment may be made and

the consequences of non-payment.

2.9.5 When a regulated entity realises collateral on a debt, it shall remit to the customer surplus after settling the debt and shall not levy exorbitant charges.

2.10 **Protect Customers Privacy**

2.10.1 A regulated entity should protect customers' data and maintain the confidentiality of the data, including when it is held by a third party. This entails using its customers' information only for the purpose that the customer conveyed that information and should safeguard that information.

2.10.2 A regulated entity should not use its customer's information for its own business use, except with the Customer's express written consent. A regulated entity should ensure that the personal information of customers can be accessed and used by authorised employees only. This is to ensure that access to customer financial and/or personal information is for authorised employees only, whether on the job or after they have ceased working with the regulated entity.

2.10.3 A regulated entity should have sufficient procedures, system controls and checks and employee awareness to protect consumer information and to identify and resolve any causes of information security breaches, where they may occur in the future.

2.10.4 Customer information submitted to the Credit or Collateral Registry should be submitted in terms of the parameters stipulated in the laws governing the Credit or Collateral Registry.

2.11 Avoid Conflicts of Interest

- 2.11.1 A regulated entity should avoid conflict of interest with its customer or between its employees and its customer.
- 2.11.2 Conflict of interest may arise when different financial services or products carry different fees and the regulated entity, its agent or employees portray the ones with the highest fees as the most appropriate to the customer's needs.
- 2.11.3 Conflicts of interest may arise when a person marketing or selling financial services or products earn commissions and endeavour to sell those that carry the highest commission without disclosing that fact.
- 2.11.4 A regulated entity should always disclose and provide information to the customer about conflicts or potential conflicts of interest.

2.12 Accountability to Customers

- 2.12.1 A regulated entity should be accountable to its customers and shall treat its customers in a professional manner.
- 2.12.2 A regulated entity should respond to customers' queries within a reasonable time.
- 2.12.3 A regulated entity should train its employees adequately in customer care.

2.13 Customer Records

- 2.13.1 A regulated entity should maintain up-to-date records in respect of each customer which should contain the following at a minimum:
 - (a) a copy of all documents required to identify the customer and provide the customer's profile;

- (b) the customer's address, telephone number and all other customer contact details;
- (c) any information or document in connection with the customer that has been prepared in compliance with any statute, regulation or code of conduct;
- (d) details of all products and services provided by the regulated entity to the customer;
- (e) all documents and applications of the regulated entity completed, signed and submitted to the regulated entity by the customer;
- (f) a copy of all original documents submitted by the customer in support of an application by the customer for the provision of a product or service by the regulated entity; and
- (g) any other relevant information concerning the customer.

2.14 **Bank Cards, Credit Cards and Point of Sale (POS)**

- 2.14.1 A regulated entity should ensure that cards are issued and delivered to the consumer named on the card, or to an authorised person.
- 2.14.2 A regulated entity should not issue a credit card or increase a credit card limit except upon the written request of the customer.
- 2.14.3 The issuing entity is responsible for any fraudulent transactions (transfer of credit card information) without the knowledge of the card holder, whether made before or after the cardholder informs the banking institution, except in

cases which the financial services provider proves the cardholder's responsibility for these transactions.

2.14.4 A regulated entity should take special care to ensure that certain merchants and shops do not impose additional fees on the amount of the transaction where a consumer uses their credit card.

2.15 **Electronic Banking**

2.15.1 A regulated entity should ensure that when it is connected to a payment gateway or offers electronic access to financial services or products, the regulated entity should:

- (a) impose a PIN entry as a security measure for validation of the transaction;
- (b) provide a customer initiating an electronic payment instruction with a prompt of the payment instruction with the beneficiary and/or the beneficiary's account number clearly indicated, requesting its confirmation; and
- (c) provide confirmation of the transfer after the customer confirms the payment instruction.

Internet, Mobile Banking and ATM Banking Services

- 2.15.2 A regulated entity should take appropriate measures to ensure that all online banking channels are safe and secure. A customer should be compensated for any direct losses incurred as a result of poor security controls for these channels.
- 2.15.3 A regulated entity should provide a toll free number to help customers to easily report suspicious or unusual transactions or unauthorised access to their data or accounts.
- 2.15.4 A regulated entity should inform customer of all transactions on their accounts as they happen, by sending a free SMS.
- 2.15.5 A regulated entity providing internet and mobile banking should have in place a security program that ensures:
- (a) data privacy, confidentiality and data integrity;
 - (b) authentication, identification of counterparties and access control;
 - (c) non-repudiation of transactions;
 - (d) a business continuity plan; and
 - (e) the provision of sufficient notice when services are not available.
- 2.15.6 Where a person opens a mobile bank account, a regulated entity should electronically link the mobile bank account number with the customer PIN.
- 2.15.7 Regulated entities should put in place effective risk management and internal control systems on their mobile banking agencies.
- 2.15.8 A regulated entity should ensure that there are clear rules on the procedures for error resolution and fraud.

2.16 Avoid Consumer Over-indebtedness

- 2.16.1 Before agreeing to grant a loan or any other type of finance facilities for a customer, a regulated entity should assess the status of the customer's credit

rating and ensure their ability to repay the loan amount based on the customer's current situation. Activities of the regulated entity should not lead to over-indebtedness.

2.17 **Cooling Off Period**

2.17.1 Every consumer should be given a cooling-off period of at least 3-5 business days following the signing of any agreement between the regulated entity and the consumer for financial products or services with a long-term savings component, for example mortgages, or those subject to high pressure sales¹ contracts.

2.17.2 Every consumer should be given a cooling-off period of at least 3-5 business days following the signing of any agreement between the regulated entity and the consumer for financial products or services with a long-term savings component, such as mortgages, or those subject to high-pressure sales contracts.

2.17.3 Within this cooling off period, the consumer should be permitted to cancel or treat the agreement as null and void without penalty to the consumer.

¹High pressure sale refers to a sale transaction where psychological pressure is applied (by appealing to someone's fears, greed, or vanity) to persuade a prospective customer to make a quick purchase decision, thereby preventing the customer from careful consideration of the entire transaction or offering.

2.18 **Conditional Sales**

2.18.1 A regulated entity should not require a customer who buys one product or service to buy another product or service from a specified provider.

2.18.2 Where the provision of a product or service by a regulated entity to a customer requires additional but ancillary products or services from other providers, customer should be allowed to exercise his free will.

2.18.3 However, the above requirement does not preclude a regulated entity from offering linked products where the provider is the same institution providing each of these linked products (e.g. making it a condition of a salary loan that the customer has a current or savings account with that same provider).

2.19 **Reliability of Banking Channels**

2.19.1 A regulated entity should ensure that the institution's channels used to provide services to consumers are available most of the time. The institution's channels must be closely monitored to ensure that they are functioning and are not used for illegal activities.

2.20 **Deposit Insurance Scheme**

2.20.1 A regulated entity should disclose to its customers whether or not their deposits are insured. On account opening or upon enquiry, a regulated entity should disclose the following information about the deposit insurance scheme:

- i. the insurer and contact details;
- ii. the classes of deposits which are insured;
- iii. the extent of insurance coverage;
- iv. the holder of all funds for payout purposes; and
- v. the event that will trigger a payout from this fund.

3 SECTION C: RIGHTS & OBLIGATIONS OF CUSTOMERS

3.1 Consumer Rights

3.1.1 Consumers of financial services have the following rights:-

- (a) right to information and advice;
- (b) right to access basic financial services;
- (c) right to choose financial products and services;
- (d) right to be heard and redress; and
- (e) right to financial education.

3.2 Consumer Obligations

3.2.1 Consumers of financial services have obligations in relation to their access to financial products and services. They should:-

- (a) be honest with the information they provide;
- (b) avoid over-indebtedness;
- (c) carefully read all information provided by the regulated entity before signing a contract or any form;
- (d) obtain clarifications where necessary;
- (e) use the product or service in line with the terms and conditions;
- (f) take reasonable steps to prevent fraud; and
- (g) exercise due care when issuing a power of attorney.

4 SECTION D: CUSTOMER COMPLAINTS HANDLING PROCEDURES

4.1 Overview

4.1.1 All regulated entities and their authorised agents are required to have complaints handling procedures for dealing with complaints made by customers and members of the public. To this end, every regulated institution is required to:

- (a) display a notice in a conspicuous place at each of its branches and premises where it conducts business, explaining the procedures and the manner in which complaints are to be made and dealt with; and
- (b) designate an employee in each of its branches and premises where it conducts business as a customer service officer responsible for receiving and dealing with complaints from its customers and members of the public.

4.1.2 Regulated entities should institute procedures for proper handling and speedy resolution of customer complaints, with a summary of its complaints procedure forming part of the Customer Contract Terms and Conditions.

4.1.3 Regulated entities should not impose a fee or charge on a customer for submitting a complaint or for the costs of investigation and resolution of the complaint.

4.1.4 A regulated entity's complaints handling procedures should provide for the customer's right to escalate complaints to the Reserve Bank or the Courts if dissatisfied with the outcome of the complaints resolution process.

4.1.5 When filing a complaint, a customer should disclose to the financial services provider information that is reasonably necessary for the investigation but

should not be required to disclose security access controls such as passwords and passcodes (ATM PIN; mobile banking PIN etc.).

4.1.6 A regulated entity may request a customer making a verbal complaint to submit the complaint in writing.

4.1.7 A regulated entity should:

- (a) acknowledge **in writing within seven (7) days** of receipt of the complaint;
- (b) appoint an employee or officer to investigate and resolve the complaint and inform the customer of that appointment , providing pertinent details including the name of one or more individuals appointed to be the complainant's point of contact in relation to the complaint until the complaint is resolved or cannot be progressed any further;
- (c) target to investigate and resolve a complaint within ten (10) days of having received the complaint;
- (d) provide the complainant with a regular written update on the progress of the investigation of the complaint at intervals of not greater than seven (7) days, starting from the date on which the complaint was made; and
- (e) advise the customer of the outcome of the investigation, in writing, within **seven (7) days** of completing the investigation.

4.2 **Investigation and Resolution of Complaints**

4.2.1 Once a complaint has been received by a regulated entity, the institution should:

- (a) investigate the complaint competently, promptly and impartially;
- (b) assess whether the complaint should be upheld and what remedial action or redress (or both) may be appropriate;
- (c) explain to the complainant, in a way that is fair, clear and not misleading

and in a language the consumer understands, the banking institution's assessment of the complaint, decision on it, and any offer of remedial action or redress; and

(d) comply promptly with any offer of remedial action or redress which the complainant accepts.

4.2.2 When assessing the track record of an institution in investigating and determining complaints, the Reserve Bank will have regard to the quality and fairness of the institution's investigations and determinations and to the clarity of its written communications to complainants.

4.3 **Record of Complaints**

4.3.1 A regulated entity should maintain an up-to-date log and comprehensive record of all complaints received from customers subject to the complaints procedure.

4.3.2 This log must contain:

(a) details of each complaint;

(b) date the complaint was received;

(c) a summary of the bank's response(s), including dates;

(d) details of any other relevant correspondence or records;

(e) the action taken to resolve each complaint;

(f) the date the complaint was resolved; and

(g) where relevant, the current status of the complaint which has been referred to the Reserve Bank.

- 4.3.3 A regulated entity must undertake an appropriate analysis of the patterns of complaints from consumers on a regular basis including investigating whether complaints indicate an isolated issue or a more widespread issue for consumers.
- 4.3.4 This analysis of consumer complaints must be escalated to the regulated entity's compliance/risk function and senior management.
- 4.3.5 A regulated entity shall preserve complaints records for two years or such longer period as may be prescribed.

4.4 **Quarterly Complaints Reports to Reserve Bank of Zimbabwe**

- 4.4.1 Every regulated entity should submit to Reserve Bank a report on the type, frequency and resolution of complaints on a quarterly basis in the format as may be prescribed.
- 4.4.2 The quarterly complaints reports should be submitted to the Reserve Bank of Zimbabwe within 14 days after the end of each quarter.
- 4.4.3 The Reserve Bank will publish statistics and data on customer complaints on a quarterly basis.

4.5 **Resolution of Errors**

- 4.5.1 A regulated entity must have written procedures in place for the effective handling of errors which affect customers. At a minimum, these procedures must provide for the following:
 - (a) the identification of the cause of the error;
 - (b) the identification of all affected customers;
 - (c) the appropriate analysis of the patterns of the errors, including

investigation as to whether or not it was an isolated error;

(d) proper control of the correction process; and

(e) escalation of errors to compliance/risk functions and senior management.

4.5.2 A regulated entity is not entitled to benefit from any amounts which are a result of an error. The sum shall be returned to the affected consumer's account without delay and without waiting for the customer to register a claim.

4.5.3 A regulated entity should ensure the continuity of banking systems to meet the consumers' needs at all times, and to provide alternatives when a defect or malfunction occurs. A regulated entity should resolve all errors speedily and no later than 48 hours after the date the error was first discovered, including:

(a) correcting any systems failures;

(b) ensuring effective controls are implemented to prevent any recurrence of the identified error;

(c) effecting a refund (with appropriate interest) to all customers who have been affected by the error, where applicable; and

(d) notifying all affected customers, both current and former, in a timely manner, of any error that has impacted or may impact negatively on the cost of the service, or the value of the product, provided, where possible.

4.5.4 Where an error which affects customers has not been fully resolved within 48 hours of the date the error was first discovered, a banking institution must

inform the Reserve Bank, in writing, within fourteen (14) days of that deadline, highlighting the reasons why the error has not been resolved.

4.5.5 In certain exceptional circumstances where a longer period of time may be required, the customer should be advised of the expected time for crediting of the amount due, where applicable.

4.5.6 A regulated entity should maintain a log of all errors affecting customers with the following key information details:

- (a) nature or type of system errors;
- (b) date the error was discovered;
- (c) an indication of how the error was discovered;
- (d) period over which the error occurred;
- (e) number of customers affected;
- (f) monetary amounts involved;
- (g) status of the error;
- (h) date the error was resolved;
- (i) number of customers refunded where applicable; and
- (j) total amount refunded where applicable.

5 SECTION E: GOVERNANCE AND RISK MANAGEMENT SYSTEMS

5.1 Corporate Governance

- 5.1.1 The board and senior management should institute oversight for consumer protection and should ensure compliance with the provisions of these Standards.
- 5.1.2 The board or a committee of the board of each regulated entity should ensure that appropriate systems and processes are in place to maintain compliance with consumer protection laws.
- 5.1.3 A regulated entity should institute well defined reporting structures internally to ensure that management oversight for the implementation of these Standards is effective and efficient in every aspect of its business.
- 5.1.4 A regulated entity should employ people who are fit and proper, and shall use systems and equipment that will ensure compliance with the provisions of these Standards.

5.2 **Board Oversight**

- 5.2.1 The board of directors is responsible for ensuring that the regulated entity is compliant with consumer protection laws, regulations, guidelines etc.
- 5.2.2 The board should set the tone or basis for institutional culture underpinning business practices which promote consumer protection. The board is expected to have an appreciation of the consumer protection issues that the regulated entity is exposed to and the framework for managing them.
- 5.2.3 The goals of consumer protection should be clearly articulated in the terms of reference for the board and management committees.
- 5.2.4 The responsibilities of the board of directors in relation to consumer protection should include the following:
 - a) approving the regulated entity's policy on consumer protection which

- outlines consumer protection champions within the banking institution;
- b) ensuring that senior management has adequate processes in place for providing the board with the information necessary to monitor whether the plans and objectives set on consumer protection by the board are met and whether the policies guiding the administration of the authority are complied with; and
 - c) oversee the implementation of the consumer protection policy, including ensuring that consumer protection issues are resolved effectively and timeously. To this end, the board should establish a regular monitoring plan for consumer complaints and resolution thereof.

5.2.5 The board is required to ensure the formulation of an internal compliance management system which ensures that the regulated entity is in conformity with consumer protection laws. An effective program will include senior management oversight, employee training, mechanisms to respond to complaints and regular compliance audits.

5.3 **Senior Management Oversight**

5.3.1 Senior management is responsible for the effective management of a regulated entity's consumer protection drive.

5.3.2 Senior management should:

- a) conduct research and analysis concerning the patterns and trends associated with complaints from consumers of the regulated entity;
- b) identify the products and services that carry the greatest compliance risk;

- c) work with business and operations units in the regulated entity to implement solutions to issues that affect consumers;
- d) oversee any agents and/or third parties by or through which the regulated entity provides consumer financial services e.g. mobile network operators;
- e) monitor system compliance with consumer protection policies and guidelines requirements for investigating, reporting, and escalating any issues;
- f) management should also establish functional coordination and collaboration mechanisms among business units and prepare reports;
- g) provide compliance guidance after review of current and proposed systems, products, and marketing materials; and
- h) develop and implement oversight and testing program for the regulated entity's board consumer protection reporting obligations.

5.4 **Policies and Procedures**

5.4.1 A regulated entity should have well-designed policies and procedure manuals establishing with standard procedures for consumer protection management

5.4.2 The policies should:

- a) clearly demarcate roles and responsibilities for consumer protection at all levels in the financial institution;
- b) promote strong compliance risk management practices and consumer

protection within the institution;

- c) foster information sharing among business units, including complaints statistics, fraud reports, and legal claims against the institution or their management;
- d) provide for a risk-focused approach that facilitates the identification, measurement, monitoring, and control of risks with respect to the treatment of consumers; contain consumer protection disclosures including complaints handling and reporting by business units, sales and marketing practices, contractual clauses, prohibition of unfair or abusive treatment, education and training standards for the sales force, collection practices and underwriting standards;
- e) contain disclosure of complaints handling process and other redress channels, including disclosure standards at website, loan application forms, facility letters and acknowledgement of debt forms; and
- f) provide for adequate disclosure in respect of accountability and transparency.

5.4.3 A regulated entity should ensure that its compliance program adequately incorporate consumer protection issues.

5.5 Internal Control Systems

5.5.1 A regulated entity should have adequate internal controls including effective assurance functions such as the internal audit and compliance functions, governance policies and structures that maintain a properly operating and sound environment.

5.5.2 The internal control system must be consistent with the risk profile of the institution and its business conduct principles and must ensure that there is an

appropriate balance between the cost of the control system and the resulting benefits as well as assurances on consumer protection.

- 5.5.3 The control systems must be sufficient to ensure the effective discharge of responsibilities for stewardship over resources, compliance with legislative and other requirements, and for meeting the financial services provider's mandate.

5.6 **MIS and Reporting**

- 5.6.1 A regulated entity should have adequate Management Information Systems (MIS) for measuring, monitoring, controlling and reporting consumer protection issues.
- 5.6.2 A regulated entity should collect information from various sources for consumer protection purposes and the sources of information should be stated in the institution's policies.

5.7 **Employee Training**

- 5.7.1 A regulated entity should adequately train its staff on the provisions of these Standards, on its internal policies and procedures and generally on customer handling.

5.8 **Disciplinary Action**

5.8.1 A regulated entity should adopt formalised disciplinary procedures to discipline employees appropriately for non-compliance with the provisions of these Prudential Standards.

5.9 **Authorised Agents and Third Parties**

5.9.1 A regulated entity should ensure that it adequately supervises its authorised agents to ensure that they comply with the provisions of these Standards.

5.9.2 Where a regulated entity outsources some services, it should ensure the third party complies, insofar as it is applicable, with the provisions of these Prudential Standards.

5.9.3 A regulated entity should be deemed to be non-compliant with the provisions of these Standards where the agent or third party has not complied with the provisions of these Prudential Standards that are applicable to them.

6 SECTION F: STAKEHOLDER ROLES AND RESPONSIBILITIES

6.1 Overview

6.1.1 Stakeholders in the financial services industry have a duty to ensure achievement of the objectives enshrined in these Consumer Protection Prudential Standards, hence it is important that the spirit of collaboration among key stakeholders be nurtured.

6.2 Role of the Reserve Bank of Zimbabwe

- 6.2.1 The Reserve Bank will take appropriate enforcement action to ensure compliance with this Prudential Standard and circulars issued from time to time.
- 6.2.2 The Reserve Bank may request information from regulated entities regarding its consumer protection compliance and may in its sole discretion and at any time, conduct on-site visits or investigate a regulated entity's consumer protection compliance.
- a) The Reserve Bank may require reports from, and conduct examinations of regulated entities for the purposes of:
- i. assessing compliance with Consumer Financial Protection Laws;
 - ii. obtaining information about the activities, practices, policies and procedures of the regulated entity ; and
 - iii. assessing risks to customers for consumer financial products and services.
- 6.2.3 The role of the Reserve Bank of Zimbabwe will include:
- a) **Raise awareness** – this will involve raising awareness to the public through publishing articles, brochures, leaflets, magazines, annual publications, etc. and participating in the discussion of current topics on financial products and terms for their purchase. Such publications may be conveyed to end-users in different ways.
 - b) **Coordinate financial education and awareness programs** – this will involve supporting and coordinating financial education programs. This includes coordinating initiatives for education and raising awareness by organising interactive seminars and lectures.
 - c) **Training of stakeholders** – the Reserve Bank will facilitate training of key stakeholders in the financial services industry on consumer protection

issues.

- d) **Formulate prudential standards on consumer protection** - develop prudential standards on consumer protection;
- e) **Conduct consumer protection supervision** through on-site examinations and offsite surveillance; and
- f) **Continuously monitor consumer protection frameworks for regulated entities** - this will involve monitoring of evolution in the financial products and assessing the appropriateness of the financial education and frameworks that are in place to inform and protect consumers.

6.3 **Role of Bankers Association of Zimbabwe**

6.3.1 The Bankers Association of Zimbabwe's (BAZ) plays a pivotal role in raising awareness on products and services and thus contribute to strengthening the role of financial education. BAZ role will include:

- a) defining the standards for the sector on consumer protection and promote and monitor members' compliance with the same;
- b) ensuring that affiliated institutions act fairly and reasonably in all their dealing with consumers;
- c) ensuring that customer grievances are recognized and adequate procedures are put in place for the proper handling of customer complaints; and
- d) provision of clear, adequate and full information on specific financial products and terms under which they are purchased.

6.4 **Commencement**

6.4.1 These Prudential Standards shall come into force immediately on the date of issue.

Reserve Bank of Zimbabwe
June 2016