

ANNUAL REPORT | 2018



OMBUDSMAN FOR FINANCIAL SERVICES

OMBUDSMAN PERKHIDMATAN KEWANGAN



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Table of Contents

About OFS

3

Chairman's
Foreword

6

Board of
Directors

12

OFS'
Operations

20

List of Members

85

The Year at a
Glance

5

CEO's Report

8

Management

18

2018
Performance

40

Directors'
Report and
Audited Financial
Statements

90

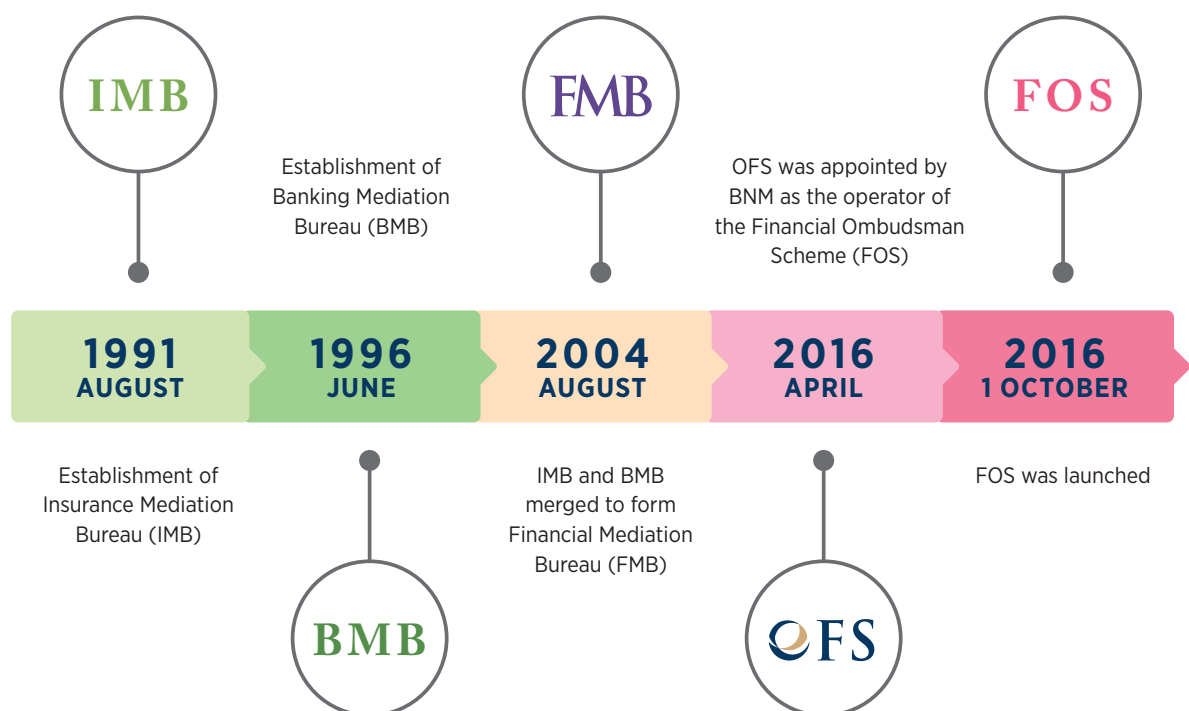
About OFS

Background

Ombudsman for Financial Services (OFS), [formerly known as Financial Mediation Bureau] was incorporated on 30 August 2004 and commenced its operations on 20 January 2005. A company limited by guarantee, OFS is a non-profit organisation that serves as an alternative dispute resolution channel. It resolves disputes between its Members who

are financial service providers (FSPs) licensed or approved by Bank Negara Malaysia (BNM), and financial consumers. OFS is the operator of the Financial Ombudsman Scheme (FOS) approved by BNM pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013. The FOS was launched on 1 October 2016.

History of OFS' Establishment



OUR VISION

To be the trusted and well respected independent dispute resolution avenue for financial consumers

OUR MISSION

We are committed to providing an independent, trusted, efficient and quality alternative dispute resolution service to financial consumers and financial service providers.

WHAT WE DO

We resolve disputes between financial consumers and financial service providers in an independent, fair and timely manner:

- We are unbiased and we do not take sides when resolving disputes.
- We make decisions based on relevant facts/evidence and circumstances of each dispute.

What is an Ombudsman?

An Ombudsman is an independent person or body who addresses and resolves disputes fairly and speedily away from the courts or any other legal means.

01

INDEPENDENCE

02

FAIRNESS AND IMPARTIALITY

03

ACCESSIBILITY

★ ★ ★
OUR SIX
GUIDING
PRINCIPLES
★ ★ ★

ACCOUNTABILITY

04

TRANSPARENCY

05

EFFECTIVENESS

06

The Year at a Glance

4,530

new complaints and enquiries received

103%

(2017: 2,235)

761

disputes registered
(2017: 1,327)

43%

863

disputes resolved / disposed

39%

of **disputes resolved** through **amicable settlement** amounting to RM8.8 million

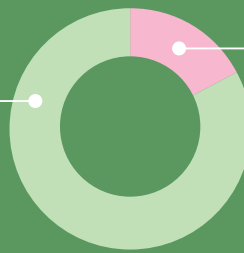


83%

disputes resolved at Case Management stage

17%

disputes resolved at Adjudication stage



65%

disputes resolved within six months from registration date



74% of COMPLAINANTS were **satisfied** with our overall service

71% of our MEMBERS were **satisfied** with our overall service

202 MEMBERS as at 31 December 2018
(2017: 180 Members)

12%



66% (2016: 33%)

of our MEMBERS had no disputes lodged against them

97,819 PEOPLE visited our website
(2017: 77,268)

27%

www.ofs.org.my



Chairman's Foreword

Our mission is to provide an effective, independent and fair handling of disputes between financial consumers and financial service providers. To carry out this task, we have adhered to our six founding principles: independence, fairness, impartiality, accessibility, accountability, transparency and effectiveness. By this, everybody is assured that we will accord a robust dispute resolution service that is completely trustworthy and efficient. We carry out our role professionally by ensuring that we understand all aspects of a dispute; attempt to mediate and if we fail, then make a decision impartially based on facts gathered.



To gauge our performance over the past years, we conducted a survey to assess the level of satisfaction of financial consumers whom we have served since we launched the financial ombudsman scheme in October 2016. The results revealed that 74% of all respondents were satisfied with the overall performance of our service. This is encouraging and has motivated us to strive harder to achieve better results.

One area that constantly requires our attention is keeping abreast with the diverse financial services and products offered in the fast-changing financial industry. To accommodate this, we organise programmes frequently to update our staff about the latest products and changes in the market. A comprehensive understanding of the latest

market developments will help them carry out their tasks effectively and efficiently. Our staff programme also ensures a sustainable capacity building effort. We also continue to exchange views with our counterparts both locally and in overseas jurisdictions on how we can improve our services, especially in the area of best practices that can be adopted in our dealings.

Despite our achievements over the years in providing this alternative dispute resolution service, we still feel that there is more to be done. One aspect is to expand our awareness campaign to the public, in particular, financial consumers. We realise that many in this category are unaware of and unfamiliar with the services we offer. To this end, we have embarked on an aggressive outreach and informative programme to make our presence known. This

included print media, radio broadcasts, digital media campaigns, multilingual brochures, and face-to-face engagements with the public. Our tagline in all these is "We Listen, We Mediate, We Resolve". To achieve an even wider reach, we have forged partnerships with *Perbadanan Insurans Deposit Malaysia* (PIDM), *Agensi Kaunseling dan Pengurusan Kewangan* (AKPK) and the Securities Industry Dispute Resolution Centre (SIDREC) to publicise our work. The results have been encouraging. The number of new enquiries from the public has increased two-fold from 2,235 in 2017 to 4,530 in 2018 and the number of hits on our website rose by 27% in 2018 as compared to 2017.

During the year, while maintaining our independence and impartiality, we continued to engage with our Members and other entities associated with the financial industry. We listened to their concerns and we received constructive feedback from them. We analysed and gave due consideration to them. Many of these have helped us to achieve a deeper understanding of the issues at hand, which in turn have helped us in resolving disputes more efficiently. To evaluate ourselves, we have also commissioned a Member satisfaction survey recently. The result showed 71% of the respondents were satisfied with our overall service. As this dialogue is beneficial, we will continue with this exercise with an open mind.

We are now entering our third year of implementing the financial ombudsman scheme. As required by The Financial Ombudsman Scheme Regulations to measure our performance in meeting the expectations of our stakeholders as an efficient and effective body, we will commission an independent party to carry out this task in 2019. Besides gauging

our performance, the evaluating body will also identify any gaps in our operations and recommend solutions to overcome them. We believe that through this assessment, we would be able to learn about our shortcomings, find a solution to address them, and turn them into best practices to advance ourselves.

For OFS to arrive at this milestone, many individuals and corporate entities have helped and assisted us. To them, on behalf of the Board, I would like to record my appreciation. First, to Bank Negara Malaysia for its continued support and guidance. Second, I would also like to convey my sincere appreciation to all our Members for their unswerving support and commitment towards helping us achieve our mandate. To all our new Members who joined OFS in 2018, we look forward to your support and cooperation.

And to my fellow Board members, thank you for your valuable insights and participation in contributing towards our mission. I am also pleased to introduce our latest Board member who joined us in July 2018, Ms Kalpana Sambasivamurthy who represents the banking institutions. I am confident that her expertise and experience will bring new and fresh perspectives to the Board.

Finally, to OFS management and staff, I would like to thank them for their unwavering commitment and hard work that have enabled us to deliver an important service to the Malaysian financial community.

Tan Sri Datuk Seri Dr. Foong Cheng Yuen
Chairman

CEO's Report



We have an important role to play; we take pride in what we do and the positive impact we make on the financial industry and its consumers from all backgrounds.

As an essential component of the consumer protection framework for financial services in Malaysia, OFS continues to focus on its fundamental mission to provide an effective, independent and impartial alternative dispute resolution channel for financial consumers. We have an important role to play; we take pride in what we do and the positive impact we make on the financial industry and its consumers from all backgrounds.

Over the years, we have seen positive changes in the business conduct and practices of the financial industry. To a certain extent, this has been facilitated by the constructive feedback given by OFS to the members of the financial industry. We have also seen enhanced financial literacy of financial consumers through our engagement with them. We will continue to provide value-added services to both financial consumers and the financial industry.

I am pleased to report the progress we have made in our second year of implementing the financial ombudsman scheme. In 2018, our efforts were directed at three focus areas, namely, improving quality of service and efficiency; improving accessibility of consumers to OFS' services; and building the capacity of our people. We have made considerable progress in all these areas which will be elaborated in this report.

OFS' 2018 PERFORMANCE

Complaints Handling

In 2018, OFS handled 10,178 enquiries and complaints from the public, a surge of 16% as compared to 8,797 in 2017. Of these, 4,530 were new enquiries and complaints received in 2018 (2017: 2,235). The increase in the number of people approaching OFS could be due to an aggressive promotion of our awareness programme during the year. As in previous years, complaints or enquiries related to insurance or takaful matters still represented

the bulk of complaints received by OFS. Almost three quarters of the enquiries and complaints received were on insurance and takaful matters while the remaining were on banking and payment systems.

OFS has put in place a robust screening process to ensure only eligible complaints are registered. Of the 4,530 enquiries and complaints received, only 761 cases (17%) were registered as eligible disputes. The remaining cases were not registered either because the complaints were outside of OFS' jurisdiction, or due to insufficient documents. Cases outside OFS' jurisdiction were generally related to customer service issues, product pricing, underwriting and loan restructuring. For these cases, we provided feedback to the financial industry and enhanced the consumers' awareness on the relevant issues raised.

Disputes Handled and Disposed

From the implementation of the financial ombudsman scheme in October 2016 until 31 December 2018, OFS registered 2,470 disputes. In 2018, OFS registered 761 cases, a reduction of 43% as compared to 2017. The significant reduction in cases registered could be attributed to the introduction of a case fee in October 2017 which incentivises the financial service providers (FSP) to have a more robust complaint handling procedure.

During the year, OFS handled 1,196 cases, of which 863 cases or 72% were disposed. We always encourage an amicable settlement between the complainants and the FSPs through negotiation, mediation and conciliation. In 2018, 39% of the cases were resolved through amicable settlement and the remaining were issued with a Recommendation or adjudicated by the Ombudsman. In all these cases, our Case managers and Ombudsmen are guided by relevant facts and evidence as well as

“ We always encourage an amicable settlement between the complainants and the FSPs through negotiation, mediation and conciliation. ”

circumstances of each dispute, and what they opine as fair and reasonable. We have put in place standard operating procedures to ensure credibility and consistency of the processes and approach.

Financial Management

The operating expenses incurred to finance our operations in 2018 was RM6.665 million, which was higher by 9.5% as compared to RM6.088 million in 2017. The increase in the operating expenses was contributed mainly by spending on awareness programmes and capacity building. Our operating costs are funded by Members through an imposition of a levy and case fee. The levy is computed based on the budget requirement of OFS which was deliberated and approved by OFS' Board. In 2018, OFS collected a total annual levy of RM6.501 million from licensed and prescribed institutions, while RM1.131 million in case fee was imposed on Members with disputes lodged against them.

We will continue to be prudent in our spending without compromising the quality of our service to stakeholders.

Stakeholder Engagements

To build the people's trust and confidence in our service, we continue to listen to the perspective and feedback of stakeholders on what we can do better. During the year, we conducted our first customer and Member satisfaction

surveys to assess the satisfaction level of the people that we have served since the launch of the financial ombudsman scheme in October 2016. The customer satisfaction survey revealed that 74% of the respondents were satisfied with OFS' overall service, while the Member satisfaction survey highlighted that 71% of the respondents were satisfied with the experience they had with OFS. The insights and observations from the surveys provide OFS with the opportunity to identify areas for enhancement, and implement strategies to improve both the dispute resolution process and the quality of our service.

In 2018, we continued to have robust engagement with the Members and industry associations where we provided constructive feedback, insights and lessons learnt from the disputes handled. The learning from the disputes handled are immensely valuable as a means to improve the practices and conduct of the financial sector and ultimately, to promote confidence in the financial industry.

Outreach Initiatives

One of the key principles in operating a financial ombudsman scheme is ensuring accessibility to the services. To uphold this principle, OFS will continue to promote awareness of its services to the public and make it a priority. We realised that many financial consumers in Malaysia are still unaware or unfamiliar with the service we offer. In this regard, during the year, we embarked on an aggressive outreach and awareness programme. Various efforts were put in place in augmenting OFS' strategic

awareness initiatives. We continued our face-to-face outreach engagements via financial carnivals and roadshows to reach communities living in central and northern states, namely, Pahang, Perak, Penang and Kedah.

We also ventured into online platforms including Facebook, LinkedIn and Twitter to reach digital audiences. We gave OFS' website a face lift and transformed it into a more user-friendly and highly visual interface with better organised content to enable easy access. Likewise, we have multilingual brochures published in four major languages to penetrate larger target groups. We also collaborated closely with Bank Negara Malaysia, the Securities Industry Dispute Resolution Center (SIDREC), *Perbadanan Insurans Deposit Malaysia* (PIDM) and *Agensi Kaunseling dan Pengurusan Kewangan* (AKPK) to reach out more widely to the public.

Capacity Building

The accelerating pace of change in the financial sector will have impact on the type of complaints and disputes we receive. Understanding the different range of problems and a wide perspective is fundamental for a fair resolution of disputes. It is therefore critical for our Case Managers and the Ombudsmen to possess the required skills in managing disputes, be knowledgeable in the diverse area of financial services, and to keep abreast with the changes in the financial industry. To this end, we have continued to invest in our people and their knowledge through training and capacity building initiatives as well as exposure to best

“

OFS' vision of being the trusted and well-respected independent alternative dispute resolution channel for financial consumers will further drive our strategic initiatives in the years ahead.

”

practices of other financial ombudsman schemes around the world. We have also embarked on developing a structured training programme for our people to ensure a sustainable capacity building effort.

Going Forward

OFS' vision of being the trusted and well-respected independent alternative dispute resolution channel for financial consumers will further drive our strategic initiatives in the years ahead. To achieve this, we will continue to uphold the six guiding principles that govern our operations: independence, fairness and impartiality, accessibility, accountability, transparency, and effectiveness. Continual efforts are being made to fine-tune and streamline OFS' processes to ensure that they are fair, effective and efficient.

APPRECIATION

I wish to express my gratitude to the Chairman and the Board of Directors for their support and valuable guidance in steering OFS' agenda forward. I would also like to extend my heartfelt gratitude to all my colleagues at OFS for their inclination to adopt and adapt to changes in processes and working methods that were introduced during the year. I wish to thank them for their commitment, dedication and contribution throughout 2018.

I would also like to record my deepest appreciation to our Members and their industry associations for their continued support and co-operation throughout 2018. We thank you for your comments highlighted in the Members' survey conducted recently and will endeavour to enhance our processes where relevant.

Last but not least, I wish to thank Bank Negara Malaysia and our other collaborative partners including SIDREC, PIDM and AKPK for the excellent collective effort undertaken during the year.

Shahariah Othman

Chief Executive Officer

Board of Directors



**Tan Sri
Datuk Seri Dr.
Foong Cheng Yuen**
*Appointed as Chairman
on 16 August 2016*

Tan Sri Foong graduated from the University of London with LL.B (Honours) in 1969 and was called to the English Bar by the Honourable Society of the Inner Temple in 1970. He was conferred an honorary Doctorate of Laws degree by the University of the West of England in 2011.

He led an illustrious career as a High Court Judge in Kuala Lumpur (Criminal Division), Johor Bahru, Shah Alam, Kuala Lumpur (Civil Division), Ipoh and Kuala Lumpur (Family Division and Civil Division). He was elevated to the Court of Appeal in 2005 and subsequently elevated to the Federal Court (formerly known as the Supreme Court) in 2009. As a Federal Court Judge, he was made a Managing Judge of the Civil Division of the High Court in Kuala Lumpur and of the High Court and Subordinate Courts in the state of Penang. He retired from the Malaysian judiciary on 25 February 2012.

While in practice, Tan Sri Foong served as a legal adviser to numerous guilds and associations in Malaysia. He currently serves

as an independent director of several companies including Genting Berhad, OWG Group Berhad, Paramount Corporation Berhad, Bina Puri Properties Sdn Bhd and Legal Plus Sdn Bhd. He was also made Bencher of the Honourable Society of the Inner Temple, London in 2009. He was called to the Malaysian Bar as an advocate and solicitor in 1971. He was engaged in private legal practice in both criminal and civil law, majoring in insurance law from 1971 to 1990.

Tan Sri Foong also holds the following positions:

- Arbitrator of the International Court of Arbitration of the International Chamber of Commerce (ICC)
- Arbitrator of the Kuala Lumpur Regional Centre for Arbitration
- Senior Consultant to the China Asean Legal Cooperation Centre based in Hainan, Peoples' Republic of China
- Advocate & Solicitor of the High Court of Malaya
- Trustee of the Community Chest of Malaysia

Tan Sri Tay Ah Lek is currently the Managing Director and Chief Executive Officer of Public Bank. He joined Public Bank as a pioneer staff in 1966. Prior to his present designation in Public Bank, he was first the Executive Vice-President of the former Public Finance and then the Executive Vice-President and Executive Director of Public Bank. He has immense experience in the banking and finance industry for 56 years.

Tan Sri Tay Ah Lek graduated from Henley, UK with an MBA

and attended the Advanced Management Program at Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management; Fellow and Chartered Banker of the Asian Institute of Chartered Bankers; and Fellow of the CPA Australia and the Financial Services Institute of Australasia.

He is also the Chairman of the Association of Hire Purchase Companies Malaysia and a director of Cagamas Holdings Bhd and ASEAN Finance Corporation Ltd.



**Tan Sri Dato' Sri
Tay Ah Lek**

*Director and Deputy
Chairman since
December 2004*

Tan Sri Zaleha qualified as a Barrister-at-Law, Middle Temple, UK in 1971 prior to joining the Judicial and Legal Service. She also holds a Certificate in Legal Drafting from the University of London.

In her 20 years with the Judicial and Legal Service, she served *inter alia* as a Magistrate, Senior Assistant Registrar of the High Court, Deputy Public Prosecutor, as well as Legal Adviser to the Ministry of Education, the Economic Planning Unit, the Ministry of Home Affairs and the Department of Inland Revenue. She was the Head of the Civil Division in the Attorney General's Chambers prior to

being appointed as a judge of the superior court.

Tan Sri Zaleha was appointed as a Judicial Commissioner and subsequently as Judge of the High Court, Court of Appeal Judge, and thereafter, Federal Court Judge in 2012. She retired from the Malaysian Judiciary in November 2014.

Currently, she serves as an Independent Non-Executive Director of Genting Plantations Berhad. She is also the Chairman of the Operations Review Panel of the Malaysian Anti-Corruption Commission.



**Tan Sri Dato' Sri
Zaleha binti Zahari**

*Non-Executive
Independent Director
since July 2017*



**Encik Mohd Radzuan
bin Abdul Halim**

*Non-Executive
Independent Director
since December 2004*

Encik Radzuan is a Barrister of Lincoln's Inn. Besides an MBA in Finance and Investments from UCLA, he also holds professional qualifications in economics, finance and law.

He has more than 20 years of experience in the commercial and investment banking sectors; his knowledge and expertise played an important role in two local bank rescues.

Encik Radzuan served as a lecturer at the University of Malaya and the National University of Singapore. He was a regular columnist with the Edge from 1998 till 2013. In 2009, he was appointed by the Minister of International Trade and Industry as member of the Academic Advisory Council, Economic Research Institute for ASEAN and East Asia (ERIA).



**Professor Datuk
Dr. Marimuthu
Nadason**

*Non-Executive
Independent Director
since December 2004*

Datuk Marimuthu holds a Doctorate in Business Administration and double Masters in Business Administration from the International American University as well as Phoenix International University (2008). He was conferred Honorary Professor in Consumer Behaviour by the Stichting Eurogio University College Netherlands (2014), Honorary Professor and Panel Expert for IIC University of Technology Cambodia (2014), and Visiting Professor in Consumer Relations by the International University of Georgia (2016).

He is currently a Non-Executive Independent Director of Puncak Niaga Holdings Berhad. He also serves in several non-governmental organisations – Chairman, Malaysian Standards

and Accreditation Council, Department of Standards Malaysia, Ministry of Science, Technology and Innovation; Commissioner, National Water Services Commission (SPAN); President, Federation of Malaysian Consumers Association (FOMCA); President, Malaysian Association of Standard Users; and CEO of Education and Research Association for Consumers (ERA Consumer Malaysia).

He is a Council Member of Consumers' International (CI), London. He was a Chairperson for the Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA), Philippines. He holds various advisory roles in several government or independent boards at national and international levels.

Mr Ong is a Fellow of the Chartered Institute of Bankers (England) and a Fellow of the Chartered Management Institute (UK). He holds a master's degree in Business Administration and is a Certified Financial Planner. He served Standard Chartered Bank PLC and its Malaysian subsidiary for 36 years where he held several senior positions in domestic and international banking before retiring as Head of Banking Services.

During that time, he was involved in business continuity and crisis management as part of the Group Operational Risk Management team. He was the Chief Inspector of the bank in Malaysia and a member of the Group HR

Assessment Centre. He also attended the Pacific Rim Banking Programme at the University of Washington.

Mr Ong sat on the Rules Committee of the Association of Banks in Malaysia (ABM) for over two decades. In addition, he worked with the International Banking Commission, ICC Paris, in the development of the Uniform Customs and Practice for Standby Guarantees. He was also a member of the Panel of Experts in DOCDEX Rules, ICC Paris, on dispute resolution relating to international trade. Mr Ong is also the Chairman of the Planters' Benevolent Trust Malaysia, and a Trustee of the Malaysian Estates Staff Provident Fund.



Mr Ong Chong Hye

*Non-Executive
Independent Director
since December 2004*

Mr Jeremy Lee holds a Bachelor of Economics and a Bachelor of Jurisprudence degree from the University of Malaya, a Certificate in Legal Practice from Malaysia's Legal Profession Qualifying Board and a Master of Law from Boston University School of Law in Massachusetts, US.

He served as the Chief Executive Officer of the Ombudsman for Financial Services (OFS) from August 2012 to 15 November 2017.

Prior to joining OFS, Mr Jeremy Lee served Bank Negara Malaysia. He has more than 25 years' experience in regulating and supervising the

banking and insurance industry in Malaysia. He was also the General Counsel for Bank Negara Malaysia.

He represented Malaysia for the trade in financial services negotiations at World Trade Organization (WTO) in Geneva, Switzerland, as well as negotiations for regional and bilateral free trade agreements. He is currently a member of the Small Debt Resolution Committee established by Bank Negara Malaysia to provide assistance to small and medium enterprises that are constrained by financial difficulties.



**Mr Jeremy Lee
Eng Huat**

*Non-Executive
Independent Director
since March 2018*



**Datin Veronica
Selvanayagy**

*Non-Executive
Non-Independent
Director
since October 2011*

Datin Veronica was called to the Bar in 1991 and was in practice for six years where she handled both litigation and conveyancing matters. She subsequently joined the insurance industry as Head of the Legal team of AIA Malaysia. She has more than 20 years' experience and expertise in the local insurance industry that includes corporate mergers and acquisitions, joint ventures and general consultation. She also assumed a legal role for the AIA entities in India, Sri Lanka and Indonesia.

She is currently the General Counsel and Exco member of AIA Malaysia. She oversees the legal, company secretarial, investigation,

corporate governance, corporate security, business continuity and occupational safety functions for AIA Bhd, AIA Public Takaful, AIA Health Services Sdn Bhd and AIA Pension Asset Management Sdn Bhd. Datin Veronica is also active in the legal field and local insurance industry where she holds the following positions:

- Chairperson of Competition Act Task Force, Life Insurance Association of Malaysia (LIAM)
- Member of the Disciplinary Committee, Malaysian Financial Planning Council (MFPC)
- Member of the Administration and Finance Committee, Life Insurance Association Malaysia (LIAM)



**Mr Antony Fook
Weng Lee**

*Non-Executive
Non-Independent
Director
since December 2017*

Mr Antony Lee has been the Chairman and the Chief Executive Officer of AIG Malaysia Insurance Berhad since October 2013. Currently, he is also the Chairman of Persatuan Insuran Am Malaysia (PIAM).

He has been in the insurance sector for more than 16 years. Since joining AIG in 2001, he has been instrumental in various operational disciplines including as CEO of AIG's first Global Services Hub located in Malaysia, and Regional Vice President of Commercial and Consumer Businesses in the Asia Pacific Region.

Prior to AIG Malaysia, Mr Antony Lee served as the Chief Executive Officer of AIG Vietnam where his responsibilities included the development of one of AIG's growth countries in Asia Pacific.

Ms Kalpana was appointed as a Non-Executive Non-Independent Director of OFS in July 2018. She is the Executive Director of The Association of Banks in Malaysia.

After a decade in legal practice, Ms Kalpana moved into the corporate arena. She has more than 18 years' experience advising on complex mergers and acquisitions, banking matters and general corporate matters.

Ms Kalpana holds a LL.B (Hons) from the University of the West of England, Bristol and a Masters in International Relations from the University of Nottingham.



**Ms Kalpana
Sambasivamurthy**

*Non-Executive
Non-Independent
Director
since July 2018*

OFS Board Committees

COMMITTEES	MEMBERS
Board Audit Committee	<ol style="list-style-type: none"> 1. Mr Ong Chong Hye (Chairman) 2. En Mohd Radzuan Abd Halim 3. Tan Sri Dato' Sri Zaleha bt Zahari 4. Mr Jeremy Lee Eng Huat 5. Ms Kalpana Sambasivamurthy
Board Nomination and Remuneration Committee	<ol style="list-style-type: none"> 1. Mr Ong Chong Hye (Chairman) 2. En Mohd Radzuan Abd Halim 3. Tan Sri Dato' Sri Zaleha bt Zahari 4. Professor Datuk Dr. Marimuthu Nadason 5. Datin Veronica Selvanayagy 6. Ms Kalpana Sambasivamurthy
Board Dispute Resolution Oversight Committee	<ol style="list-style-type: none"> 1. Tan Sri Dato' Sri Zaleha bt Zahari (Chairman) 2. En Mohd Radzuan Abd Halim 3. Mr Ong Chong Hye 4. Professor Datuk Dr. Marimuthu Nadason 5. Mr Jeremy Lee Eng Huat

Management



Puan Shahariah Othman

Chief Executive Officer

Puan Shahariah holds a bachelor's degree in Business Administration (Accounting) from the University of Southern California, Los Angeles, US.

She was seconded from Bank Negara Malaysia (BNM) to be the Chief Executive Officer of OFS with effect from 16 November 2017. Prior to that, Puan Shahariah had served BNM since 1989 in various departments including Banking Supervision, Banking Regulation, Payment System Policy and Money Services Business Regulation department. She was the Director of Consumer and Market Conduct department of BNM before joining OFS.



Mr Kalyana Kumar Sockalingam

Ombudsman (Insurance and Takaful)

Mr Kumar graduated with LL.B (Hons) degree from the University of East Anglia, Norwich, UK in 1987. He successfully obtained the Certificate in Legal Practice (CLP) in 1989 and was called to the Malaysian Bar in 1990.

Mr Kumar joined the former Financial Mediation Bureau as a Mediator in 2009. He was appointed as an Ombudsman in October 2016. Prior to this, he served in the Malaysian Judicial and Legal Service for 18 years during which he held appointments as a Magistrate, Senior Assistant Registrar of the High Court (Bankruptcy Division), Deputy Registrar of the High Court (Commercial Division), and Deputy Registrar of the Supreme Court (Federal Court). He was also an examiner and setter for the CLP examination conducted by the Legal Profession Qualifying Board, Malaysia (1997- 2007). He is the author of the book, 'Halsbury's Laws of Malaysia on Bankruptcy Law'. He has also written an article on insurance law which was published by the Malayan Law Journal.

**Ms Marina Baharuddin**

Ombudsman (Banking (including Islamic Banking) and Payment Systems)

Ms Marina holds a Bachelor of Business degree with a major in Finance from Edith Cowan University, Perth, Western Australia and Bachelor of Laws (LL.B Hons) from the University of Hertfordshire, UK. She is an accredited Mediator and an Affiliate of the Financial Services Institute of Australasia (FINSIA).

Ms Marina joined the Banking Mediation Bureau (BMB) as an Assistant Mediator in 1998 and was appointed as a Mediator in the former Financial Mediation Bureau in 2010. Prior to joining the Bureau, she served five years at a financial institution with her last position as branch manager. She has experience in banking operations, loans supervision, credit and marketing.



OFS' Operations

■	Reinforcing the Six Guiding Principles of OFS	21
■	Our People	26
■	Our Members	28
■	Dispute Resolution	31
■	Publicity and Consumer Awareness	34
■	Customer Satisfaction Survey	37
■	Member Satisfaction Survey	39

OFS' Operations

Reinforcing the Six Guiding Principles of OFS

Globally, financial services ombudsman schemes operate based on six fundamental principles. Similarly in Malaysia, these same principles are adopted in our operations. OFS' Memorandum and Articles of Association (M&A) and Terms of Reference (TOR) contain requirements which state that the Financial Ombudsman Scheme (FOS) operated by OFS shall be based on these six guiding principles: independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness.

As the operator of FOS, these principles are strongly entrenched and embedded in our operations with a view to discharge our role effectively:

01

INDEPENDENCE

OFS shall be subject to the oversight of the Board, which shall be responsible for ensuring the integrity of the operations and its ability to provide effective and independent services to eligible complainants. OFS' decision-making process shall be objective and independent of the Members and eligible complainants.

Governance

The governance framework of OFS is spelt out in the Financial Ombudsman Scheme Regulations 2015, the Memorandum and Articles of Association, and the Terms of Reference. The framework includes oversight role of the Board as well as arrangement that provides for segregation of duties.

OFS' Board members consist of 10 non-executive directors, of which six are independent directors. The members of the Board comprise fair representation of different stakeholders with the necessary skills and experience in the area of consumer issues, financial services and

judiciary. The Board is chaired by Tan Sri Datuk Seri Dr. Foong Cheng Yuen, retired judge of the Federal Court of Malaysia.

The main function of the Board is to ensure the independence of OFS and its dispute resolution process. The Board shall at all times act in the best interests of OFS and is not involved in the handling and decision-making of any disputes.

To assist in the oversight of OFS' operations, the Board has established Board Committees, namely, the Board Audit Committee, Board Nomination and Remuneration Committee

and Board Dispute Resolution Oversight Committee. The responsibilities of the Board Committees are set in their respective Terms of Reference which include the following:

- Board Audit Committee will support the Board in ensuring the adequacy and effectiveness of OFS' internal control and risk management;
- Board Nomination and Remuneration Committee will support the Board in carrying out its function in relation to the appointment and removal of directors and chief executive

officer as well as matters relating to the remuneration of OFS' employees; and

- Board Dispute Resolution Oversight Committee will support the Board in overseeing the dispute resolution internal process and procedure to ensure that OFS is operated in accordance with the TOR including evaluating the Members' substantiated referral against the Ombudsman's decision, if any.

02

FAIRNESS AND IMPARTIALITY

- (a) In dealing with disputes, OFS shall act fairly and impartially. The Ombudsman must ensure that information provided by Members and eligible complainants is carefully and objectively considered in reaching a well-reasoned decision, while having regard to the law, regulations, standards and/or guidance issued by Bank Negara Malaysia as well as industry best practices; and
- (b) OFS must ensure that at all times, the Case Manager and Ombudsman handling a dispute have no conflict of interest with any of the disputing parties and provide fair, adequate and intelligible reasons for any decisions given.

OFS aims to deal with financial disputes objectively and fairly as provided in our TOR and the Code of Practice for the Ombudsman and Case Manager. We do not serve as an advocate for the financial service provider (FSP) or the complainant. Both parties are given equal opportunity to be heard and put forward their information and argument.

OFS' Ombudsmen and Case Managers pursue resolution of disputes using the approach on what is fair and reasonable in all the circumstances, taking into account the relevant law, regulations, standards and/or guidance issued by Bank Negara Malaysia and industry best practices.

Any Recommendation and/or Adjudication issued is reached upon weighing all available facts and evidence, and detailed reasons for it are given in writing to the FSP and the complainant. Similarly, parties are also informed of the reasons when a complaint is outside the OFS' jurisdiction or is excluded.

In addition, the Code of Practice for the Ombudsman and Case Manager also states that in handling a dispute, they must ensure that there is no conflict of interest with any of the disputing parties.

03

ACCESSIBILITY

OFS shall promote easy and affordable access to its services by creating awareness of its services, and maintaining easy to understand, clear and transparent procedures for eligible complainants to refer a dispute to the FOS.

OFS is committed to making its services easily available and accessible to everyone by consistently promoting knowledge of its existence and to provide service at no cost to complainants. It seeks to ensure that all financial consumers are aware of its existence as an avenue for redress to resolve disputes with financial institutions.

Information on how to access our office and lodge a complaint, the scope and services and how we resolve a dispute are explained in a

simple and clear manner in the OFS' official website. Multilingual brochures are available at FSPs' premises and also at consumer awareness activities.

In 2018, OFS embarked on multifaceted and robust outreach activities to enhance public awareness of its existence, role and services provided. The activities included mass media publicity and participation in consumer awareness programmes.

04

ACCOUNTABILITY

To promote accountability, OFS shall publish a report annually, providing information on its activities and operations as well as disputes it has handled.

OFS publicly accounts for its operation by publishing annual reports on its activities and operations including its audited annual accounts. All our annual reports can be found at the OFS' official website.

An independent review to assess the effectiveness of FOS will be performed in 2019, three years from the commencement date of the FOS.

05

TRANSPARENCY

- (a) OFS shall publish information on the services and scope of coverage. This would include the types of disputes and awards granted by an Ombudsman, the approach adopted in handling disputes and the manner in which the decisions were made; and
- (b) In a dispute of material significance, OFS should also publish relevant information on the manner and reasons for arriving at a particular decision with a view of educating the general public and Members. However, the identities of the disputing parties shall remain anonymous, in compliance with any confidentiality and privacy obligations.

OFS manages and operates an open and transparent dispute resolution service and procedure, as ensuring transparency is crucial for our stakeholders to have confidence in OFS' decision-making and management processes.

OFS is committed to developing and providing clear, accurate, accessible information in relation to its dispute handling roles. Details of OFS' services and scope of jurisdiction are published on our website. These include members of the FOS, eligibility of complainants, types of disputes and the monetary limit, disputes outside the scope of the FOS,

discretion to exclude disputes, time limit for referring a dispute and the dispute resolution method and process.

When a dispute is of material significance, OFS publishes relevant information (through case studies) on the manner and reasons for arriving at a particular decision with a view to educate the public and the FSPs. This will assist complainants and FSPs to resolve such typical disputes between themselves and in turn reduce the number of cases of similar nature being referred to OFS.



06

EFFECTIVENESS

OFS shall have adequate resources with skilled decision-makers to resolve disputes in a timely and effective manner. OFS shall proceed with minimum formality and technicality to resolve the disputes.

Case Managers and Ombudsmen

OFS strives to resolve disputes effectively and expeditiously. OFS has qualified and competent Case Managers and Ombudsmen to effectively undertake that function. They are accredited mediators and the majority of them have a legal background. Case Managers and Ombudsmen continually keep abreast with the latest products and services of the financial industry.

Processes

In order to ensure consistency and timeliness in the resolution of disputes, these processes and procedures among others, are put in place:

- (i) Reasonable time frame is set for each of its processes to facilitate speedy resolution without the quality of the outcome of the dispute being compromised.
- (ii) A complaint management system for the purpose of tracking the progress of a complaint and to ensure the time frames set are being met. It is also for monitoring OFS' performance against the objective targets set.

These processes and procedures are reviewed from time to time for improvement and to ensure effectiveness.

Quality assurance

As part of our efforts to improve our services, OFS regularly undertakes customer and member satisfaction surveys with the objective of evaluating our performance and identifying areas for improvement.

Informal and flexible process

In dealing with a dispute, OFS proceeds with minimum formality and technicality. The basis and reasons for our recommendation and/or decision are clearly communicated to the relevant parties.



Our People

We have 41 staff led by the Chief Executive Officer. Of this, 19 employees are led by two Ombudsmen, with 12 Case Managers and seven support staff who are involved in the dispute resolution management. Our Ombudsmen and Case Managers are accredited mediators; the majority of them come from a background in the legal and financial industry. Most of our Case Managers have been with OFS for almost 10 years and have amassed substantial knowledge and experience in handling various types of financial disputes.

During the year, we have also established a Corporate Communication team to undertake strategic awareness campaigns and to enhance communication with our stakeholders.

Capacity building

We ensure our people are equipped with the right combination of skills and knowledge to deliver efficient and high quality service to our stakeholders. We have implemented an all-encompassing learning and development strategy to enhance the capability of our staff. We also undertake efforts to cultivate a positive corporate culture, promote greater teamwork and enhance engagement among our staff. These initiatives reinforce our shared values of integrity, professionalism and competence.

As part of our capacity building initiatives, we also learn from best practices of other established Financial Ombudsman Schemes globally. During the year, in collaboration with the Financial Ombudsman Service (FOS) UK, OFS conducted a workshop on effective dispute resolution for our Case Managers and Ombudsmen. The Lead Ombudsman from FOS UK, Ms Caroline Mitchell facilitated a two-day session which was highly interactive. Our dispute resolution team benefitted from the sharing of best practices in dispute handling during the workshop, particularly in dealing with distinctive cases and challenging scenarios.

Our Case Management team handles a diverse range of disputes which requires them to have a thorough understanding of the financial products and services provided by the industry.

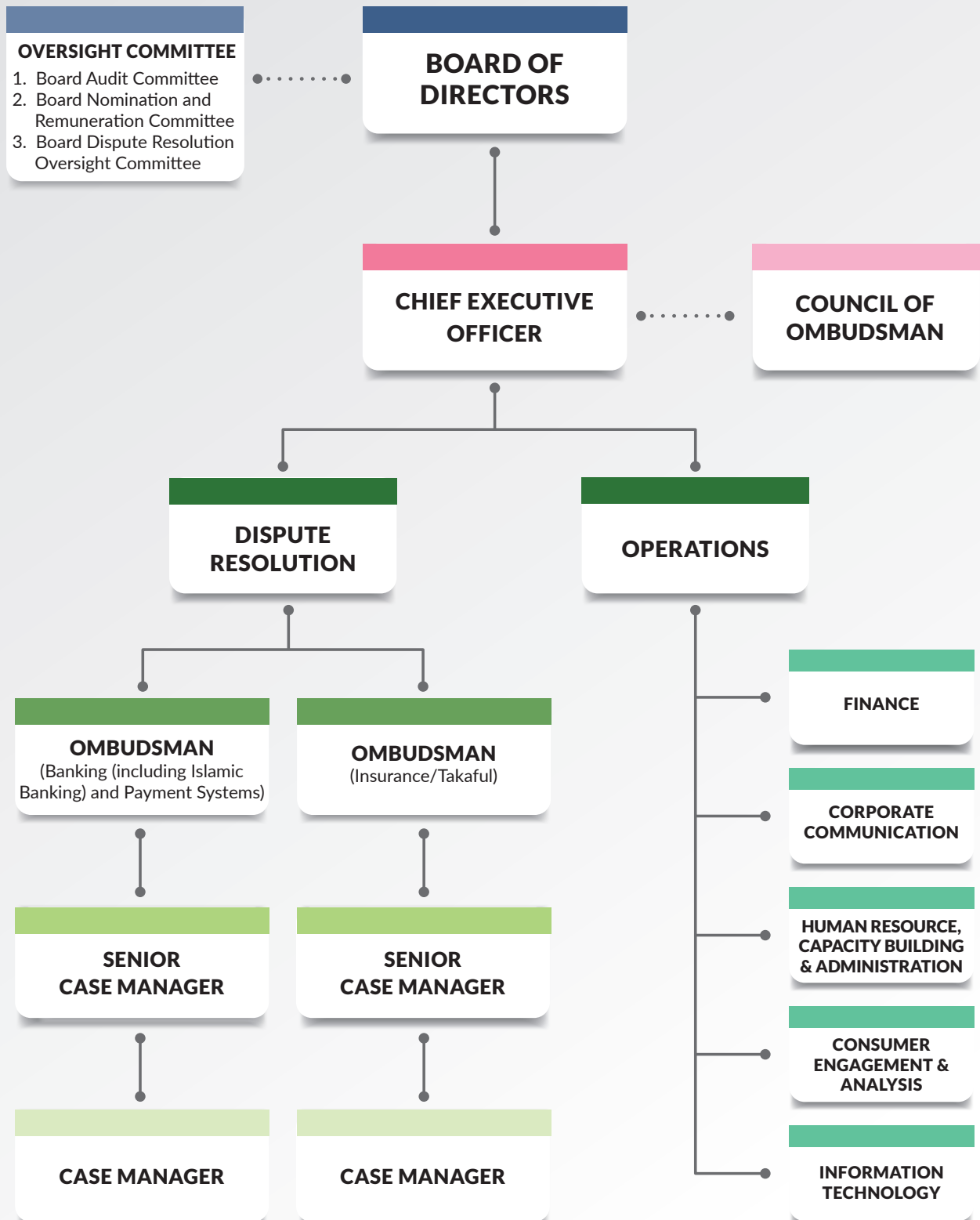
In 2018, constant engagements with industry players were carried out by the team to keep abreast with the latest products and services, changes in processes, as well as technological advances in the financial industry. We also arranged for various workshops and training sessions for our support staff, all of whom play a vital role in our day-to-day operations.

International cooperation

OFS has been a member of the International Network of Financial Services Ombudsman Schemes (INFO Network) since 2010. The INFO Network is a worldwide association for financial services ombudsmen formalised in 2007 with a current membership of 58 schemes from 37 jurisdictions. It provides knowledge sharing and networking opportunities among its members. Each year, OFS participates in the INFO Network Conference organised by INFO Network which enables its members to share views, challenges and insights from all over the world.

We also worked with our Asian counterpart, the Financial Industry Disputes Resolution Centre (FIDRec) of Singapore last year; our Ombudsmen visited FIDRec and exchanged knowledge and expertise on alternative dispute processes and best practices.

ORGANISATIONAL CHART

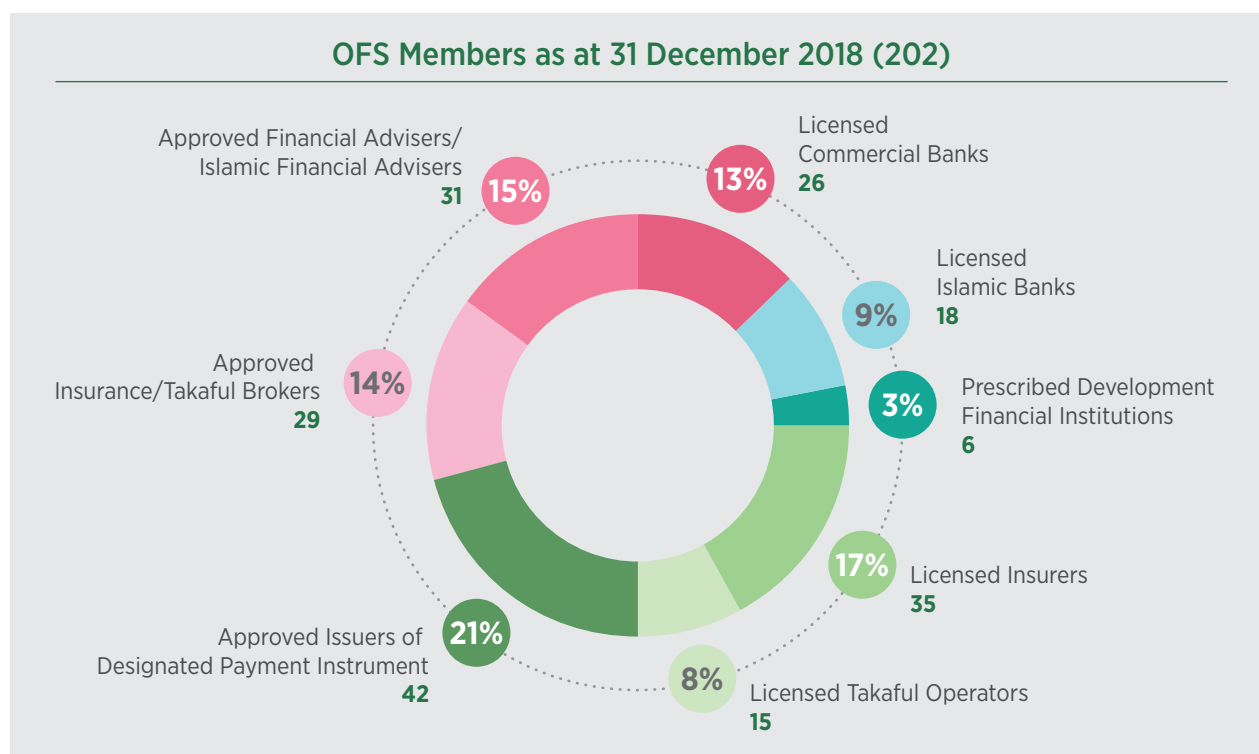


Our Members

OFS Members are FSPs who are licensed persons under the Financial Service Act 2013 (FSA) and the Islamic Financial Service Act 2013 (IFSA), prescribed institutions under the Development Financial Institutions Act 2002 (DFIA), and FSPs who are approved persons under the FSA and IFSA.

As at 31 December 2018, OFS has a total membership of 202 (2017: 180) comprising Licensed Banks (including Islamic Banks), Prescribed Development Financial Institutions, Licensed Insurance Companies and Takaful Operators, Approved Designated Payment Instrument Issuers, Approved Insurance and Takaful Brokers, and Approved Financial Advisers and Islamic Financial Advisers.

The increase in membership last year was mainly contributed by the surge in number of approved e-money issuers and conversion of composite licence of insurance and takaful businesses to single licence for Life/Family and General Insurance/Takaful operators. Refer to List of Members.



Type of Members

MEMBER TYPE	31 DECEMBER 2017	31 DECEMBER 2018	CHANGE
Licensed and Prescribed Institutions	94	100	6%
Approved Institutions	86	102	19%
Total	180	202	↑ 12%

Funding

OFS provides a cost-effective alternative dispute resolution service to financial consumers and FSPs. We are a company limited by guarantee and a non-profit organisation. Our funding structure consists of annual levy and case fee imposed on our Members. The annual levy charged is based on OFS' annual budget requirement which will be shared equally among the Licensed Members and the Prescribed Institutions. In 2018, we collected RM6.501 million annual levies from 100 Licensed and Prescribed Institutions.

Case fee (effective 1 October 2017)

INSTITUTIONS	CASE FEE
Licensed and Prescribed Institutions	RM1,500 per case
Approved Institutions	Case Management stage : RM100 per case Adjudication stage : RM500 per case

In 2018, only 34% (2016: 67%) of our 202 Members had disputes registered against them. A total of RM1.131 million was imposed as case fee on the respective Members. The case fees paid by FSPs reflect the number of disputes registered against them.

OFS' revenue and operating expenditure (2017 and 2018)

YEAR	2017 (RM)	2018 (RM)	CHANGE
Revenue	6,490,900	7,632,000	17.58%
Operating Expenditure	6,088,014	6,665,815	9.5%

Distribution of disputes registered across our Members (2018)

NUMBER OF DISPUTES PER FSP	NUMBER OF FSPs	TOTAL NUMBER OF DISPUTES
1-10	45	193
11-20	11	156
21-30	6	154
31-40	3	106
41-50	2	89
51-70	1	63
FSPs with no dispute	134	0
Total	202	761

Member engagement

Continuous and constructive engagements with our Members are crucial and offer mutual benefits to both OFS and the Members. The information and feedback we share about the disputes that we handle help Members understand the areas that work well and areas for further improvement. This avoids recurrence of similar disputes. In 2018, we organised several dialogue sessions with our Members and the industry associations to share common and emerging issues based on the disputes handled and to better understand specific concerns of our Members. On the micro level, we also conducted bilateral meetings with selected Members to share our observation and provide specific feedback.



Key Activities in 2018

- » Engagement with Life Insurance Association of Malaysia (LIAM)
- » Engagement with Persatuan Insuran Am Malaysia (PIAM)
- » Engagement with Malaysia Takaful Association (MTA)
- » Engagement with The National Insurance Claims Society (NICS)
- » Engagement with Association of Banks in Malaysia (ABM)
- » Other bilateral meetings with Members



Dispute Resolution

Scope

Following the implementation of the Financial Ombudsman Scheme (FOS) on 1 October 2016, the monetary awards that may be granted by the Ombudsman for a dispute registered under the FOS are as follows:

OFS' Monetary Jurisdiction

TYPE OF DISPUTE	MAXIMUM AMOUNT (PER DISPUTE)
Banking and Islamic banking products and services/ Insurance and takaful claims	RM250,000
Motor third party property damage insurance/takaful	RM10,000
Unauthorised transactions through the use of designated payment instruments or a payment channel such as internet banking, mobile banking or automated teller machine (ATM), or unauthorised use of a cheque	RM25,000

Exclusions

OFS will not consider the following complaints or disputes:

- More than specified monetary limit except for cases agreed by Members in accordance with sub paragraph 12(3) of Terms of Reference (TOR).
- On general pricing, product features, credit or underwriting decisions, or applications to restructure or reschedule a loan or financing which are commercial decisions.
- The actuarial standards, tables and principles which a Member applies to its long term insurance/takaful business.
- Any complaints relating to contract of employment.
- Complaints referred to court or arbitration.
- After six months from the date of final decision issued by Members.
- Complaints restricted under Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap.72), or Limitation Ordinance (Sarawak) (Cap.49).
- Any past decisions made by OFS (by Predecessor Scheme) unless new evidence arises.
- Complaint or dispute on investment performance.
- Complaint on capital market services and products.
- Disputes involving multiple complainants without the consent of the other complainant.
- Complaint involving third party bodily injury and death.
- Complaint related to payment or benefit under life and personal accident or payment of takaful benefits under family takaful or personal accident takaful set out in Schedule 10 of Financial Services Act 2013 and Islamic Financial Services Act 2013 respectively.

Eligible complainants

Our eligible complainants are financial consumers who use any financial services or products provided by an FSP:



Individual
for personal, domestic or
household purposes



Small and Medium Enterprise (SME)
in connection with
a small business

Financial consumers also include: -

Insured person under group insurance



Person covered under group takaful



Third party making a claim for insurance policy or
motor takaful for third party property damage



Guarantor of a credit facility



Nominee or beneficiary under a family life/family takaful certificate or
a personal accident/personal accident takaful certificate

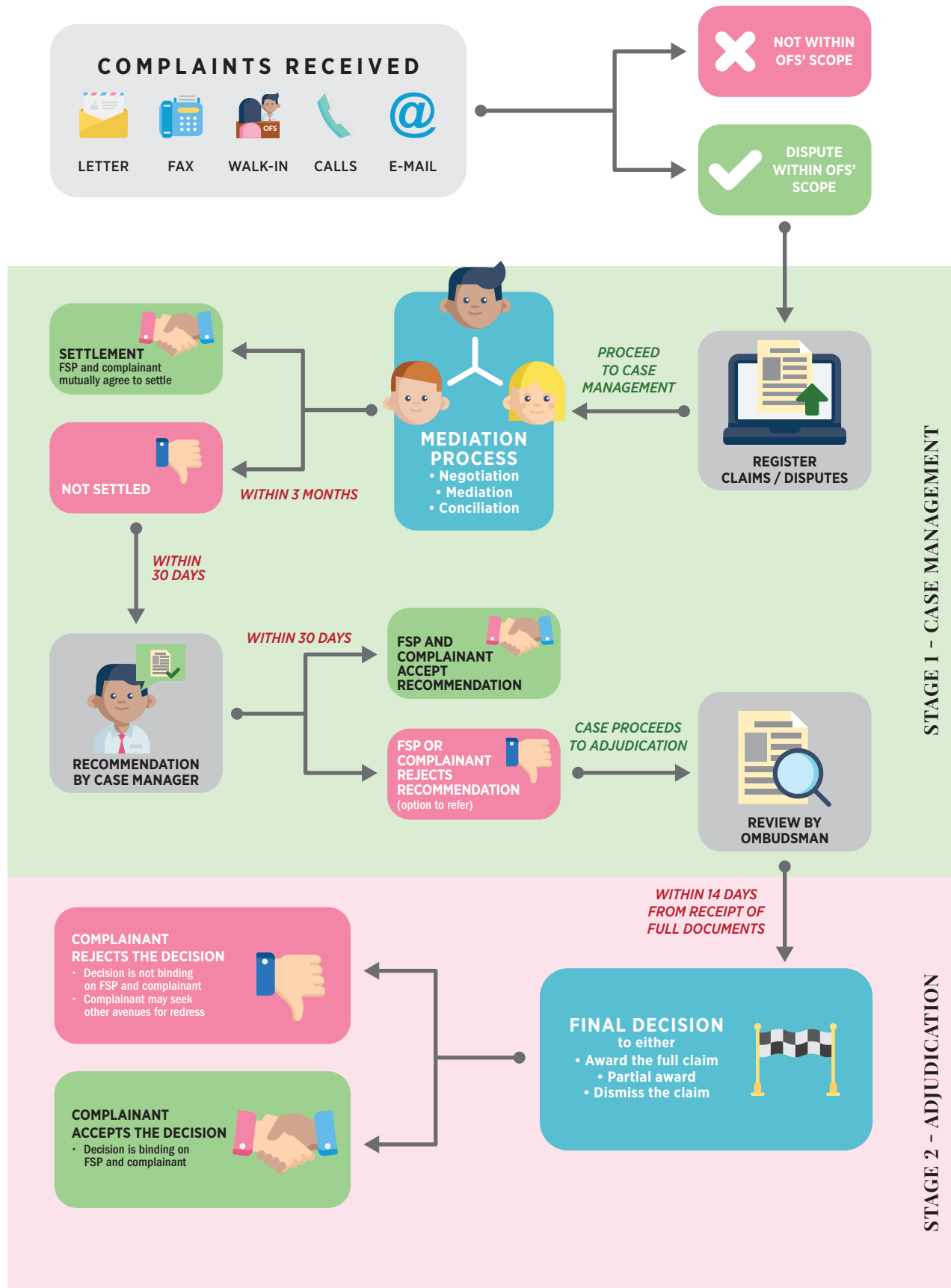


Insured person and beneficiary of the insured person
under a group insurance



OFS has the discretion to determine whether or not a financial consumer is an eligible complainant for purposes of filing a dispute with OFS. Such determination is final and binding on the FSP.

Dispute resolution process



Publicity and Consumer Awareness

One of the key focus areas for 2018 is enhancing public accessibility to OFS. It has been noted that the majority of the public is still not aware of our presence and the services we provide. As such, we have intensified our efforts in creating awareness and exposing the existence of OFS to the public.

During the year, we embarked on aggressive outreach and awareness programmes that included face-to-face engagement, on ground community events, mass media advertising and news features, as well as digital media campaigns. We also undertook branding initiatives and introduced our tagline "We Listen. We Mediate. We Resolve." to reflect what we do.

We realise that sharing what OFS offers via face-to-face engagement with the public can leave a positive impression on them. Most people that we met were genuinely surprised that an alternative dispute resolution is available for financial consumers in Malaysia.



Outreach Events and





Publicity Campaigns



This realisation prompted us to focus to a greater extent on community outreach events to raise awareness across the country.

Our first publicity mission commenced in January 2018 with *Karnival Kewangan Kedah*; we continued our outreach at *Karnival Kewangan Jerantut* and *Karnival Kewangan Taiping* which were organised by Bank Negara Malaysia. The carnivals attracted more than 3000 visitors to our exhibition booth. We also worked alongside Securities Industry Dispute Resolution Center (SIDREC) and Perbadanan Insurans Deposit Malaysia (PIDM) during the SmartInvest Fest 2018 and *Jelajah Komuniti PIDM* respectively.

Based on our findings, it was observed that radio advertisements provide greater results in reaching a wider audience in a short period of time. In 2018, we aired our first advertisement on national radio stations with large listenership throughout the country. The advertisements were run in four major languages during prime hours, that is, when the highest numbers of listeners were tuned to the radio channels.



Focus/May 2019

mainstream

13

Ombudsman Malaysia to boost transparency, accountability



Dr. Frank David

- Ombudsman Malaysia is an elevation of PCB's status to make it more independent and efficient
- Should be empowered to deal not only with public and quasi-government bodies, but also the private sector

The formation of Ombudsman Malaysia, which is set to replace the Public Complaints Bureau (PCB), is expected to be a more effective role in addressing a wide range of public complaints.

The ombudsman will be empowered by The Ombudsman Act, which is expected to be tabled in Parliament soon, to play a more effective role in addressing a wide range of public complaints.

Prime Minister Tun Dr. Mahathir Mohamad had, on Sept 22, announced the proposed establishment of Ombudsman Malaysia to replace the PCB. Consequently, he also announced the formation of the Independent Police Complaints and Disciplinary Commission (IPCC).



In other countries, the powers and authorities of an ombudsman have increased as a result of changes initiated by their governments

referring to public authorities such as government departments or agencies, where needed.

"And importantly, one that is an independent body to address complaints or disputes relating to misconduct, maladministration or lack of due process issues, among other things,

the existing public governance and enforcement fabric and promotes accountability.

"So what do you have to put into place? We do not yet have details on the proposal so we should wait for that, but I would assume that the proposed legislation will provide the mandate and scope of the ombudsman and will set out its powers, independence, and oversight by Parliament among others," she explains.

Saputra adds that in some countries, the power and authority of the ombudsman have gradually evolved as a result of changes initiated by their governments after they realised the importance of its role in the public sector. Perfect independence is in practical terms, as important as actual independence in dealing public complaints.

"The major advantage of an ombudsman is that he or she is an independent institution, thus avoiding the conflicts of interest when it is self-censoring."

Canis says the transparency and accountability of an ombudsman is a key element in the design to iron out the worst of government maladministration while keeping the power structures intact.

Shaharrah calls for a "new"

"Based on our understanding from media reports, the Ombudsman Act will tabled in Parliament. As far as we're concerned, there wouldn't be any change because the Ombudsman is very focused on financial services."

Shaharrah explains that an ombudsman system will come into being based on several accepted principles in the use of Ombudsman, they are globally-accepted principles: independence, fairness, transparency, accountability, accessibility and efficiency.

Consumer Ombudsman to dispute resolution, she notes that Ombudsman is essentially an alternative dispute resolution for consumers to hold companies or business to account, and services so that "people can come to us to resolve disputes instead of going to the court. We're supposed to provide an efficient and efficient dispute resolution avenue because if you go to court, there will be other relevant factors such as costs."

Meanwhile, Saputra says Ombudsman Malaysia is an elevation of PCB's status to make it more independent and efficient in addressing public complaints.

"What they are doing is elevating it to another level and it is a powerful addition to public governance," she adds.

Under the new?

Asked if Ombudsman Malaysia will become the ombudsman body for existing dispute resolution mechanisms such as SCS, approved by the Securities Commission Malaysia and Ombudsman approved by Bank Negara.

Saputra says it is unlikely. "It's because we are set up specifically for the financial and capital markets by the regulators with regulations that provide for the regulatory oversight of financial services and Ombudsman is a dispute resolution body, and clearly sets out the purview of the body."

"What is important for the people to understand is that they will be getting independent and impartial assistance in a very fair process through the ombudsman," Saputra notes.

As such, she adds it is not difficult for an ombudsman to be accessible to the public. The ombudsman should ideally be in an easy-to-reach location with online accessibility. In addition, there will presumably be plans for intensive awareness programmes.

Effective structure

The structure of Ombudsman Malaysia needs to be effective too because "if you make it too difficult, the ombudsman, it's not going to help the person making the complaint. As such, some level of effectiveness is also important," Saputra points out.

In addition, the suggested ombudsman has to be fair and reasonable, taking into account all the circumstances of a particular case. And he/she must have that sense of transparency and accountability.

When all these are in place, a complaint will be getting across to a process that is independent and fair. The ombudsman will look into the complaint based on facts presented with the proceedings will be more informal when compared to a court process.

It doesn't have the formality and will not incur as much cost and time as has to go through the court process, which can be lengthy.

"A lot of people can't afford to go through a court process," Saputra says.

Shaharrah adds that Ombudsman Malaysia will become an independent body as it will be answerable to Parliament.

Without an ombudsman, a person who wants to file a complaint might just have to rely on the court system where he has to understand and think through a lot of matters. A complaint has to be made sure he has proper complaint and documentation, a process which could be challenging to a layman.

Shaharrah says Ombudsman Malaysia will be based on several internationally accepted guiding principles.

The ombudsman would be the preferred avenue for the public to lodge any complaints regarding the public sector, says Saputra

Turning to ombudsman to redress disputes

By ROYCE TAN

royce.tan@theonion.com.my

KUALA LUMPUR: Consumers seeking redress for disputes with their financial service providers (FSP) may turn to the Ombudsman for Financial Services (OFS) instead of going to courts as the only option.

The OFS is an independent body set up in 2015 under the initiative of Bank Negara for alternative dispute resolution.

It is the first ombudsman organisation to embrace the private sector and is set to be the only one in Malaysia.

S. Kalyana Kumar (pic), the ombudsman for insurance and takaful at OFS, said services are free of charge.

"The resolution process is divided into two stages. It starts with case management where case managers try to negotiate or mediate to settle the case, failing which they will make a recommendation."

"If either party disagrees, they can refer the matter to the ombudsman for adjudication, which is the second stage."

"An adjudication by an ombudsman is final and is binding on the FSP if it is accepted by the complainant," he said, adding that complainants were also free to commence legal proceedings against the providers if they did not accept the adjudication.

Last year the OFS resolved 93.2% or 1,237 out of the 1,337 cases it received.

Kalyana Kumar said the OFS does not change consumer protection nor does it champion FSPs.

"We are an independent body and we look at the cases independently."

"The cases are usually resolved within three to six months and the processes undertaken are 'informal' in nature," said Kalyana Kumar.

He added that among the most common complaints were related to motor vehicle insurance, life and medical insurance. He also noted that there was a surge in disputes about travel insurance policies last year.

Kalyana Kumar said this was due to consumers assuming that the insurance coverage is comprehensive without reading the terms and conditions of the policy.

Another common thing we face is that a lot of consumers got their cars stolen after leaving their cars engines running and going to convenience stores. You have not taken precaution and it is negligence on your part so insurance won't pay," he said.

Kalyana Kumar also reminded consumers that in accident cases, drivers should not only report to the police station within 24 hours, but should also inform their insurance providers.

Meanwhile, commenting on the government's decision to replace the Public Complaints Bureau with Ombudsman Malaysia, Kalyana Kumar said it is a good move forward.

"It will give Malaysian a platform to lodge complaints against maladministration of government departments where actions can be taken," he said, adding that moving forward, more ombudsmen can be set up such as the Penang Ombudsman and an ombudsman for telecommunications.



S. Kalyana Kumar, Ombudsman for insurance and takaful at OFS

Ombudsman in politics

A new initiative to create an ombudsman to provide a check on government activity in the interests of transparency and to oversee the investigation of complaints against government activity.

If the ombudsman finds a complaint to be substantiated, the problem may get rectified, or an advisory report is published making recommendations for change.

Further redress typically involves financial compensation. Ombudsman must ensure that the power is not misused or abused for political or financial gain.

The ombudsman's role is to ensure that the power is not misused or abused for political or financial gain.

referred to as a "tribunal" role, which has traditionally been the domain of the judiciary.

The ombudsman chosen must ideally be a very senior, experienced and unbiased individual who is independent and enjoys respect across political lines.

"The major advantage of an ombudsman is that he or she is an independent institution, thus avoiding the conflicts of interest when it is self-censoring."

No overlap

Ombudsman for Financial Services (OFS) CEO Shaharrah Osman welcomes the effort to establish Ombudsman Malaysia and believes its role will not be redundant.

"It's a good move ... it's just that we still don't have much detail on this proposed scheme after the initial announcement."



Shaharrah Osman, CEO of OFS



S. Kalyana Kumar, Ombudsman for insurance and takaful at OFS

We Listen. We Mediate. We Resolve.

Besides advertisements, we were featured on radio interviews and a number of television programmes that focussed on consumer and financial matters. We also leveraged on print media last year where OFS was featured in multiple publications including national newspapers, financial newsletters as well as magazines.

Other steps that were taken to enhance the accessibility of the public to OFS in 2018 include creating social media pages such as Facebook, Twitter and LinkedIn. Our social media pages were updated regularly with write-ups of our activities and financial educational content; we also responded to customer queries through these social media channels.

Our company website is a key instrument in enabling consumers to know more about our organisation and to connect with us. As part of our accessibility strategy, we have revamped our website for easier navigation by its users, and simplified the content with an up-to-date layout and design. We have also introduced multilingual brochures on OFS.

These initiatives have produced positive outcomes. We are happy to note that there has been a considerable increase in the total number of enquiries received from the public.

Customer Satisfaction Survey

As part of our commitment to continually improve our services, we carried out our inaugural customer satisfaction survey in February 2018 to assess the satisfaction level of our customers when dealing with OFS regardless of the outcome of the dispute resolution. This is part of our effort to constantly evaluate our performance in order to identify areas for improvement and implement measures which would enhance our services.

The survey was conducted among complainants with cases registered since the implementation of the Financial Ombudsman Scheme (FOS), that is, from 1 October 2016 to 31 December 2017.

The areas which were measured in the survey include: the satisfaction level with the overall service of OFS; adequacy of information; accessibility to our service; customer service quality, including the politeness and knowledge of OFS' staff; effectiveness of communication; and our efficiency. We also sought the feedback of customers on the reasonableness of the outcome.

Outcome of the survey

The survey revealed that 74% of the respondents were satisfied with the overall service provided by OFS. Since this is our inaugural customer satisfaction survey, we will set the outcome as a baseline to measure our future performance.

On specific areas, the responses were as follows:

SUMMARY OF THE SURVEY

Adequacy of information on OFS' services



89%

Respondents agreed that basic information on OFS' services is clearly explained



86%

Respondents agreed that the information clearly explains how OFS would deal with complaints

Level of customer service


90%

Respondents were satisfied with our customer service


87%

Respondents were satisfied with the politeness and knowledge of our staff


80%

Respondents agreed that it was easy to contact the person dealing with their complaints

Responsiveness and efficiency in handling of complaints


76%

Respondents were satisfied with Case Managers' understanding of the complaints


78%

Respondents were satisfied with the receptiveness to the complainants

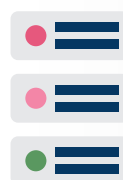

71%

Respondents were satisfied with the length of time taken to deal with their disputes

Effectiveness of communication


86%

Respondents agreed that OFS communicates effectively—clear and easy to understand


79%

Respondents agreed that clear reasoning were given for recommendation or adjudication


79%

Respondents agreed that OFS' assessment was comprehensive

Resolution of disputes

Member Satisfaction Survey

Apart from the customer satisfaction survey, we also carried out our inaugural Member Satisfaction survey to measure the level of satisfaction across our Members when dealing with OFS. This survey aimed to evaluate our overall performance and identify areas for improvement.

The survey was carried out among Members who had cases filed against them since the implementation of the Financial Ombudsman Scheme, that is, from 1 October 2016 to 31 December 2017.

The areas which were measured in the survey include the appropriateness of our recommendation and decisions, dispute resolution service and overall experience.

Outcome of the survey

The survey established that 71% of the respondents were satisfied with their overall experience with OFS. Since this was our inaugural survey, we will set the outcome as a baseline to measure our future performance.

On specific areas, the responses were as follows:

SUMMARY OF THE SURVEY



71%

Members were satisfied with their overall experience with OFS



83%

Members agreed that our decisions and recommendations are fair and unbiased



94%

Members agreed that our decisions are consistent



85%

Members agreed that we provide good dispute resolution service



2018 Performance

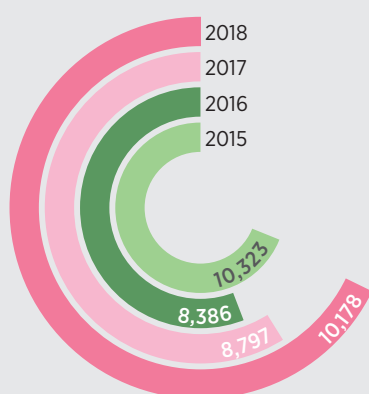
■ Overall Performance	41
■ Sectoral Performance - <i>Insurance</i>	48
■ Sectoral Performance - <i>Banking</i> (including <i>Islamic Banking</i>) and <i>Payment Systems</i>	65

2018 Performance

OVERALL PERFORMANCE

Enquiries and complaints received

Chart 1: Trend of enquiries and complaints received



We handled a total of 10,178 enquiries and complaints in 2018, which is an increase of 16% compared to 2017. Out of these, 4,530 were new complaints and enquiries. During the year, the number of new enquiries increased by more than 100% as compared to 2017. This could be due to the increasing awareness of the public on the existence of OFS.

Of the 4,530 new complaints and enquiries received, 63% were on insurance and takaful related matters, 35% on banking matters and the remaining 2% on payment systems, broking business and financial advisory services.

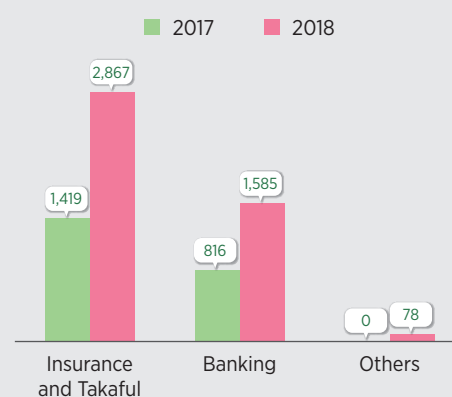
Profiling of enquiries and complaints handled

Table 1: New complaints and enquiries received by channel (2018)

Email	@	1,689
Telephone	☎	1,511
Mail	✉	990
Walk-In	👤 OFS	340

As in the previous year, the electronic mode was the preferred channel for people making enquiries and lodging of complaints with OFS.

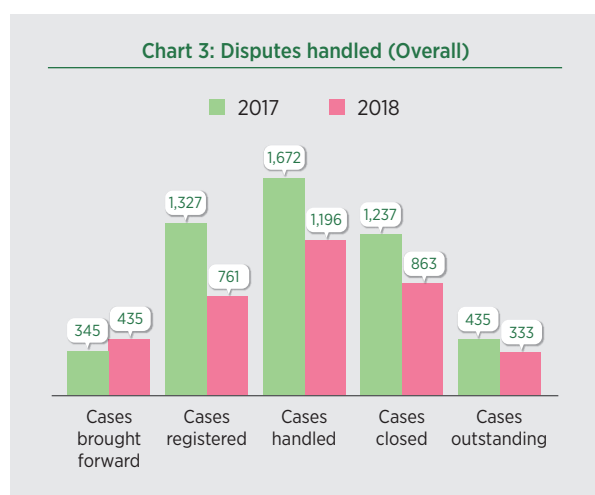
Chart 2: Enquiries and complaints received by sector



Of the total 4,530 new complaints and enquiries received, 761 (17%) were registered and the remaining were settled either at screening stage or out of OFS' jurisdiction, e.g. customer service issues or insufficient documents.

We are taking a proactive approach in dealing with the complaints received including facilitating resolution at the screening stage. For disputes that fall out of OFS' scope, the consumers are normally referred to appropriate agencies.

Disputes registered



From the commencement of the Financial Ombudsman Scheme in October 2016 until December 2018, OFS has registered 2,470 cases, with insurance and takaful disputes accounting for almost two thirds of the disputes received.

In 2018, OFS handled 1,196 cases, of which 761 were new cases registered and 435 cases brought forward from the previous year. A total of 863 cases were disposed and 333 cases carried forward to 2019. The number of disputes registered in 2018 fell by 42% as compared to 2017.

Generally, the number of cases registered has shown a declining trend since the implementation of the Financial Ombudsman Scheme. This could be attributed to better complaint management by the financial service providers (FSPs). It was noted that the FSPs have improved their practices based on the observation and feedback derived from the disputes handled.

Table 2: Disputes registered by sector

SECTOR	2017	2018
Insurance and takaful	853	562
Banking	458	194
Payment systems	16	5

Of the 761 new cases registered in 2018:

- 74% (2017: 64%) were insurance and takaful disputes;
- 25% (2017: 35%) were banking (including Islamic banking) disputes; and
- 1% was payment instruments disputes

Monetary threshold

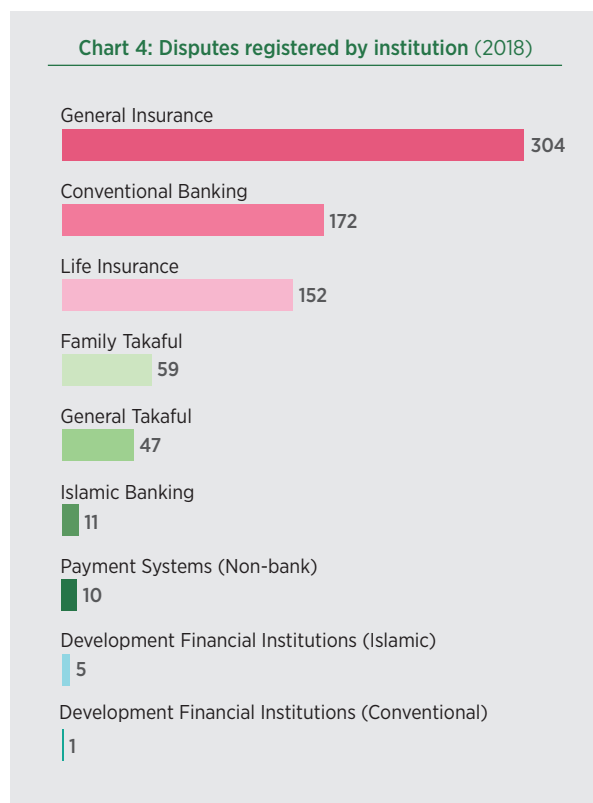
Table 3: Monetary threshold

	AMOUNT
Life/family takaful and other general insurance/takaful	RM 250,000
General/takaful (motor) and fire insurance/takaful	RM 250,000
Motor/takaful third party property damage	RM 10,000
Banking/Islamic banking and payment systems	RM 250,000
Unauthorised transaction through designated payment instruments	RM 25,000

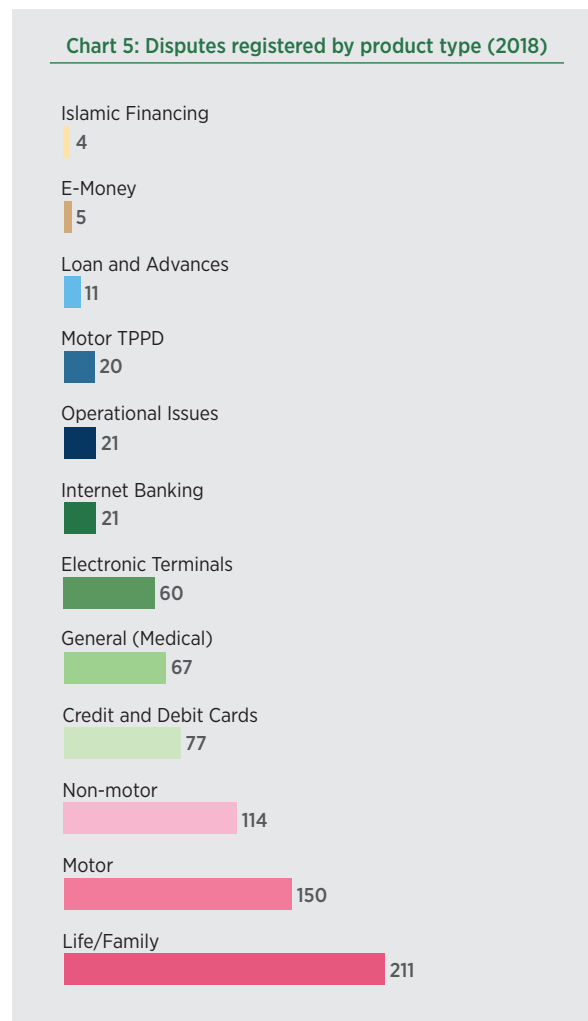
Out of the 761 cases registered in 2018, 63% were disputes with monetary amounts less than RM25,000 (2017: 80%) while 37% were disputes with monetary amounts exceeding RM25,000. The number of disputes with monetary amounts exceeding RM100,000 increased from 5% in 2017 to 11% in 2018; most of the disputes were related to insurance and takaful disputes. There were 48 cases (6%) with monetary amounts less than RM1,000.

Profile of disputes registered

By institution



By product



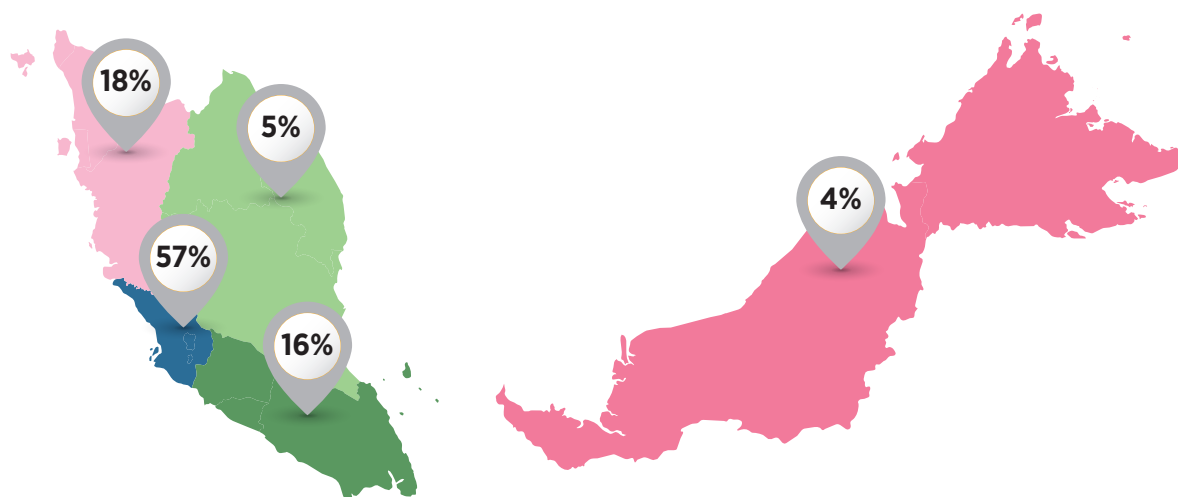
The most common cases registered were disputes related to life/family, motor and non-motor insurance.

Dispute types such as credit/debit cards experienced a drastic reduction by more than 68% compared to cases received in 2017. This trend could be attributed to the implementation of the PIN-based card system which is more secure.

For disputes related to motor insurance, new cases received declined by almost 50% compared to cases received last year. This trend could be attributed to the willingness of the insurers/takaful operators to settle with their customers.

Disputes registered by geographic area, age and occupation

As in the previous year, the highest number of cases registered in 2018 was from the Central Region at 429 (57%). This was followed by Northern Region (18%), Southern Region (16%), East Coast Region (5%) and East Malaysia (4%).



Individual financial consumers filed 93% of the disputes received while 7% were filed by SMEs.

The demographic profile of the complainants indicates that 65% of the complaints were lodged by male complainants and 35% by female complainants. In terms of occupation, 21% of the complainants said they were professionals, 15% held a managerial position and 14% were self-employed. The majority of the complainants were between 45 and 54 years old.

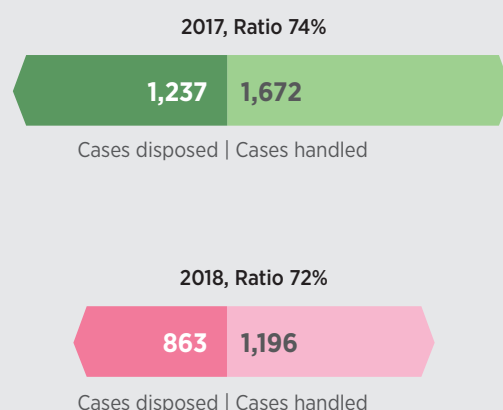
Table 4: Analysis of distribution of disputes received across our Members

	2017	2018
FSP with disputes	37%	34%
FSP with no disputes	63%	66%

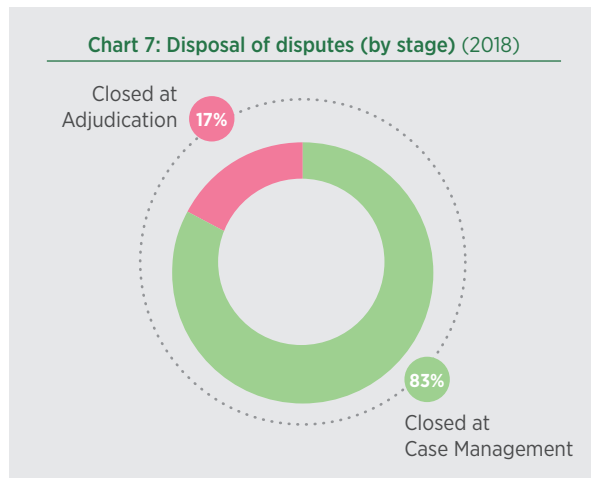
Disposal of disputes

We closed 863 cases in 2018 and of these cases, almost three-quarters (603 cases) were disputes related to insurance and takaful while 260 cases were disputes related to banking and payment systems.

Chart 6: Ratio of disputes disposed to disputes handled in 2017 & 2018

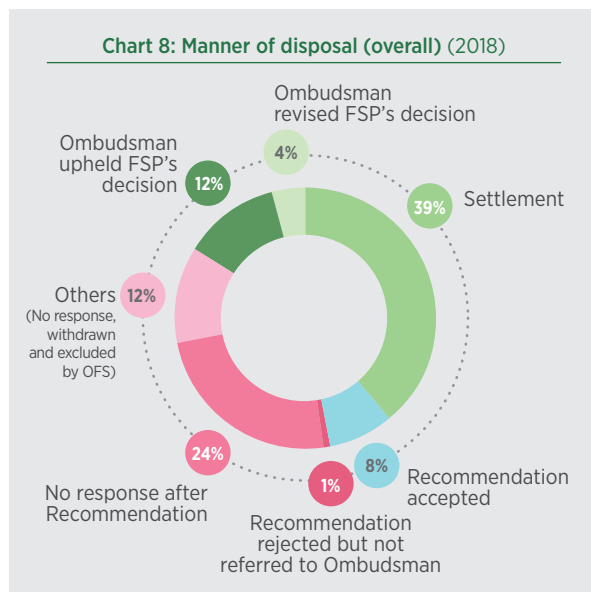


Total disputes disposed



Out of 863 cases disposed, 83% of the cases were disposed at Case Management stage, whilst the remaining 17% were disposed at Adjudication stage. There was a slight increase of 5% in cases disposed by Ombudsman compared to last year.

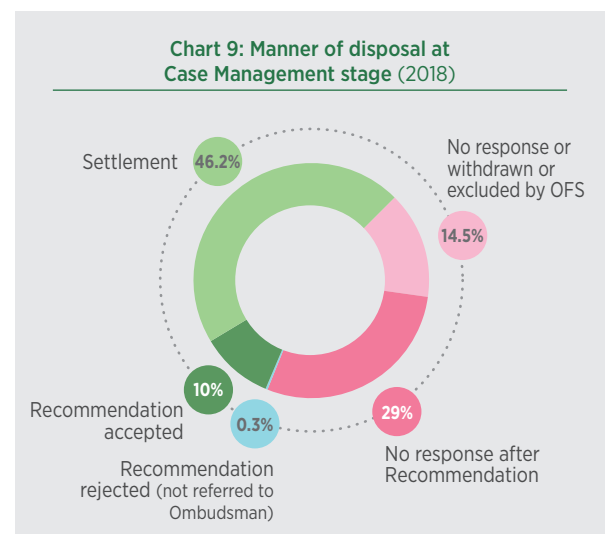
Manner of disposal



In our dispute resolution process, we promote openness and transparency in our approach. We provide an avenue for parties to understand the issues, share alternative viewpoints and clarify information. We encourage an amicable settlement between the complainants and the FSPs through negotiation, mediation and conciliation.

In 2018, 39% of the cases disposed were resolved through amicable settlement (332 cases at Case Management stage and eight cases at Adjudication stage). The willingness to settle was normally based on the acknowledgement of accountability and responsibility between complainants and the FSPs.

Case Management stage



At this stage, the Case Manager facilitates the resolution of disputes through negotiation, mediation and conciliation. The focus includes putting things right, being open and accountable, acting fairly and seeking continuous improvement on the services provided by the FSPs.

In 2018, 46% of cases were resolved by settlement, of which 189 cases were insurance and takaful disputes and 143 cases were banking disputes and payment systems.

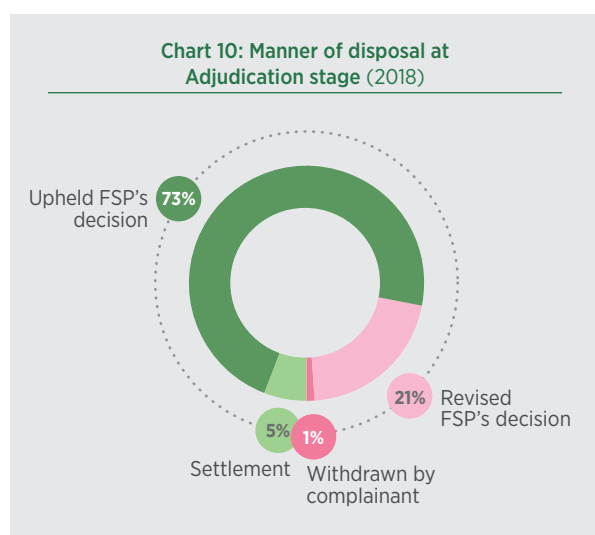
If no settlement is reached between the parties, a Recommendation will be issued. The Recommendation by the Case Manager specifies in detail the reason for the conclusion of the dispute and the remedy that is considered fair and reasonable. If any of the parties to the dispute reject the Recommendation, they may refer to the Ombudsman for Adjudication.

In 2018, 143 cases were referred to our Ombudsmen.

At Case Management stage, out of 427 Recommendations issued, 72 were accepted by complainants and the FSPs.

Adjudication stage

The number of disputes disposed at Adjudication stage was 143 (17%). The Ombudsman issued 134 decisions; there were 104 (78%) where the FSPs' decisions were upheld and 30 (22%) where the FSPs' decisions were revised.



The Ombudsman's decision is final and independent of the findings or the Recommendation made by the Case Manager at Case Management stage.

In the decision, the Ombudsman will state the findings based on sufficient, reliable and relevant information and will provide reasons for a decision. This helps to prevent misunderstandings and promote acceptance of outcomes.

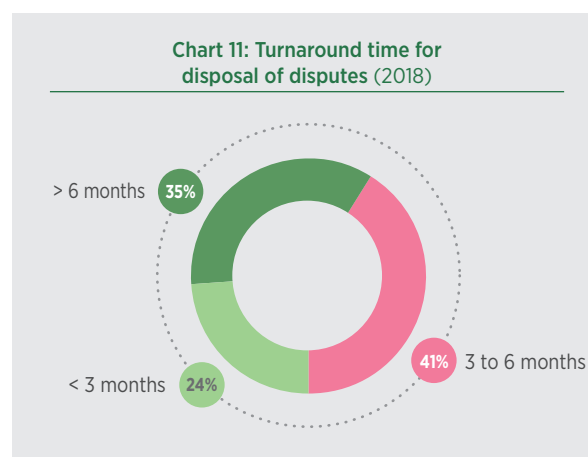
It is the role and duty of the Ombudsman to act fairly and reasonably while having regard to the law, regulations, standards and guidance issued by Bank Negara Malaysia as well as the industry's best practices.

Turnaround time for disposal of disputes

OFS has undertaken continual effort to improve the turnaround time in resolving disputes handled.

Factors such as the changing nature of case received, the complaint-handling behaviour/manner of the FSPs, as well as sufficiency of documents and evidence contributed to the overall time taken to resolve a dispute.

In 2018, we closed 863 cases of which 65% were done within six months from the date of registration. About 24% of the cases were settled within three months from the registration date.



Disposal of cases that took more than six months were commonly due to:

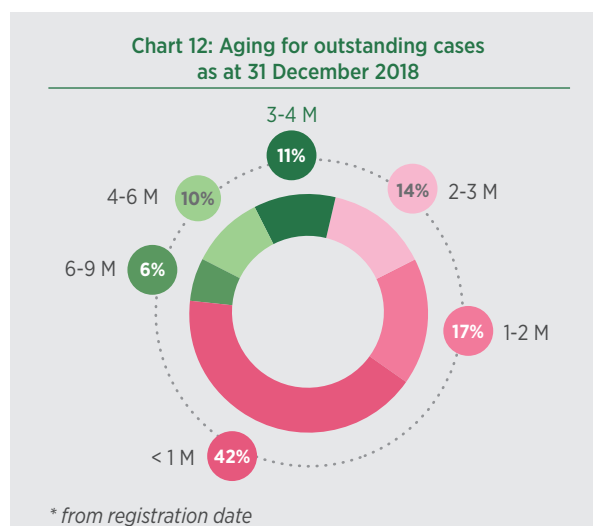
- obtaining further documents (medical and reassessment reports);
- extension of time required by the complainant and the FSPs in achieving a settlement.

Disputes outstanding

Table 5: Turnaround time for outstanding cases (2018)

SECTOR	INSURANCE	TAKAFUL	COMMERCIAL BANKING	ISLAMIC BANKING	PAYMENT SYSTEMS
Less than 1 month	78	26	31	3	2
1 to 2 months	33	6	13	4	0
2 to 3 months	29	2	14	0	1
3 to 4 months	19	5	11	1	1
4 to 6 months	15	8	11	1	0
6 to 9 months	7	1	8	1	0
9 to 12 months	1	0	0	0	0
More than 12 months	0	1	0	0	0

As at 31 December 2018, we have 333 cases outstanding which were carried forward to 2019. Out of this, 231 cases were insurance and takaful disputes, and 102 cases were banking and payment systems disputes.



For outstanding cases, 94% (314) of the cases were outstanding for less than six months from the date of registration and only 6% (19) of the cases exceeded six months. Most of the outstanding cases as at 31 December 2018 were newly registered cases in the last quarter of 2018.

“
Saya ingin mengucapkan ribuan terima kasih kepada pihak tuan kerana membantu saya menyelesaikan surat tuntutan insurans kenderaan saya.

- Customer Testimonial



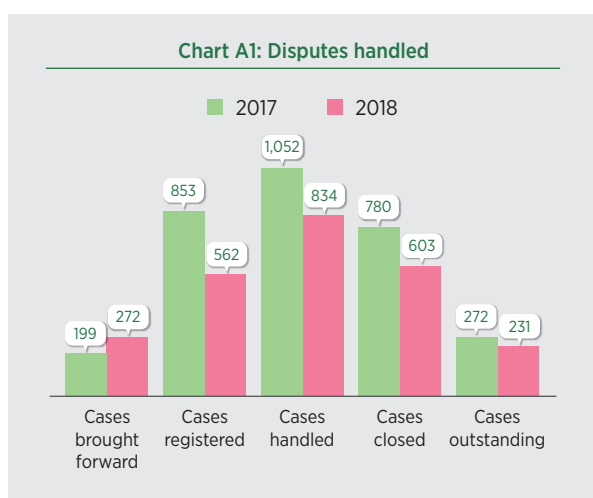
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Sectoral Assessment – Insurance and Takaful

Overview

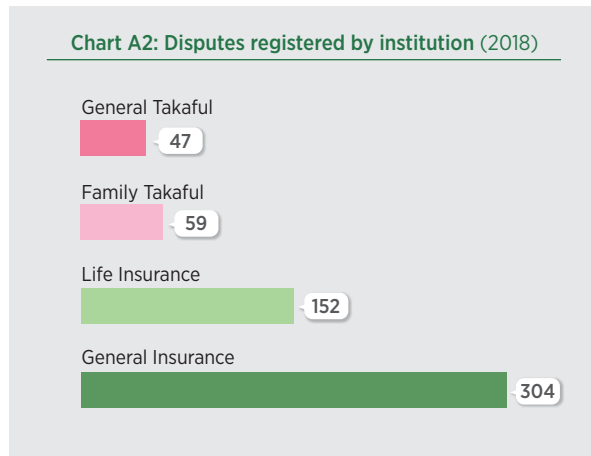
In 2018, we handled 834 insurance and takaful disputes comprising 272 disputes brought forward from 2017 and 562 new disputes registered in 2018. The number of disputes registered in 2018 declined by 34%, contributed mainly by the reduction in the number of registered motor disputes. This could be attributed to the improvement in the way complaints were handled by the FSPs as there was a marked decrease in repudiation of claims by the FSPs which were based on technical breaches unconnected to the loss and had not prejudiced their interests e.g. claims repudiated due to late notification or non-possession of a valid licence in theft claims. A total of 72% (603) of the disputes were disposed, leaving 231 disputes carried forward to 2019.



Out of 834 disputes handled; 156 (19%) were disputes related to takaful products which included 106 new disputes registered and 50 carried forward disputes. There were 678 (81%) disputes that were related to conventional financial products; the highest number of disputes was related to life insurance followed by motor insurance. A similar trend was observed for disputes related to takaful products.

Of the 562 new disputes registered in 2018, 37% were disputes on life and takaful family, 27% on motor, 20% on general non-motor insurance/takaful, and the remaining on general medical and third party property damage.

Profile of disputes registered By institution

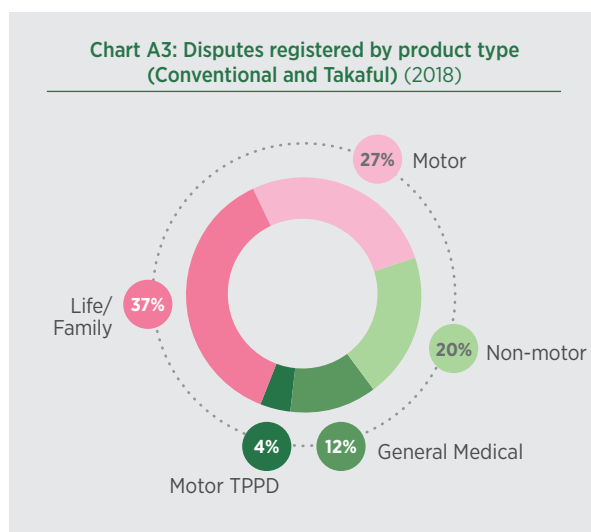


About 57% of disputes registered were against licensed general insurance companies with claim amount totalling RM12.1 million.

Life insurance companies recorded 152 disputes with a total claim amount of RM7.07 million and 59 disputes were registered against the family takaful operators with a claim amount of RM4.4 million.

About 47 cases were registered against the general takaful operators with a claim amount totalling RM 2.1 million.

By product



The top-three types of disputes registered in 2018 were:

- life/family (211, 37%)
- general/takaful motor (150, 27%)
- general/takaful non-motor (114, 20%)

Life/family cases topped the list in 2018 (37%). A growing area of disputes for life insurance registered at OFS includes mis-selling of insurance products by sales intermediaries.

There was a reduction of almost 50% (150 cases) for cases registered under general/takaful motor as compared to the previous year (291 cases).

General/takaful non-motor cases registered in 2018 (20%) remains the same as in the previous year. Disputes related to travel insurance accounted for more than 50% of the general/takaful non-motor disputes.

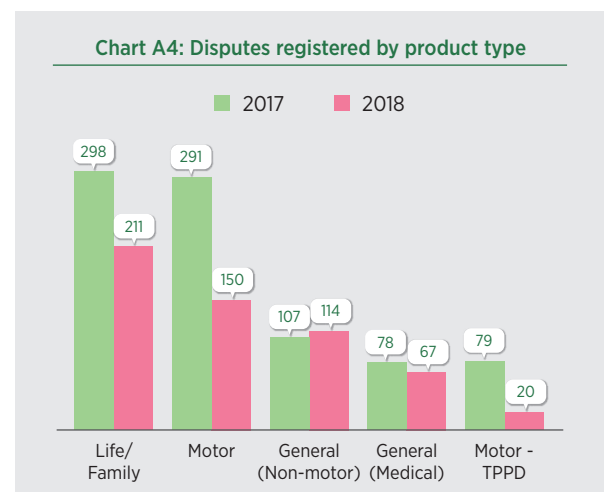


Chart A5: Types of disputes (2018)

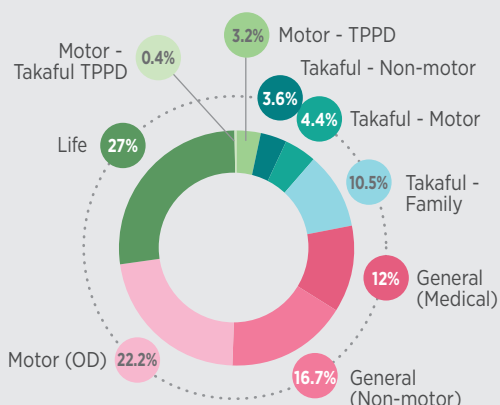


Table A1: Nature of disputes by product type (2018)

PRODUCT	NATURE OF DISPUTE
Life/Family/General Medical	non-disclosure of material facts non-conformance with policy terms and conditions
General/Takaful Motor	breach of policy terms and conditions such as late notification failure to take reasonable precautions in safeguarding the vehicles
General/Takaful Non-motor	compensation for flight delay, travel cancellation, travel curtailment loss of personal effects/money
General/Takaful Third Party Property Damage (TPPD)	compensation for loss of use of vehicle while it is being repaired cost of repair

Disputes received were generally related to repudiation of claim due to breach or non-conformance of the policy terms and conditions, and dispute on quantum.

By monetary range

The monetary range for disputes registered for insurance and takaful are as follows:

Table A2: Monetary range for disputes registered (2018)

MONETARY RANGE	NO. OF DISPUTES	PERCENTAGE
Less than RM5,000	135	24%
RM5001 to RM10,000	89	16%
RM10,001 to RM100,000	258	46%
More than RM100,000	80	14%

Out of 562 disputes received in 2018, 338 (60%) were disputes with a monetary value of more than RM10,000 and 80 (14%) were disputes with a monetary amount exceeding RM100,000. In 2018, disputes registered with a monetary value of less than RM5,000 accounted for 24% of cases as compared to 49% in 2017. This lower number could be attributed to the implementation of case fees in 2017. The implementation of case fees could have incentivised the FSPs to resolve disputes particularly for small claims without escalating to OFS.



Key insights and observations in relation to insurance and takaful disputes

One of our key objectives in the dispute resolution process is to ensure transparency by sharing our insights, experiences and outcomes of dispute resolution. We also aim to facilitate improvement in the practices of the insurance/takaful industry and enhance awareness among financial consumers.

The nature of disputes handled and the observations made by OFS in relation to the disputes are elaborated below:

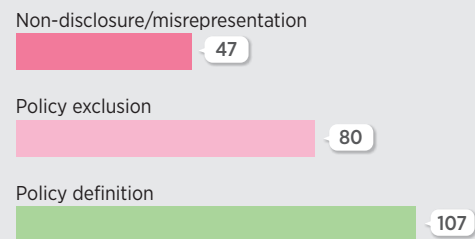
LIFE, GENERAL MEDICAL INSURANCE AND TAKAFUL FAMILY

In 2018, we received a total of 217 new disputes (*Life Insurance: 150 cases; General Medical: 67 cases, Takaful Family: 59 cases*) of which the majority of the disputes were in relation to medical and hospitalisation claims, followed by total and permanent disability claims and death claims. The trend is similar to the disputes received in 2017.

Disputes related to medical and hospitalisation claims continued to show an upward trend – from 39% in 2017 to 41% in 2018. Most of the disputes were in relation to claims which were rejected because:

- the claims do not conform to the policy/certificate definitions
- the claims fall under policy exclusion, for example, the pre-existing illness clause, specified illnesses or disability during waiting period
- there was non-disclosure/misrepresentation of material facts in the insurance/takaful application/renewal form

Chart A6: Common disputes for life, general medical and family (2018)



A total of 271 cases were disposed in 2018, of which 79% (213) of the disputes were disposed at Case Management stage and 21% (58) at Adjudication stage.

Eighty-eight cases (32.5%) were disposed through settlement which includes review of decision by the FSPs after observations made by OFS. Out of 129 Recommendations issued, eight were accepted by the complainants and the FSPs while 62 received no response from the complainants. Fifty-eight were referred to the Ombudsman for adjudication; the Ombudsman upheld the FSPs' decision in 49 cases (92%) and revised the FSPs' decision in four cases (8%). The rest were pending Adjudication.



Our observations:

FSP's decisions must be supported with proof

When the FSP makes a decision to repudiate a claim, the burden is on the FSP to prove that the claim is not payable. The FSP is required to produce relevant crucial documentary evidence to support its contention, such as confirmation from the attending doctor prior to repudiation.

FSPs to ask specific questions in insurance/takaful application form

In disputes where the FSP rejects a consumer's claim on misrepresentation of fact in the insurance/takaful application form, it was observed that the decision was based on the ground that the complainant had failed to provide accurate information.

In dealing with such disputes, the FSPs were reminded of their duty to caution the proposer to take reasonable care not to make any misrepresentation in answering questions in the application form and to explain the consequences. The FSPs' claims assessment must be in line with the requirement under Schedule 9 of the FSA 2013 and IFSA 2013, which require FSPs to have specific questions in the insurance/takaful application form for consumer insurance contracts.

The cases brought before OFS usually involve inaccurate answers to one or more questions in the application form. In such cases, our approach is based on the following:

- did the FSP ask a clear question about the matter which is now under dispute?
- did the answer to that clear question influence the FSP's decision to enter into the contract?
- the remedies available are dependent on the type of misrepresentation which is divided into two broad categories: deliberate and reckless, or careless and innocent.

When the misrepresentation is deliberate or reckless, the insurer may 'avoid the policy'. However, when the misrepresentation is careless or innocent, the insurer has a compensatory remedy. This is based on what the insurer would have done if the consumer had answered the questions accurately and completely. For example, if the insurer would have added exclusion, the insurer need not pay the claim if it falls under such exclusion. If the insurer would have charged additional premium, the insurer needs to pay a proportion of the claim.

Thus, it is an important requirement for the insurer/takaful operator to ask specific questions in the application form and to consider the remedies as stated above.

Consumers are generally not equipped with knowledge on the financial products

A growing area of disputes registered for life insurance/family includes mis-selling of insurance/takaful products by the sales intermediaries.

It is noted that the policyholders/participants are generally not equipped with knowledge on the financial products and do not read the product disclosure sheet, sales illustration and the policy terms upon receiving the same, as most of them are dependent on the agents.

In dealing with such disputes, the important issues to be determined are:

- whether there was a misrepresentation;
- if indeed there has been one, did the agent make the misrepresentation to the assured?
- if so, did the said misrepresentation influence the assured into making the decision to purchase the insurance/takaful product from the agent?

The assured/policy owner has to prove the misrepresentation and that the said misrepresentation influenced him/her into making the decision to purchase the said policy/certificate.

One of the most crucial parts in OFS' investigation includes investigating what had transpired throughout the sales process. We will review whether the FSPs' sales process, particularly on the product disclosure sheet, has complied with the specific disclosure requirements which include:

- clear and concise disclosure of information at an early stage
- information on products and services that must be presented in a clear and reasonably understandable format; policy documents should be presented in plain language.

In addition, the FSPs are expected to:

- (i) draw the customer's attention to the key terms and features of the financial product or service

- (ii) highlight major terms and conditions applicable
- (iii) make sufficient disclosure so that the consumer has a basic understanding of the product's features, benefits, risks, charges and rights; the product's key features must be clear and prominently displayed
- (iv) inform the customer to read the relevant policy and seek clarification from the Insurer should any of the terms or conditions be not fully understood
- (v) provide periodic statements to the customer

In most of the cases handled, we observed that policyholders were generally not equipped with knowledge on the financial products and did not read the policy terms upon receiving the same. FSPs should undertake more effort to educate consumers and ensure they understand the policy terms and conditions.



CASE STUDY I

Mis-selling of insurance product

Background

The complainant bought three investment-linked policies in 2014. In May 2017, the complainant went to the FSP's office to surrender her policy. However, she did not surrender the policy as she was not satisfied with the surrender amount quoted by the FSP.

She alleged that the three policies were sold to her by the agent on the basis that they were endowment policies and that the agent had failed to disclose to her that the policies were investment-linked products. Thus, she requested for a full refund of the premium.

Investigation and findings

The following findings were noted:

- (i) The information that the policies were indeed an investment-linked product was clearly stated in all the documents signed by the complainant which included proposal forms, Customer Fact Finding Form, top-up application, and Policy Service Request Form.
- (ii) In the policy documents, it was stated that all the policies were investment-linked products. The assured had issued two cheques for the top-up application.
- (iii) There was no concrete evidence or proof provided by the assured that she had been misrepresented by the agent.
- (iv) The insurer's documentation had plainly, concisely and consistently indicated that the three policies were investment-linked policies at pre-contractual stage, contract stage and during the contract.
- (v) The assured admitted that she signed all the documents except for the top-up application to which she contended that she could not remember seeing or signing the forms despite the fact that she had issued two cheques for this purpose.

Based on the above findings, OFS was of the view that there was no misrepresentation by the insurer.

Recommendation

OFS' Recommendation was issued in favour of the FSP.

CASE STUDY II

Is it medically necessary?

Background

The insured was admitted and diagnosed with 'Stroke and Hypertension'. The insurer had approved his hospitalisation claim. However, the charges for his medication for his post-hospitalisation claim was not paid in full by the insurer on the ground that the prescribed medication is not medically necessary for the treatment of the diagnosis and is preventive in nature.

Investigation and findings

The following findings were noted:

- (i) The attending doctor of the insured had given an explanation stating that the prescribed medicine was medically necessary to treat the insured.
- (ii) A clarification letter from the Ministry of Health, Malaysia (MOH) explained that the prescribed medicine is classified as traditional medicine, where the efficacy of the medicine is not proven through clinical studies.
- (iii) Inconsistent industry practices showed that some paid for the prescribed medicine and some did not.
- (iv) The policy does not define what preventive medicine is.

Adjudication

OFS adjudicated the case in favour of insured based on the following grounds:

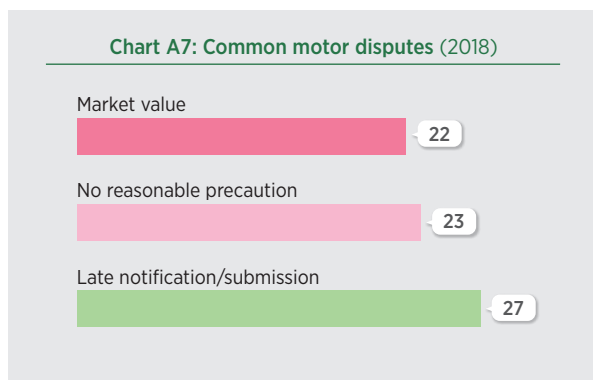
- (i) The MOH has classified the prescribed medicine as traditional medicine, not preventive. The provision referred by the insurer is silent on the use/prescription of traditional medicine and the word 'preventive' was not defined in the policy either.
- (ii) This creates ambiguity as to whether traditional medicine falls under preventive medicine; the rule of *contra proferentum* will apply where any doubt or ambiguity should be construed in favour of the insured.
- (iii) The insured, being a layperson, relied entirely on his treating doctor's advice with regards to treatment given and medicine prescribed especially after having undergone a major life-threatening stroke trauma.
- (iv) It is only fair and reasonable for the insurer to reimburse the insured on the prescribed medication.

MOTOR

The number of motor disputes has reduced significantly by 45% from 227 disputes in 2017 to 150 disputes in 2018. Out of the 150 new disputes received, the most common nature of disputes are:

- delay in notification of claim to FSP
- failure on the part of the insured/participant to take reasonable precaution
- market valuation—dispute on the quantum of settlement for theft or total loss/beyond economic repair vehicle

Repudiation of claims related to non-possession of driving licence reduced remarkably from 32 cases in 2017 to six cases in 2018. This could be attributed to the precedent cases of similar nature highlighted to the FSPs.



A total of 137 cases (89%) were disposed at Case Management stage and 17 cases at Adjudication stage. Out of the 154 cases disposed, 55 cases (36%) were resolved through a settlement; recommendations were issued for 85 cases.

Our observations:

Lack of understanding on the policy terms and conditions

It was observed that many complainants purchased a policy without understanding what is covered, and the exclusions and terms and conditions that must be fulfilled in order for coverage to apply. This continues to become

an area of concern which should be addressed by the relevant stakeholders.

Complainants are reminded to read their policy and understand their obligations under the terms and conditions of the policy to avoid any problems and disagreements in the event of loss.

On the other hand, FSPs have a duty to ensure that the policy terms and conditions are understood by the policy holders.

Thorough investigation on claims

Another important observation is that further improvement is required from FSPs when investigating claims. Claims should be thoroughly investigated with all the supporting documents before making a decision.

In some instances, it was noted that FSPs failed to address the key issues in the claims and relied on 'General Exceptions' of the policies to reject claims. Our assessment of the documentary evidences revealed that the rejection falls within the technical breaches as stated in the relevant guidelines.

For example, some FSPs have relied on the requirement for minimum tread of tyres (1.6mm) to reject a claim. We would agree that roadworthiness of the vehicle insured is indeed a fair expectation from the insurer. However, bald tyres shall not invalidate an insurance claim as this requirement serves as a guideline for the manufacturer of the tyres and such a requirement was not spelt out in the policy terms and conditions. We deemed such repudiation as a technical breach as the policyholders may not have the knowledge of the tyres tread measurement.

Another common ground used by FSPs in rejecting claims is 'inconsistency' of damage. As it is generally understood, an insurance policy is a contract between the policyholder and the

insurer. Thus, the parties are governed by the terms and conditions as stipulated in the policy and any rejection of claims ought to be based on the terms and conditions of the policy.

CASE STUDY III

Failure to maintain vehicle in a roadworthy condition – tyres worn out

Background

The insured submitted an 'Own Damage' claim due to an accident. The insurer repudiated the claim on the ground that the insured had failed to maintain the vehicle in a roadworthy condition—the main reason was that the rear tyres of the vehicle were worn out, which is a breach of condition 7 (b) of the private car policy.

Investigation and findings

The following findings were noted:

- (i) The insured in his police report stated that while he was driving along the road, a motorcycle entered his lane and as he tried to avoid he lost control of the vehicle and the vehicle overturned into the drain.
- (ii) In the loss adjuster's inspection report, it was stated that:
 - the rear tyres of the insured vehicle had nearly less than 1 mm tread.
 - the insured vehicle had skidded, lost control and overturned into the drain.
 - the bald tyres may have contributed to the accident by skidding.

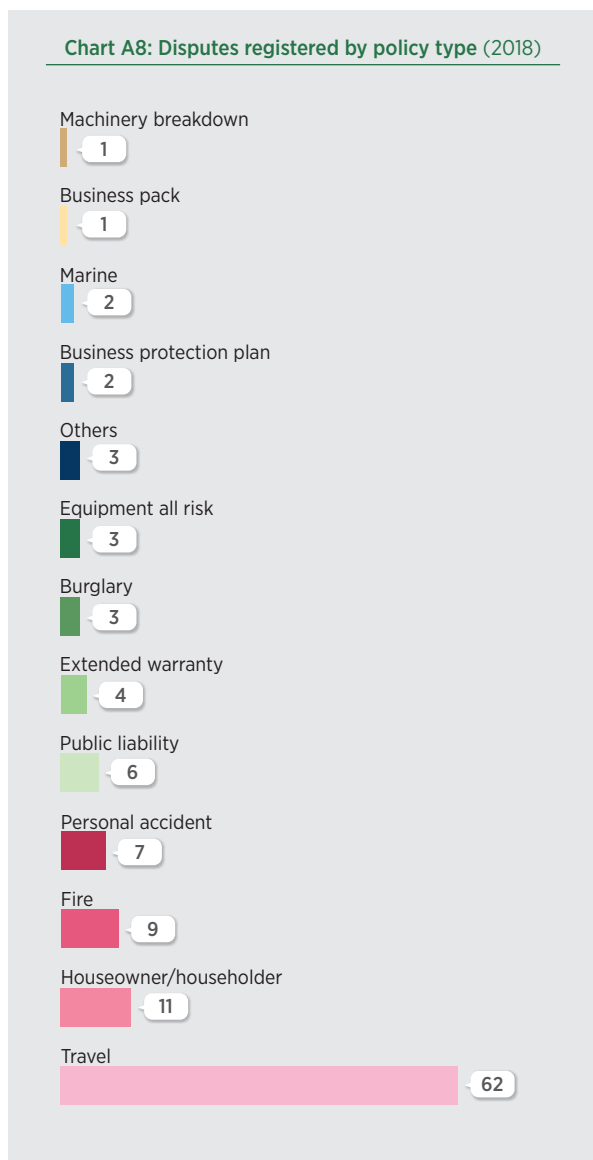
Adjudication

OFS adjudicated the case in favour of the insured based on the following grounds:

- (i) The findings of the loss adjuster that the vehicle skidded was not supported with any evidence.
- (ii) The loss adjuster's report only made a presumption that the bald tyre may have contributed to the accident. There was no conclusive evidence to show that the bald tyres were the direct cause of the accident.
- (iii) The requirement for minimum tread of 1.6 mm for tyres is not a requirement under the private car motor policy.
- (iv) It is unfair and unreasonable to rely on a general clause to repudiate the claim especially when the insured had no such knowledge.

GENERAL NON-MOTOR

Disputes received under this category involve various types of policies that include the following:



Travel insurance-related disputes continued to rise in 2018. The availability of more affordable, budget airlines has resulted in more people travelling and an increase in travel frequency. Coupled with the relatively inexpensive cost of travel insurance and technological advances that have made its purchase easier, it is likely that more and more travellers opt to purchase travel insurance to manage travel-related risks.

There are various types of coverage available under the travel insurance policy that includes:

- accidental death and permanent disablement
- medical and hospital and other expenses
- emergency medical evacuation
- baggage delay
- loss or damage to baggage and personal effects
- travel cancellation/loss of deposit

The most commonly observed disputes under travel insurance involve claims related to travel cancellation/loss of deposit and loss/damage involving baggage and personal effects.

In 2018, a total of 104 disputes were resolved, out of which 88 (85%) disputes were disposed at Case Management stage while 16 were disposed at Adjudication stage. Out of the 88 disputes disposed at Case Management stage, 24 (27%) were resolved through a settlement.

Our observations:

Lack of understanding on policy terms and conditions

Based on the disputes handled, the main issue observed in travel insurance is the lack of understanding of the policy terms and conditions, particularly in the areas of exclusions, limits and other terms and conditions of the policy.

Complainants are frequently reminded to read the terms and conditions before purchasing travel policies. This can help prevent disputes and create a better understanding of the coverage purchased.

It is the duty of the FSPs to explain the policy terms and conditions to their policy holders. On our suggestion, FSPs have included a message to caution online purchasers of the exclusion of cancellation benefit if a policy is not purchased within a stipulated timeframe.

The general observation is that consumers do not take sufficient effort to read and understand the policy terms and conditions. In making our recommendations, we would explain the terms and conditions of the policy to the complainants so that they understand why their claim was rejected.

Proper investigations of the claim

FSPs process the claims based on information provided by the claimant on the claim form and/or simple notice. However, we notice that there is a lack of further communication or probing before a final decision is made.

CASE STUDY IV

Travel insurance

Background

This claim is related to baggage stolen from a locked rented car. The FSP had repudiated the claim on the basis that the baggage was left in an unattended car which is excluded under this policy.

Investigation and findings

The following findings were noted:

- (i) The insured had parked his rented car at a designated parking area.
- (ii) The baggage was locked in the rear booth and out of sight.
- (iii) Based on photographic evidence, the car window was smashed and the thief had gained access to the booth by opening the rear seat.
- (iv) There was no definition of 'unattended vehicle' in the policy.

OFS was of the view that under the circumstances, the insured had taken reasonable precautions by locking the baggage and parking the car in a designated parking space.

Recommendation

Based on the principle of fair and reasonable, OFS recommended that the dispute be resolved in favour of the insured. The FSP subsequently accepted the Recommendation.

MOTOR - THIRD-PARTY PROPERTY DAMAGE (TPPD)

Disputes registered under this category for both conventional insurance and takaful cases declined in 2018 as compared to the previous year. In 2018, 20 new cases were registered as compared to 79 cases in 2017. The reduction in the number of disputes lodged with OFS could be attributed to pro-active steps taken by the FSPs to resolve disputes. In 2018, 12 disputes were resolved of which 60% of the disputes were resolved through settlement and 16% through Recommendation.

The common disputes under this category for 2018 were similar to the previous year, which include claims for loss of use of vehicle, deductions for betterment and cost of repairs.

Loss of use of vehicle

The disputes under this category were related to Compensation for Assessed Repair Time (CART) which is compensation for the loss of use of vehicle while it is being repaired. The disputes commonly relate to the rate offered and the number of days approved by the FSPs.

The FSPs' assessment for amount offered under CART is based on the relevant guideline. The issues were on the actual number of days the complainants were deprived of the use of their vehicles as compared to the number of days for assessed repair time recommended by the registered loss adjuster.

In disputes where the FSPs' decisions were not in line with CART guidelines, particularly on the seven-day grace period for unforeseen delays, the FSPs generally agreed to revise their offers after OFS highlighted the guidelines and settled the dispute.

Out of 10 disputes disposed in 2018, five cases were resolved through settlement and the

remaining include Recommendations accepted (two), no response after Recommendation (one), Ombudsman upheld the FSP's decision (one) and withdrawn by complainant (one).

Deductions for betterment

Many complainants were unaware of the imposition of betterment deductions if new franchise parts were used on vehicles that are above five years. OFS would explain to them the rationale of the betterment deduction which is based on the principle of indemnity. Most complainants were satisfied with our explanation on betterment.

Cost of repairs under the Knock-for-Knock Agreement (KFK)

Another common dispute is on the recommended cost of repairs by the registered loss adjuster appointed by the claimant as compared to the FSPs' offers for cost of repair, arising from the mandate by the claimants' insurers under the KFK agreement.

KFK is an agreement between insurance companies whereby it involves third party claim. The handling insurer will seek reimbursement from the claimant's insurer upon settlement of the claim. The objective of agreement is to ease the process of third party claim. In short, KFK is an agreement between FSPs in which the claimants are not a party.

In such disputes, the FSPs' offer for the cost of repair was based on the mandate obtained from the claimants' insurers without taking into account the recommendations of the registered loss adjuster appointed by the third party claimants.

It is advisable for FSPs to resolve any dispute on the cost of repair with the registered loss adjuster appointed by the claimant prior to making an offer of settlement.

Case Study V

Cost of repairs under the Knock-for-Knock Agreement (KFK)

Background

The third party claimant had made a claim against the insurer for cost of repairs based on the recommendation of the loss adjusters appointed by him. However, the insurer had offered a lower sum based on the assessment of the recommendation by the third party claimant's own insurer under the KFK agreement.

Investigation and findings

The following findings were noted:

- (i) The insurer had stated that the KFK agreement was applicable, i.e. the mandate to pay for the cost of repairs had to come from the third party claimant's own insurer who had given the final mandate for the lower sum offered to the third party claimant.
- (ii) The insurer had disregarded the recommendation by the loss adjuster appointed by the claimant.
- (iii) The relevant guideline states that: *'Any dispute with the adjuster's final report should be resolved with the adjuster before making an offer of settlement to the claimant.'*
- (iv) In this regard, if the insurer was not agreeable with the recommendation of the adjuster appointed by the third party claimant, the insurer should resolve the matter with the adjusters before making the offer of settlement.
- (v) In this case, the dispute between the third party claimant and the insurer is not on liability but on quantum, particularly on the cost of repairs.
- (vi) Where there is no dispute as to liability, the insurer should accept the recommendation made in the adjuster's report.

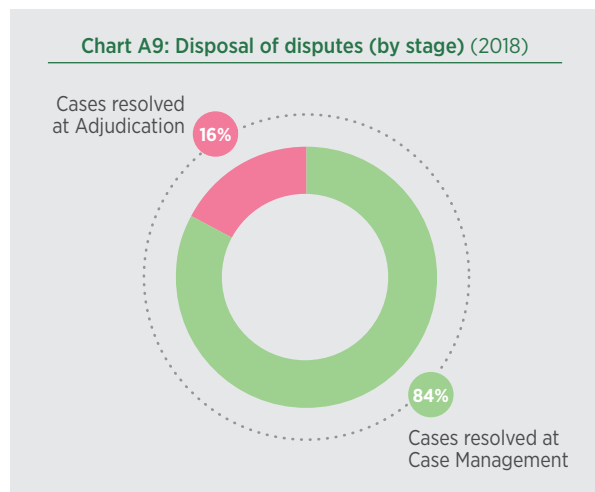
Recommendation

Based on the principle of fair and reasonable, OFS recommended that the dispute be resolved in favour of the third party claimant. The insurer subsequently accepted the Recommendation made by OFS.

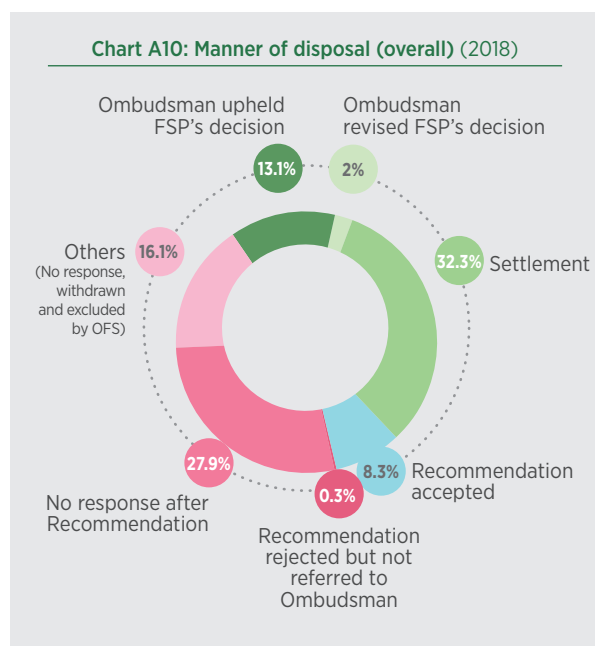
Disposal of disputes

Total disputes disposed

In 2018, we disposed 603 cases for insurance and takaful disputes, of which 84% of the disputes were disposed at Case Management stage.

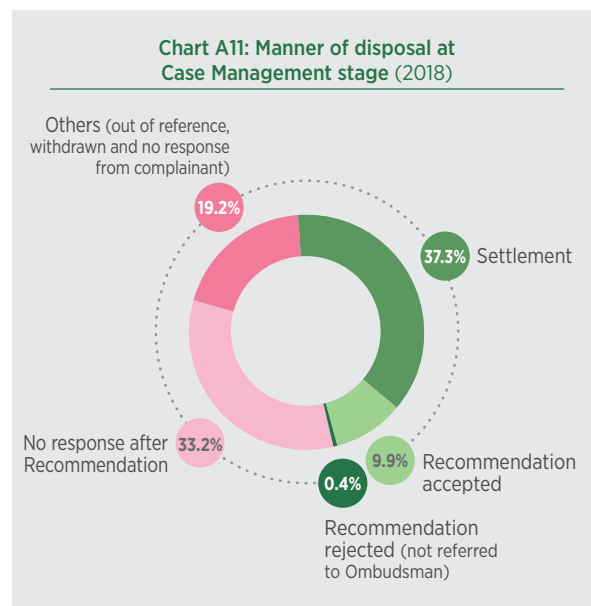


Manner of disposal



Out of 603 cases disposed in 2018, a total of 195 cases (32.3%) were disposed by way of settlement at Case Management (189) and Adjudication (six) stages.

Case Management stage



Settlement

We recorded 189 cases (37.3%) which were disposed through settlement. This outcome was reached through further or thorough investigation by the Case Managers which enabled the FSPs to review their repudiation of the claim, and also through negotiated settlement facilitated by the Case Managers.

We would like to commend the FSPs for their willingness to review the dispute or resolve the dispute amicably.

Recommendation

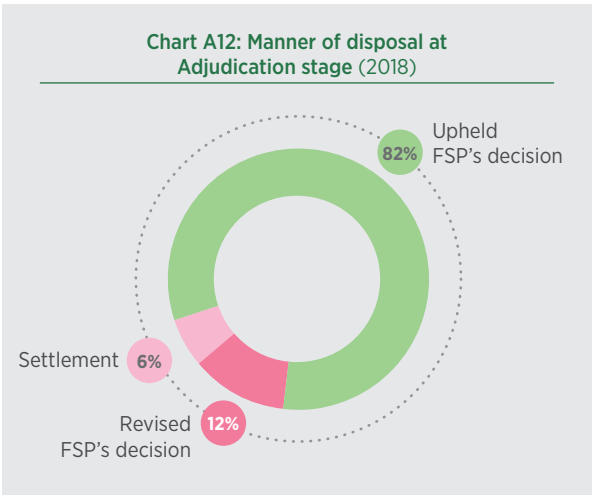
For cases where a settlement could not be reached, 317 Recommendations were issued, out of which 50 of the Recommendations issued were accepted by both complainants and FSPs. Due to non-response from the complainants, 168 disputes were closed 30 days after the issuance of the Recommendations. A further 97 disputes were referred to the Ombudsman for Adjudication.

Others

Ninety-seven disputes were closed on the following grounds:

- the disputes were withdrawn by the complainants (26).
- the complainants did not respond to correspondence from OFS (61).
- the disputes were outside OFS’ Terms of Reference (two), for example, the complainant filed legal action against the FSP during the dispute resolution process.
- the disputes were excluded by OFS (eight), for example, where an element of fraud was discovered during the dispute resolution process.

Adjudication stage



In 2018, a total of 97 disputes were referred to the Ombudsman for Adjudication of which 92 disputes were referred by complainants and five disputes referred by the FSPs.

The Ombudsman issued 91 decisions, of which 79 (82%) confirmed the FSPs’ decisions and 12 (12%) revised the FSPs’ decision. Six cases (6%) were resolved through settlement where the FSPs revised their decisions and settled the claims based on the preliminary observations made by the Ombudsman.

The decisions that were made in favour of the complainants centred on the interpretation of terms and conditions of the policies and the application of the principle of fair and reasonable.

Turnaround time for disposal of disputes

Table A3: Analysis of time taken to close disputes (2018)
(from the case registration date)

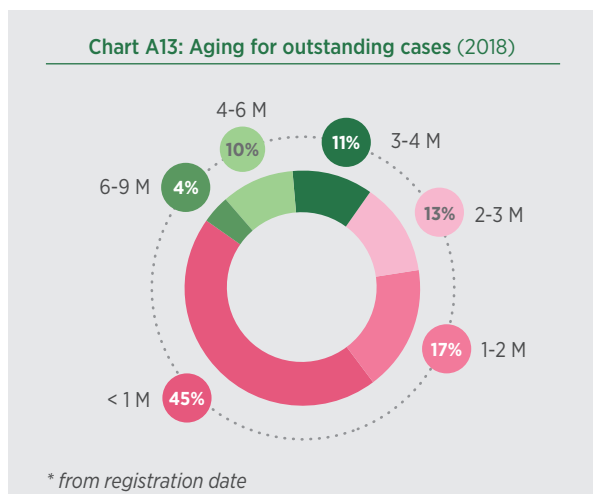
Disputes closed within 3 months	27%
Disputes closed between 3 and 6 months	46%
Disputes closed after more than 6 months	27%

Out of the 603 disputes disposed in 2018:

- 27% were closed within 3 months (2017: 31%).
- 46% were closed between 3 to 6 months (2017: 44%).
- 27% were closed beyond 6 months.

The reason for disputes closed beyond 6 months was due to detailed investigation required, involving a number of issues and could not be resolved through negotiation or conciliation. Most of the time taken was due to extension of time requested by either party to respond to our queries and to submit further documents to support their contention.

Disputes outstanding



At the end of 2018, 231 disputes remained outstanding. The progress of the disputes are closely tracked and monitored to ensure the timeliness of the resolution process.

Out of 231 disputes, 221 (96%) were disputes with aging of not more than six months and only 10 (4%) were disputes outstanding for more than six months.

Most of the disputes (45%) with aging less than six months from registration date were new disputes received and registered in December 2018.

“ I would like to convey my grateful thanks to Ombudsman (OFS) for all the assistance given to me till this case was finally settled. Thank you very much - you have been a great help since the beginning of this ordeal. Without OFS this would not have been possible. May God bless you all for your great work in helping the public get justice done!

- Customer Testimonial



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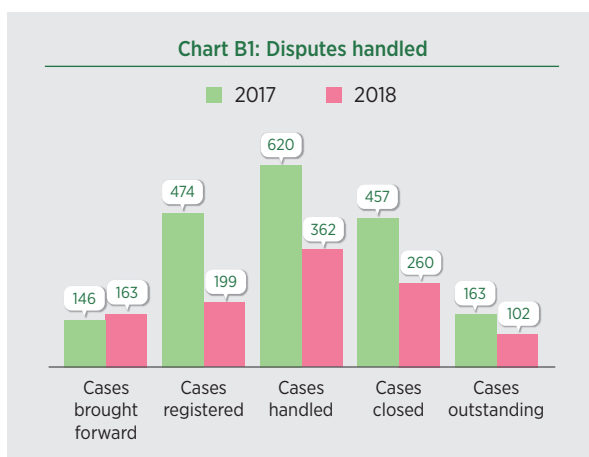
Sectoral Assessment – Banking (including Islamic Banking) and Payment Systems



Overview

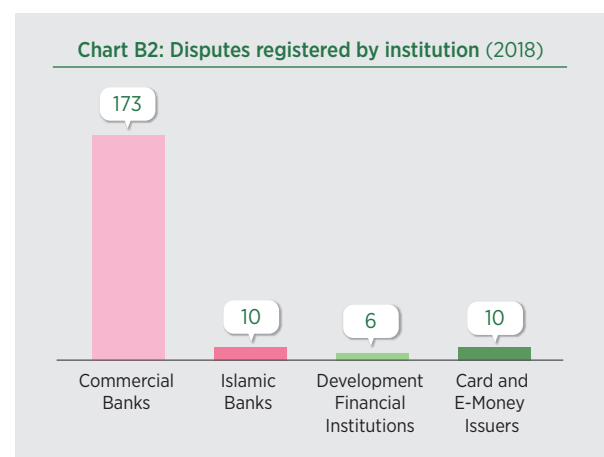
In 2018, we handled 362 disputes comprising 163 disputes brought forward from 2017 and 199 new disputes registered in 2018. There has been a decrease of 42% in the number of disputes registered in 2018. This could be attributed to the improvement in complaints handling by the financial service providers (FSPs) and the enhancements made to the payment card infrastructure in Malaysia.

A total of 260 disputes were disposed, leaving 102 disputes carried forward to 2019.



Out of the 199 cases registered, issues relating to card-based electronic payment remained the main dispute handled (39%). This was followed by disputes relating to electronic terminals (30%), operational issues (11%) and internet banking (11%).

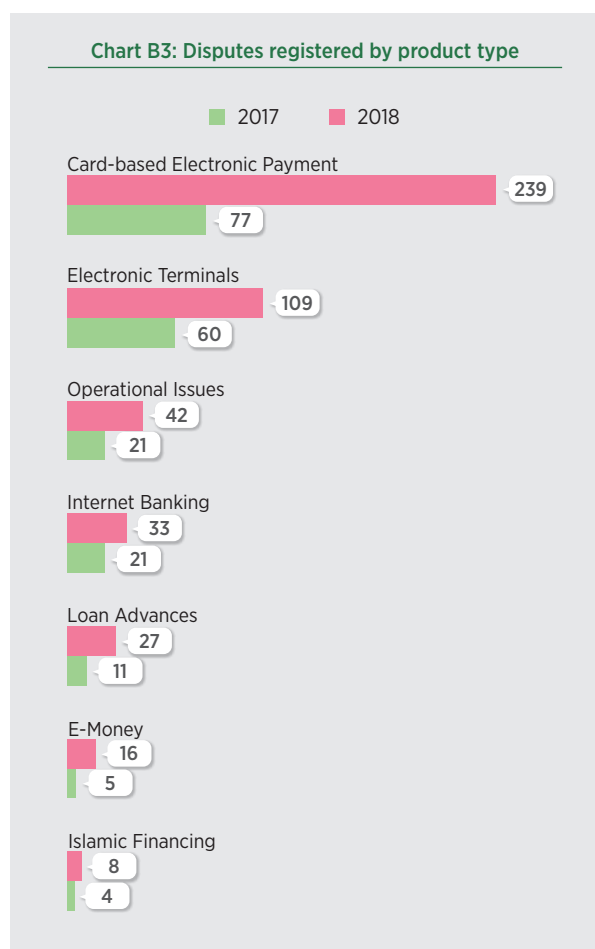
Profile of cases registered By institution



About 87% of disputes registered were against licensed commercial banks with claim amount totalling RM3.4 million. This is due to the larger retail banking customer base of the commercial banks.

Islamic Banks recorded 10 disputes with a total claim amount of RM353,062.80. Six disputes were registered against Development Financial Institutions with a claim amount of RM20,289.93. Ten cases were registered against the non-bank card and e-money issuers with a claim amount totalling RM52,665.68.

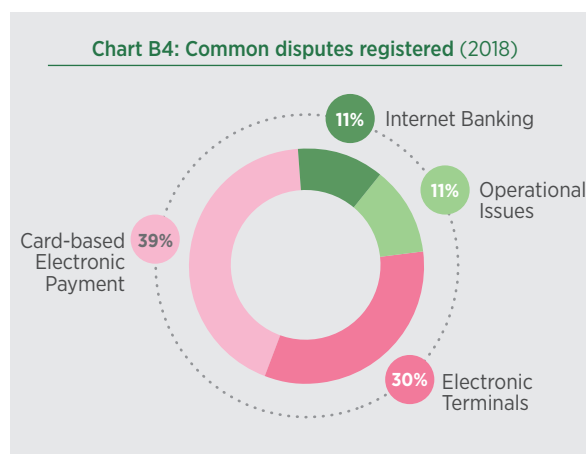
By product



There is an overall decline in the number of disputes registered on all product types compared to 2017. Disputes relating to card-based electronic payment recorded a significant decline of 68%.

Table B1: Nature of dispute by product type (2018)

PRODUCT	NATURE OF DISPUTE
Card-based Electronic Payment Systems	lost/stolen cards
	alleged unauthorised online transactions
	issues relating to chargeback
	unauthorised cash advances
Electronic Terminals	non/short dispensation of cash from Automated Teller Machines
	alleged shortage of cash accepted by the Cash Deposit Machine/Coin Collection Machine
Operational Issues	alleged mis-selling of insurance products by the financial service provider
Internet Banking	transfer of funds arising from phone scams and 'phishing'
	transfer of money into wrong account by mistake
Loan Advances/ Islamic Financing	interest rate charged unreasonably/wrongly
	wrong computation of instalment amount
	dispute on method of interest/profit computation
E-Money	disputes relating to stored value by participants of approved designated payment instrument issuer (non-FSP) due to alleged unauthorised transactions



Common disputes registered in 2018 were:

- Card-based electronic payment (77 cases, 39%)
 - › The common complaints handled were lost/stolen cards, alleged unauthorised online transactions and chargeback on transactions made at retailers/merchants. There is significant reduction in the number of disputes registered under this category. The downward trend is attributed to the reduction in cases involving lost and stolen cards following the implementation of the Personal Identification Number (PIN)-based system to replace the signature based system on 1 July 2017.
- Dispute relating to electronic terminals - Automated Teller Machines (ATM) and Cash Deposit Machines (CDM) (60 cases, 30%).
 - › The common disputes are non-dispensation of cash where in most instances consumers leave without collecting cash from the ATMs.
- Operational issues (21 cases, 11%)
 - › The emerging trend is on mis-selling/mis-representation of insurance products by the FSPs.
- Internet banking (21 cases, 11%)
 - › The common dispute relates to fund transfer arising from phone and 'phishing' scams.

By monetary range

The monetary range for cases registered for banking and payment systems are as follows:

Table B2: Monetary range for disputes registered (2018)

MONETARY RANGE	NO. OF CASES	PERCENTAGE
Less than RM25,000	172	86%
RM25,001 to RM50,000	18	9%
RM50,001 to RM100,000	4	2%
More than RM100,000	5	3%

About 86% of claims registered under the banking and payment systems sector had a monetary value of less than RM25,000. The majority of disputes registered were between RM1,000 and RM5,000.

Key trends and insights on banking and payment systems disputes

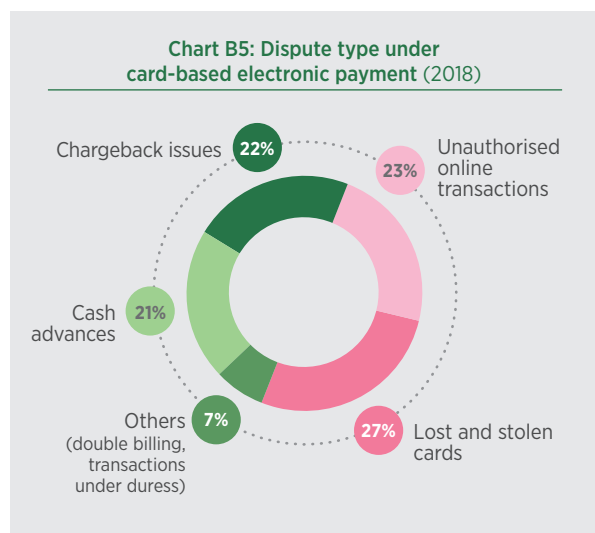
CARD-BASED ELECTRONIC PAYMENT

A total of 77 disputes were registered under this category in 2018, a reduction of 68% from the number of cases received in 2017.

Out of 143 disputes handled, 99 cases (69%) were disposed, out of which 51% of the cases were settled amicably as the FSPs accepted the shortcomings in their process and were amenable to a mutual settlement with complainants. About 12% of disputes were closed where a Recommendation was accepted and 15% were closed due to no response after the Recommendation.

Twenty-one disputes were adjudicated, of which 76% were decided in favour of FSPs and 24% in favour of complainants.

The types of disputes handled under this category are:



Lost and stolen cards

The bulk of disputes received (21 cases) under card-based electronic payment is in relation to lost and stolen cards.

Although the lost and stolen card issues represent 27% of disputes under this category, there was a significant reduction of 80% in the number of cases handled in 2018 compared to 2017. This could be attributed to the implementation of the Personal Identification Number (PIN) -based payment card system that replaced the previous signature-based payment card in July 2017. There was a significant

reduction in incidences of lost and stolen cards within Malaysia.

Out of the 21 cases registered on lost and stolen credit cards, 12 cases (57%) occurred out of Malaysia where the cards were used without the need for PIN input. The remaining nine cases (43%) occurred within Malaysia where PIN was compromised.

Emphasis is made to consumers to safeguard their card and PIN at all times. The FSPs embarked on a more robust monitoring of credit card transactions and alerts are sent to cardholders when suspicious transactions are detected.

It is noted that in some instances, cardholders are unaware of the text alerts sent by FSPs as their mobiles were not set on roaming mode. This contributed to the delay in cardholders reporting the unauthorised transactions and/or lost card to the bank.

In 2018, 16 disputes on lost/stolen cards were resolved through mutual settlement valued at RM135,009.69. The settlement is achieved with both complainants and FSPs acknowledging shortcomings on their part. In arriving at a settlement, we also take into account the circumstances encountered by consumers which led to the delay in reporting the lost cards to the FSPs.

CASE STUDY I

Stolen credit card

Background

Mr H alleged that he was pickpocketed whilst on holiday in Paris. He lost his wallet together with his credit cards which were kept in his backpack. Mr H's credit card was used for transactions for a substantial amount. The bank rejected the claim on the basis that Mr H failed to safeguard the credit card. Further, the bank took steps to alert him of the suspicious transactions through text messages.

Investigation and findings

- (i) Mr H stated that he only realised his credit card was stolen when he wanted to pay for his dinner.
- (ii) He acknowledged that his mobile phone was not on roaming mode. Therefore, he was unaware of the text alerts sent by the bank.
- (iii) Upon realising the lost card, Mr H immediately contacted the bank to block the credit card and a police report was made.
- (iv) The transactions hit the bank's suspicious transaction parameters and it attempted to contact Mr H. Unfortunately, the call was unanswered. To prevent further use of the card, the bank had temporarily blocked the card.

Recommendation

It was recommended that the loss to be apportioned equally between Mr H and the bank on the following grounds:

- (i) Mr H had notified the bank immediately upon realising the card was stolen i.e. within an hour from the first transaction.
- (ii) At the same time, the bank had taken steps to mitigate the losses by temporarily blocking the card.

The Recommendation was accepted by both parties.

Disputes relating to online transactions

With more and more businesses using an e-commerce platform, the use of credit and debit cards as a mode of payment online is also rapidly increasing.

About 23% of card-based electronic payment disputes relate to online transactions. The common complaint received is on unauthorised transactions made online. In most instances, consumers denied performing the online transaction and alleged the One-Time Passwords (OTPs) were never received from the FSPs.

Based on our findings, the alleged unauthorised transactions were performed with the correct OTPs that were successfully sent to the consumers' mobile numbers registered with the bank. In some cases, the merchant was able to furnish the Internet Protocol (IP) or email addresses of persons who performed the transactions. In most instances the transactions were made by persons known to cardholders. The OTP text messages are usually deleted from the mobile phone to avoid detection.

Chargeback issues

Another common complaint received relates to chargeback issues in which consumers were enticed into signing up for high risk offshore investment schemes that are not regulated by the authorities in Malaysia. Consumers refer the dispute to their card issuer in an attempt to recover the transacted amount from the

merchant card through the chargeback process. With regard to claim relating to sham investment schemes, the chargeback against the merchant is usually unsuccessful as the card issuer has no direct recourse against the merchant. The card issuer merely facilitates payment to the merchant through the merchant's acquirer. In this circumstance, we are unable to find a solution for the consumers and we uphold the FSPs' decision.

The contributing factors to such disputes are the lack of awareness and due diligence by consumers before undertaking the investments.

The global card brands should also play a role in ensuring that a robust due diligent process is conducted by acquirers prior to the recruitment of merchants. The acquirers need to take appropriate risk management measures on high risk merchants, and adopt a more stringent monitoring of transactions of these merchants.

Thirty-eight cases were handled under chargeback issues, of which 12 cases were decided and recommended in favour of FSPs as there is no merit to the complainants' claim. Most of these claims relate to offshore sham investment schemes and online transactions.

Twelve cases were settled amicably at a value of RM12,187.10. The FSPs took cognizance of their responsibility as acquirer of the merchant and agreed to resolve the claim with the complainants.

CASE STUDY II

Chargeback issues

Background

Mr X participated in binary options investment and paid part of the investment through Bank A's credit card.

Mr X alleged that he was persuaded by the offshore investment company's representative (merchant) to participate in the trades on the understanding that his investment capital would be protected. A month after participating in the scheme, he lost all the capital invested.

He subsequently found out that the merchant failed to comply with the terms and conditions of the agreement.

A dispute was filed with Bank A, requesting re-imbursement of the money paid to the merchant through chargeback process. Unfortunately, the chargeback was unsuccessful. Mr X contended that he was misled into the trades and the merchant had failed to comply with the terms of contract.

Investigation and findings

Bank A initiated a chargeback against the merchant through its acquiring bank to recover the money. The chargeback was rejected by the merchant on the grounds that services has been rendered to Mr X as the money paid was fully invested in the binary options account.

- (i) It is noted that Mr X had voluntarily participated in the investment scheme with the merchant.
- (ii) Bank A is not a party to the contract entered between the merchant and Mr X. Bank A's role as a card issuer is to facilitate payment authorised by Mr X to the merchant.
- (iii) Bank A had made every effort to assist Mr X to recover the transaction from the merchant through chargeback process. Unfortunately, the chargeback was rejected by the acquirer bank.
- (iv) In such circumstances, Bank A does not have direct recourse against the merchant or to recover the disputed transaction.

Decision

The decision was made in favour of Bank A.

Cash advances

About 21% of the card-based payment systems disputes relate to unauthorised cash advance withdrawals from the ATM.

It was noted that in most instances, the card and PIN were compromised which enabled cash withdrawals to be made.

Generally, consumers are unaware that cash withdrawals can be made up to the maximum credit limit in a day as there is no daily capping for cash withdrawals done through credit cards.

Whilst it is the duty of consumers to safeguard the card and PIN, as a security measure, FSPs could mitigate loss by placing a cap on the daily withdrawal amount.

Both credit and debit cards are used interchangeably at retail outlets and ATMs. It was noted that there were cases where the consumers mistakenly used their credit card to withdraw cash from the ATM. This is because the facade of both credit and debit cards issued by the same bank are identical. Complainants initially disputed that they never made withdrawals at the ATM through credit card. On viewing of the CCTV recording, the complainant realised that they had inadvertently used their credit card instead of the debit card at the ATM. Under such circumstances, the case was withdrawn.

DISPUTES RELATING TO ELECTRONIC TERMINALS

Cash dispensation

A total of 33 cases were registered under the category of cash dispensations in 2018 compared to 63 cases registered in 2017, a reduction of about 47.6%. The reduction could be attributed to the initiative of FSPs to amicably resolve cases with consumers.

A recurring issue on non-dispensation of cash relates to the consumers' failure to collect dispensed cash at the ATM. About 74% of cases relating to cash dispensation fell under this category.

Such cases are resolved through viewing of CCTV recordings. In most cases, we observed that consumers left the ATM immediately after retrieving the card, without waiting for the cash to be dispensed. The dispensed cash was taken by a third party. In some instances, the FSPs had successfully recovered the money from the person who took the cash based on the CCTV recording and the record of ATM journals.

To reduce incidences of consumers leaving ATMs without collecting the dispensed cash, suggestions were made to FSPs to enhance the ATM message to alert consumers to wait for the dispensed cash. The enhancement has since been carried out by several FSPs.

Overall, 83% of the non-dispensation of cases were resolved through settlement valued at RM19,480. The cases were resolved on the following basis:

- Incomplete investigation and insufficient proof furnished by the FSPs to show that the cash was dispensed and/or the ATM was functioning well during the material time.
- No close circuit cameras (CCTV) were installed at the disputed ATM, or the CCTV installed were not strategically located and did not capture clear images of the cardholder performing the transaction, or the CCTV recording was not preserved.
- The ATM journal and host report showed that the ATM was not functioning well during the material time.
- The FSPs were able to recover the dispensed cash from the person who took the cash.
- Complainants were satisfied with the explanation by OFS upon viewing of CCTV recording.

CASE STUDY III

Customer left the ATM without collecting cash

Background

Mr K went to Bank D's ATM to withdraw cash. After the required amount was entered, the machine did not dispense any cash. He waited for about one minute at the machine but left as there was no sign of the cash being dispensed.

Later, he discovered that the withdrawal amount was deducted from his savings account. Mr K lodged a complaint on the non-dispensation of the cash at Bank D. His claim was rejected.

Investigation and findings

- (i) Mr K's claim was rejected on the grounds that the withdrawal was successfully transacted and the machine dispensed the cash. The number of notes dispensed was supported by the Electronic Journal. The journal showed that cash was dispensed five seconds after the card was retrieved and collected four seconds after it was dispensed.
- (ii) There was no irregularity recorded at the machine. Bank D's ATM is equipped with a retraction function where the dispensed cash is retracted into the machines if it is not taken within 30 seconds. There was no cash retraction during Mr K's transaction. Therefore, the ATM cash balancing showed no excess cash.
- (iii) Bank D's closed circuit television (CCTV) recording showed that Mr K had immediately walked away from the machine after he took the card. Mr K did not collect the dispensed cash and it was taken by the subsequent customer.
- (iv) Bank D's attempt to recover the dispensed cash from the subsequent customer was unsuccessful.

Settlement

Upon viewing the CCTV recording, Mr K admitted that he was at fault for not collecting the cash from the machine. The matter was settled amicably.

Unauthorised ATM withdrawals

The typical disputes handled relating to unauthorised ATM withdrawals are a result of lost/stolen cards and the compromise of a card/PIN.

Twenty-six cases were handled (including 19 new cases) under this category and 15 cases were disposed.

The complainants' common outcry is that the FSPs do not provide a safe security system to protect their money deposited in the FSP. On this, we wish to highlight the need for FSPs to ensure that a robust tracking mechanism is put in place to alert customers of any suspicious transactions detected in their accounts based on transaction patterns, such as frequency of use.

Out of the 15 cases disposed, five cases were settled valued at RM10,425. Five recommendations were issued in favour of the FSPs and two Recommendations were issued with apportionment of losses valued at RM14,000. Two cases were decided in favour of the FSP and one case was awarded in favour of the complainant at RM12,500.



Cash Deposit Machines (CDM)

We registered eight cases relating to CDM on alleged discrepancy in the amount deposited and accepted by the cash machines.

In deciding a dispute, we take into account documentary evidence such as the CDM electronic journal and cash balancing report. Recording from the CCTV is considered secondary evidence because in most instances, we are unable to ascertain the actual number of notes inserted into the CDM by depositors.

“

I am indeed grateful for the decision and would like to extend my utmost appreciation and thanks to OFS officers who are committed to mediation efforts in upholding and serving justice for this case. I would also like to thank all relevant parties for their support, cooperation and assistance in resolving this pressing issue. Let us all hope for a better and brighter future for all Malaysians.

- Customer Testimonial



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CASE STUDY IV

Unauthorised ATM withdrawals (card/PIN compromised)

Background

Mr U attempted to use his debit card twice to withdraw cash at the ATM, but his card was rejected and a message appeared requesting him to contact the bank.

Mr U reported to the bank and applied for a new card which he used to withdraw cash at the ATM on the same day. When Mr U noticed the balance in his account had reduced significantly, he checked with the bank to find out when the money was withdrawn. He was informed that 12 withdrawals with daily withdrawal of RM3,000 were performed consecutively for six days. The maximum withdrawal limit allowable per day is RM3,000.

Mr U disputed the withdrawals as it was performed without his knowledge. He contended the ATM card was in his possession at the material time.

Investigation and findings

- (i) The bank's record showed that the 12 disputed withdrawals were transacted via Mr U's old debit card i.e. before the replacement of the card. The bank clarified that there were no irregularities in the manner in which the disputed withdrawals were performed at the ATM. The disputed withdrawals were successfully executed and approved as it was performed using a valid chip-based card and a valid PIN which is only known to Mr U. On this, Mr U acknowledged that the card and PIN were in his possession at the material time, and he does not record the PIN anywhere nor share it with anyone.
- (ii) Notwithstanding the bank's findings, we took cognizance that the series of withdrawals occurred continuously over six days up to the maximum daily withdrawal limit of RM3,000 per day totalling RM18,000. Although the withdrawals were performed using the card and a valid PIN, the bank should put in place a robust tracking mechanism to trace suspicious transactions based on the frequency and threshold set. In the case of Mr U, the losses could have been mitigated had the bank monitored the unusual withdrawals and alerted him of the suspicious transaction.

Recommendation

OFS' Recommendation to apportion the losses equally was accepted by the parties.

CASE STUDY V

Fictitious cash deposit

Background

Mr H's tenant deposited the rental into his account through Bank B's cash deposit machine (CDM). Mr H was given the image of the deposit slip through text message which showed that the cash deposit was transacted on 19/02/2018 at 11:15am. Mr H checked his account and discovered that the money was not credited into his account.

Investigation and findings

- (i) Bank B's record showed there was no cash deposit made into Mr H's account on 19/02/2018.
- (ii) Their record revealed there was an attempt made to deposit cash into Mr H's account at the same CDM on 19/02/2018 at 11:03am. However, no cash was inserted and the transaction was cancelled for which no receipt was issued. Following the attempt, there was no record of any successful deposit made into Mr H's account at any CDM on 19/02/2018.
- (iii) It was noted that there were discrepancies between the information printed on the deposit receipt and the record of the CDM electronic journal.
- (iv) Mr H was unable to produce the original copy of the deposit receipt for authentication. Therefore, we are unable to rely on the evidence given by Mr H.

Decision

The decision was made in favour of Bank B.

DISPUTE ON FUND TRANSFERS ARISING FROM SCAMS

In recent years, the fraud trend has shifted to targeting bank customers through SMS/telephone and e-mail 'phishing' scams.

In 2018, we continued to receive disputes on fund transfers made through ATM and internet banking arising from scams. Nevertheless, there was a reduction of such cases by 46% compared to 2017.

The modus operandi of phone scams involves the scammer impersonating a staff of a banking institution and/or authorities with the objective of instilling fear in vulnerable consumers to obtain personal information and banking credentials.

The victims are usually guided by the caller to perform certain transactions at the ATM to purportedly safeguard their accounts. In doing so, they would have unknowingly registered the fraudster's mobile number and performed fund transfers to a third party account at the ATM. The fraudster then uses the credentials to take over the victim's internet banking account to perform fund transfers.

As for 'phishing' scams, consumers fall victim by responding to either email/links purportedly from FSPs, or by accessing the FSP's internet banking portal via search engines instead of manually typing the FSP's Universal Resource Locator (URL) in the internet browser.

In most instances, the victims enter their username and password to log onto the internet banking and subsequently enter a Transaction Authorisation Code (TAC) that was sent to their mobile phone number. These

credentials are then used by the fraudster to perform unauthorised fund transfers without the victim's knowledge.

We observed that most victims are unaware of the security measures prescribed by FSPs such as ensuring that the internet banking portal they are accessing is secure. Furthermore, we observe that the victims neither check nor validate the security image or phrase/caption prior to entering the password.

Consumers must be vigilant at all times and should not divulge their personal details and banking credentials to third parties.

On the other hand, FSPs should ensure that robust fraud detection processes are in place at all times so that they can uncover any potential scam or fraud activity. To curb fraud, it is a best practice that the registration and/or change in mobile numbers is made at the bank.

In deciding on cases relating to phone scams and 'phishing', we take into account the speed in which the consumers alert the bank upon realising they are scammed.

We also take into account whether the sender bank had taken immediate action to recover the money from the beneficiary's bank in accordance to the rules set out by PayNet, the payment system provider for electronic interbank fund transfer.

In 2018, about 45% of cases involving scams were resolved through mutual settlement where the parties involved shared the liability based on the agreed apportionment. The FSPs took cognizance of their delay in the recovery process.

CASE STUDY VI***Phone scam***

Background

Ms C received a call from a person who claimed to be from a bank informing her that she has a credit card debt.

In order to safeguard the account, Ms C was asked to perform a few transactions at the ATM with the guidance of the caller.

After the transactions were completed, Ms C realised that she was scammed. She rushed to her bank immediately to stop the money from being withdrawn from the fraudster's account.

Investigation and findings

- (i) The fund transfer was made through Interbank Giro (IBG) where funds were paid into the beneficiary's account at different cut-off times. The transfer was made at 3pm and the money was credited into the third party's account the same day at about 8pm.
- (ii) It was revealed that the fund was only withdrawn by the third party the following day. Upon receiving Ms C's complaint, the bank did not act immediately to contact the beneficiary's bank to recover the funds. It had only proceeded with recovery action the following day, after the money was withdrawn.
- (iii) It was noted that the bank had not acted promptly to recover the funds after being alerted by Ms C as it had more than sufficient time to prevent the money from being withdrawn.

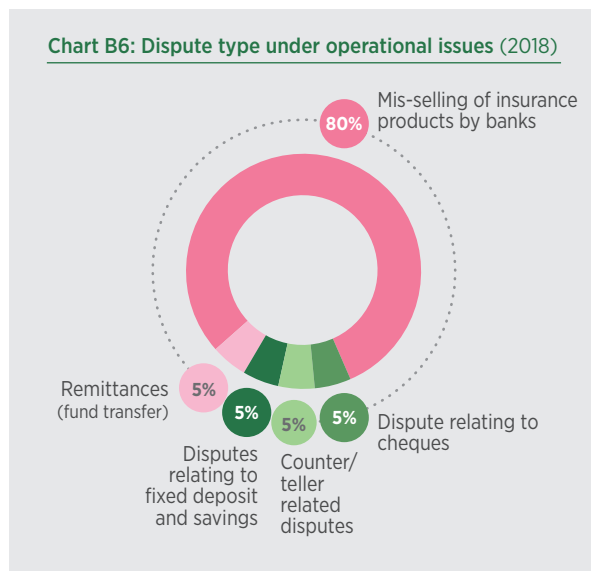
Settlement

The bank acknowledged there were operational lapses on their part on the recovery of funds and paid the claim.

OPERATIONAL ISSUES

The number of new cases registered under operational issues has reduced by half, from 42 cases in 2017 to 21 as at 31 December 2018. The 50% reduction is attributed to FSPs taking proactive steps to resolve disputes amicably with their customers. Disputes involving alleged mis-selling of insurance products by the bank continued to be the main dispute type.

The types of cases handled under operational issues are:



Mis-selling of insurance products by banks

Mis-selling/misrepresentation of the sale of bancassurance and investment-linked insurance products represented 80% of disputes received under operational issues in 2018.

Consumers alleged that they were misled into believing that the product offered by the bank is a saving/fixed deposit plan packaged with free insurance cover. They only discovered that the product sold was an insurance plan a year later.

FSPs rebutted the claim of mis-selling/misrepresentation and contended that their sales representatives had sold the product in accordance with the sales procedures.

Our challenge is to ascertain the veracity of the statements given by the consumers and the bank as the sales presentations are conducted face-to face and not recorded.

In deciding on cases relating to alleged mis-selling of insurance products, the following factors are taken into account:

- whether the consumers were given comprehensive explanation as to the product features by the bank.
- whether FSPs had provided the Product Disclosure Sheet (PDS) and Sales Illustration to consumers at the point of sales.
- whether the FSPs had conducted an independent post-sales review to assess the consumers' comprehension of the product features and their appreciation of the product risk(s).
- whether questions posed during the post-sale call are dynamic in order to assess the consumer's comprehension of the product.
- whether the FSPs maintain a checklist of documents handed to consumers as proof.
- whether an assessment on affordability and suitability was carried out by the FSPs.

The FSPs took cognizance of our findings and steps were taken to improve the sales procedures and quality of the post-sale call reviews.

There were 22 cases handled (including five cases brought forward from 2017) relating to mis-selling/misrepresentation of insurance products by FSPs. Out of the 16 cases disposed of, 14 cases (88%) were amicably resolved through mutual settlement valued at RM489,299.02. One recommendation was accepted at RM5,319 while one case was awarded by the Ombudsman at RM3,309.

CASE STUDY VII

Alleged mis-selling of an insurance product by bank

Background

Madam K wanted to place a fixed deposit with Bank C. She alleged that the bank had misled her into purchasing an insurance plan with the promise of better returns and free insurance cover. Madam K stated that she was not informed that the product sold to her was an insurance plan with annual premiums to be paid over five years. She stated that she did not read the policy document as she had trusted Bank C. Madam K wanted to cancel the policy and demanded for a refund of the premium.

Bank C averred that the product was sold in accordance with the bank's sales guidelines and procedures. The bank contended that the product features were explained to Madam K during the sales presentation, and she was also given a copy of the Sales Illustration and the Product Disclosure Sheet which sets out *inter alia*, the product features, sum assured, policy coverage, free look period, exclusions and cancellation of the plan.

Investigation and findings

- (i) It was noted that there were two independent post-sales review calls made to Madam K after she had signed up for the product. During the first call, Madam K had sounded uncertain of the features of the product sold. Bank C then arranged for an immediate follow up call and clarified her concerns raised during the first call.
- (ii) Upon listening to the call recordings during the mediation session, Madam K acknowledged that she was informed by the bank during the post-sale call review that the product sold was an insurance endowment plan.

Settlement

Madam K accepted the findings and decided to continue with the policy.

Loan advances and Islamic financing

There were 15 cases registered under the category of loan advances and Islamic financing in 2018.

About 71% of cases were mutually settled between FSPs and the complainant valued at RM102,719.30. The settlement was derived from the parties accepting limitations on their part.

About 50% of disputes related to interest charged excessively or unreasonably and the manner in which the loan interest and/or profit on financing were computed. The remaining

50% related to the shortfall in repayment of Islamic pawnbroking (Ar-Rahnu) and matters relating to Mortgage Reducing Term Assurance.

Emphasis was made to consumers regarding their obligations and responsibilities as borrowers. Consumers were also apprised of the industry practices particularly the computation and apportionment of interest/profit on loan/financing.

The FSPs took cognizance of OFS' observations and enhancements were made to the loan administration process.

CASE STUDY VIII

Dispute on housing loan

Background

Madam M was granted a housing loan facility which is repayable over 15 years with interest on tiered rates. Madam M paid the instalments regularly for 15 years and at the end of the loan tenure, she discovered there was a substantial loan outstanding.

The bank was prepared to reschedule the loan and extend the repayment period. Madam M contended that she has settled the account in accordance to the repayment schedule and the payments were made on the due date through monthly deductions from her savings account.

The bank rebutted the claim and averred that the high outstanding amount at the end of the loan tenure was due to the movements in the Base Lending Rate (BLR).

Investigation and findings

It was established that there was an oversight in the computation of the corresponding instalment amount based on the tiered interest rate. This resulted in a shortfall in the repayment during the loan tenure.

Recommendation

Based on the findings, it was recommended that Madam M pay the loan principal plus the interest for 15 years based on the tiered rate as prescribed in the contract.

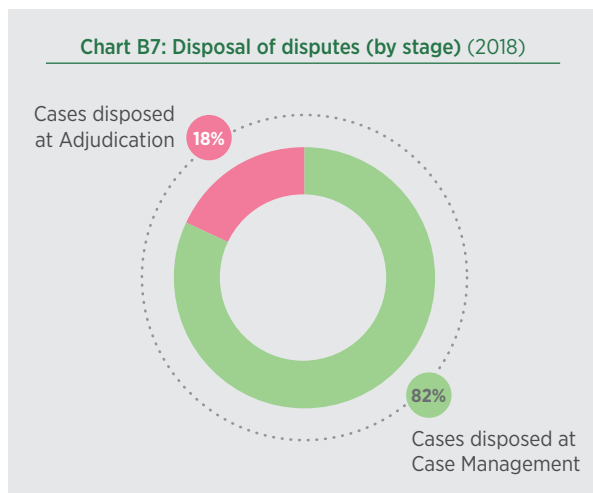
The bank is to waive the remaining loan outstanding after off-setting the actual repayment received from Madam M. The recommendation was accepted by both parties.

Disposal of disputes

Total disputes disposed

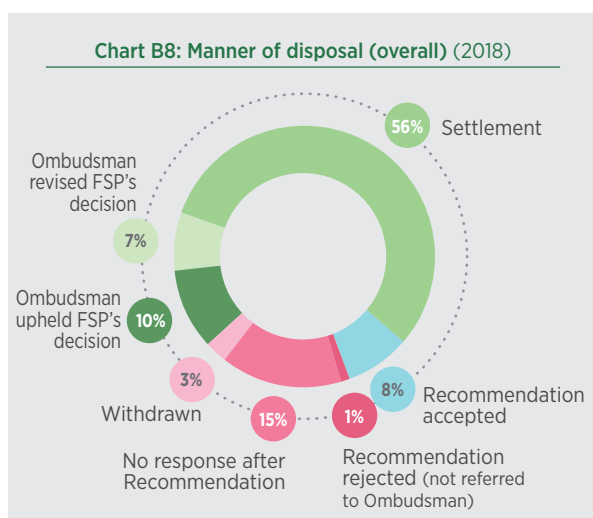
A total of 260 banking and payment systems disputes were disposed, of which 214 disputes (82%) were closed at Case Management stage and 46 disputes (18%) at Adjudication stage.

Chart B7: Disposal of disputes (by stage) (2018)



Manner of disposal

Chart B8: Manner of disposal (overall) (2018)



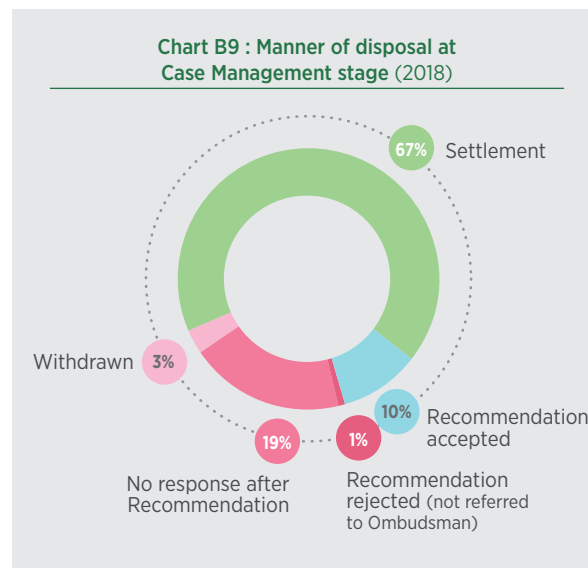
Out of 260 disputes disposed, 145 disputes (56%) were resolved through mutual settlement valued at RM941,881.55. Sixty-four disputes (25%) were closed after Recommendations were issued and 43 disputes were adjudicated.

Out of the 43 disputes adjudicated, 18 (42%) were decided in favour of the complainant with the awarded amount totalling RM310,501.84. Twenty-five cases (58%) were decided in favour of the FSPs as there is no merit to

the complainants' claim. Eight cases were withdrawn.

Case Management stage

Chart B9: Manner of disposal at Case Management stage (2018)



Settlement

Out of the 214 cases resolved at Case Management stage, 143 cases (67%) were amicably settled through negotiated settlement facilitated by the Case Managers at a value of RM935,699.18. We commend the FSPs for their willingness to resolve the disputes amicably.

Recommendation

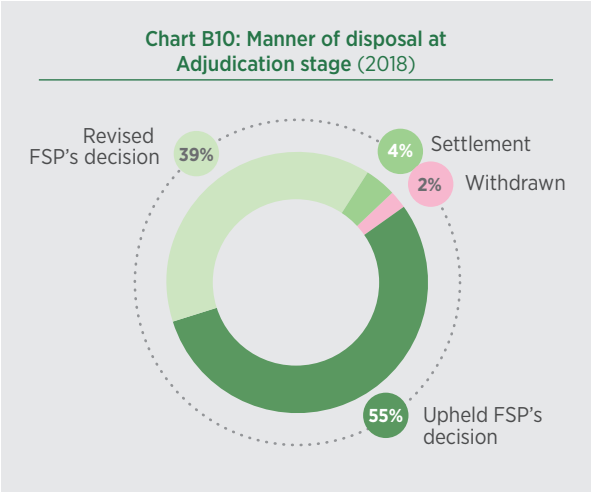
Twenty-two Recommendations were accepted by the complainants and FSPs, and 40 cases were closed due to no response from the complainants 30 days after issuance of Recommendations. Two Recommendations were rejected by complainants but were not referred to the Ombudsman.

Forty-eight recommendations were rejected by complainants and referred to the Ombudsman for Adjudication.

Withdrawn

Seven cases were withdrawn as the consumers were satisfied with the findings and explanation given by OFS.

Adjudication stage



Forty-eight cases were referred to the Ombudsman for Adjudication in 2018. A total of 54 cases were handled (including six cases carried forward from 2017), of which 46 cases were resolved leaving eight cases brought forward to 2019.

The disputes referred for Adjudication relates to card-based electronic payment, operational issues, loan advances, Islamic financing and internet banking. The disputes predominantly relate to lost and stolen credit cards, chargeback issues and online transactions.

Out of the 46 cases resolved at Adjudication stage, 43 decisions were issued, two cases were settled valued at RM6,182.37 and one case withdrawn by the complainant.

Twenty-five cases (58%) were decided in favour of the FSPs and 18 cases (42%) in favour of complainants. The total amount awarded was RM310,501.84.

Turnaround time for disposal of disputes

Table B2: Analysis on time taken to dispose disputes (2018)
(from the case registration date)

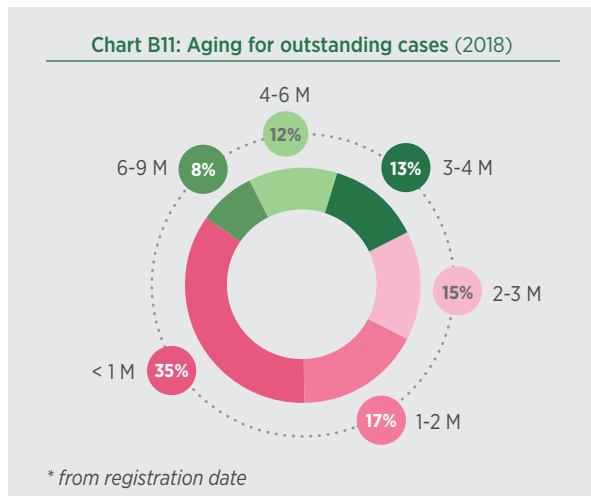
Cases closed within 3 months	18%
Cases closed between 3 and 6 months	27%
Cases closed after more than 6 months	55%

Out of the 260 cases resolved in 2018, 45% of cases were resolved within six months from the registration of cases. About 55% of cases were resolved beyond six months and this was attributed to the complexity of the issues arising in the dispute and the time taken by the complainant and the FSPs to arrive at a settlement.

Ongoing efforts have been put in place to reduce the time taken for the disposal of cases. This includes enhancing the work process for a more effective and efficient dispute resolution.



Disputes outstanding



A total of 102 cases remained outstanding under the banking sector in 2018, of which 93 cases (92%) fell within six months from registration and nine cases (8%) were outstanding for more than six months.

Concerted and continuous efforts have been taken by the team to improve the efficiency and timeliness in our dispute resolution process.

“ I accept the final decision of the Ombudsman and would like to extend my gratitude to everyone involved at the Ombudsman for Financial Services in helping to settle the dispute.

- Customer Testimonial



”





List of Members

■ Members of OFS as at 31 December 2018

86

Members of OFS as at 31 December 2018 (202)

COMMERCIAL BANKS (26)

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bangkok Bank Berhad
5. Bank of America Malaysia Berhad
6. Bank of China (Malaysia) Berhad
7. BNP Paribas Malaysia Berhad
8. China Construction Bank (Malaysia) Berhad
9. CIMB Bank Berhad
10. Citibank Berhad
11. Deutsche Bank (Malaysia) Berhad
12. Hong Leong Bank Berhad
13. HSBC Bank Malaysia Berhad
14. India International Bank (Malaysia) Berhad
15. Industrial and Commercial Bank of China (Malaysia) Berhad
16. J. P. Morgan Chase Bank Berhad
17. Malayan Banking Berhad
18. Mizuho Bank (Malaysia) Berhad
19. MUFG Bank (Malaysia) Berhad (formerly known as Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad)
20. OCBC Bank (Malaysia) Berhad
21. Public Bank Berhad
22. RHB Bank Berhad
23. Standard Chartered Bank Malaysia Berhad
24. Sumitomo Mitsui Banking Corporation Malaysia Berhad
25. The Bank of Nova Scotia Berhad
26. United Overseas Bank (Malaysia) Berhad

ISLAMIC BANKS (18)

27. Affin Islamic Bank Berhad
28. Alkhair International Islamic Bank Berhad
29. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
30. Alliance Islamic Bank Berhad
31. AmBank Islamic Berhad
32. Bank Islam Malaysia Berhad
33. Bank Muamalat Malaysia Berhad
34. CIMB Islamic Bank Berhad
35. Hong Leong Islamic Bank Berhad
36. HSBC Amanah Malaysia Berhad
37. Kuwait Finance House (Malaysia) Berhad
38. Maybank Islamic Berhad
39. MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad)
40. OCBC Al-Amin Bank Berhad
41. PT Bank Muamalat Indonesia, Tbk
42. Public Islamic Bank Berhad
43. RHB Islamic Bank Berhad
44. Standard Chartered Saadiq Berhad

DEVELOPMENT FINANCIAL INSTITUTIONS (6)

45. Bank Pembangunan Malaysia Berhad
46. Bank Pertanian Malaysia Berhad (Agrobank)
47. Bank Rakyat
48. Bank Simpanan Nasional
49. Export-Import Bank of Malaysia Berhad
50. Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)

LIFE INSURANCE COMPANIES (14)

51. AIA Berhad
52. Allianz Life Insurance Malaysia Berhad
53. AmMetLife Insurance Berhad
54. AXA Affin Life Insurance Berhad
55. Etiqa Life Insurance Berhad
56. Gibraltar BSN Life Berhad
57. Great Eastern Life Assurance (Malaysia) Berhad
58. Hong Leong Assurance Berhad
59. Manulife Insurance Berhad
60. MCIS Insurance Berhad
61. Prudential Assurance Malaysia Berhad
62. Sun Life Malaysia Assurance Berhad
63. Tokio Marine Life Insurance Malaysia Berhad
64. Zurich Life Insurance Malaysia Berhad (formerly known as Zurich Insurance Malaysia Berhad)

GENERAL INSURANCE COMPANIES (21)

65. AIA General Berhad
66. AIG Malaysia Insurance Berhad
67. Allianz General Insurance Company (Malaysia) Berhad
68. AmGeneral Insurance Berhad
69. AXA Affin General Insurance Berhad
70. Berjaya Sompo Insurance Berhad
71. Chubb Insurance Malaysia Berhad
72. Etiqa General Insurance Berhad (formerly known as Etiqa Insurance Berhad)
73. Great Eastern General Insurance (Malaysia) Berhad [formerly known as Overseas Assurance Corporation (Malaysia) Berhad]

74. Liberty Insurance Berhad
75. Lonpac Insurance Berhad
76. MPI Generali Insurans Berhad
77. MSIG Insurance (Malaysia) Berhad
78. Pacific & Orient Insurance Co. Berhad
79. Progressive Insurance Berhad
80. QBE Insurance (Malaysia) Berhad
81. RHB Insurance Berhad
82. The Pacific Insurance Berhad
83. Tokio Marine Insurans (Malaysia) Berhad
84. Tune Insurance Malaysia Berhad
85. Zurich General Insurance Malaysia Berhad

TAKAFUL OPERATOR (15)

86. AIA PUBLIC Takaful Berhad
87. AmMetLife Takaful Berhad
88. Etiqa Family Takaful Berhad (formerly known as Etiqa Takaful Berhad)
89. Etiqa General Takaful Berhad
90. FWD Takaful Berhad
91. Great Eastern Takaful Berhad
92. Hong Leong MSIG Takaful Berhad
93. Prudential BSN Takaful Berhad
94. Sun Life Malaysia Takaful Berhad
95. Syarikat Takaful Malaysia Am Berhad
96. Syarikat Takaful Malaysia Keluarga Berhad (formerly known as Syarikat Takaful Malaysia Berhad)
97. Takaful Ikhlas Family Berhad (formerly known as Takaful Ikhlas Berhad)
98. Takaful Ikhlas General Berhad
99. Zurich Takaful Malaysia Berhad
100. Zurich General Takaful Malaysia Berhad

Approved designated payment instrument issuers (non-banks)

E-MONEY ISSUERS (38)

101. AEON Credit Service (M) Berhad (*also in Credit Card Issuer)
102. Alipay Malaysia Sdn. Bhd. (formerly known as helloPay Malaysia Sdn. Bhd.)
103. Axiata Digital eCode Sdn. Bhd.
104. Bandar Utama City Centre Sdn. Bhd.
105. BigPay Malaysia Sdn. Bhd.
106. Celcom eCommerce Sdn. Bhd.
107. Chevron Malaysia Limited (*also in Charge Card Issuer)
108. DIV Services Sdn. Bhd. (formerly known as ePetrol Services Sdn. Bhd.)
109. Fass Payment Solutions Sdn. Bhd.
110. Finexus Cards Sdn. Bhd. (formerly known as MAA Cards Sdn. Bhd.)
111. Fullrich Malaysia Sdn. Bhd.
112. Google Payment Malaysia Sdn. Bhd.
113. GPay Network (M) Sdn. Bhd.
114. iPay88 (M) Sdn. Bhd. (formerly known as Mobile88.com Sdn. Bhd.)
115. I-Serve Payment Gateway Sdn. Bhd.
116. JuruQuest Consulting Sdn. Bhd.
117. KiplePay Sdn. Bhd. (formerly known as Webonline Dot Com Sdn. Bhd.)
118. ManagePay Services Sdn. Bhd.
119. Maxis Broadband Sdn. Bhd. (formerly known as Maxis Mobile Services Sdn. Bhd.)
120. Merchantrade Asia Sdn. Bhd.
121. Mobile Money International Sdn. Bhd.
122. MobilityOne Sdn. Bhd.
123. MOL AccessPortal Sdn. Bhd.
124. MRuncit Commerce Sdn. Bhd.
125. Numoni DFS Sdn. Bhd.
126. PayPal Pte. Ltd.
127. Petron Fuel International Sdn. Bhd. (*also in Charge Card Issuer)
128. Presto Pay Sdn. Bhd. (formerly known as EPP Solution Sdn. Bhd.)
129. Raffcomm Sdn. Bhd.

130. Shell Malaysia Trading Sdn. Bhd. (*also in Charge Card Issuer)
131. SiliconNet Technologies Sdn. Bhd.
132. Silverlake Global Payments Sdn. Bhd.
133. SMJ Teratai Sdn. Bhd.
134. Touch 'n Go Sdn. Bhd.
135. TNG Digital Sdn. Bhd.
136. Valyou Sdn. Bhd.
137. WeChat Pay Malaysia Sdn. Bhd.
138. XOX Com Sdn. Bhd.

CREDIT CARD ISSUERS (1)

139. Paydee Sdn. Bhd. (formerly known as Synergy Cards Sdn. Bhd.)

CHARGE CARD ISSUERS (3)

140. Boustead Petroleum Marketing Sdn. Bhd.
141. PETRONAS Dagangan Berhad
142. Radius Fuel Cards Sdn. Bhd.

APPROVED INSURANCE AND TAKAFUL BROKERS (27)

143. Alloy Insurance Brokers Sdn. Bhd.
144. Anika Insurance Brokers Sdn. Bhd.
145. Antah Insurance Brokers Sdn. Bhd.
146. Aon Insurance Brokers (Malaysia) Sdn. Bhd.
147. BIB Insurance Brokers Sdn. Bhd.
148. CIMB Howden Insurance Brokers Sdn. Bhd.
149. Hayat Insurance Brokers Sdn. Bhd.
150. IIB Insurance Brokers Sdn. Bhd.
151. Insurepro Sdn. Bhd.
152. Jardine Lloyd Thompson Sdn. Bhd.
153. KSDC Insurance Brokers Sdn. Bhd.
154. Malene Insurance Brokers Sdn. Bhd.

155. MIT Insurance Brokers Sdn. Bhd.
156. MMS (Insurance Brokers) Sdn. Bhd.
157. MP Insurance Brokers Sdn. Bhd.
158. Perinsu (Broker Insurans) Sdn. Bhd.
159. Perinsuran (Brokar) Sdn. Bhd.
160. PNSB Insurance Brokers Sdn. Bhd.
161. Protac Insurance Brokers Sdn. Bhd.
162. Rosegate Insurance Brokers Sdn. Bhd.
163. Sime Darby Lockton Insurance Brokers Sdn. Bhd.
164. SP&G Insurance Brokers Sdn. Bhd.
165. State Insurance Brokers Sdn. Bhd.
166. Sterling Insurance Brokers Sdn. Bhd.
167. Tradewinds International Insurance Brokers Sdn. Bhd.
168. Transnational Insurance Brokers (M) Sdn. Bhd.
169. Willis (Malaysia) Sdn. Bhd.

APPROVED INSURANCE BROKER (1)

170. Marsh Insurance Brokers (Malaysia) Sdn. Bhd.

APPROVED TAKAFUL BROKER (1)

171. Marsh Takaful Brokers (Malaysia) Sdn. Bhd.

APPROVED FINANCIAL ADVISERS AND ISLAMIC ADVISERS (31)

172. A.D. Avallis Financial Sdn. Bhd.
173. Advise Capital Sdn. Bhd.
174. Axcelink Wealth Advisory Sdn. Bhd.
175. Bill Morrisons Wealth Management Sdn. Bhd.
176. Blueprint Planning International Sdn. Bhd.
177. Capspring Temasik Financial Group Sdn. Bhd.
178. CC Advisory Sdn. Bhd.
179. Easi Wealth Management Sdn. Bhd.
180. ECL Advisory Sdn. Bhd.
181. Excellentte Consultancy Sdn. Bhd.
182. FA Advisory Sdn. Bhd.
183. Fin Freedom Sdn. Bhd.
184. Finwealth Management Sdn. Bhd.
185. Genexus Advisory Sdn. Bhd.
186. Harvestkorp IFA Solutions Sdn. Bhd.
187. Harveston Financial Advisory Sdn. Bhd.
188. iFAST Capital Sdn. Bhd.
189. InsureDIY Sdn. Bhd.
190. ISK Planner Sdn. Bhd.
191. I-Max Financial Sdn. Bhd.
192. Legacy Advisory Sdn. Bhd.
193. Magnisave Group Sdn. Bhd.
194. Money Sense Advisory Sdn. Bhd.
195. Phillip Wealth Planners Sdn. Bhd.
196. Premier Financial Advisers Sdn. Bhd.
197. Standard Financial Adviser Sdn. Bhd.
198. Steadfast Advisory (Malaysia) Sdn. Bhd.
199. VKA Wealth Planners Sdn. Bhd.
200. Wealth Vantage Advisory Sdn. Bhd.
201. Whitman Independent Advisors Sdn. Bhd.
202. YES Wealth Planners Sdn. Bhd.

We appreciate your kind assistance to help
settle the dispute amicably with our customer.

- Member Testimonial



Directors' Report and Audited Financial Statements

■	Corporate Information	91
■	Directors' Report	92
■	Statement by Directors and Statutory Declaration	95
■	Independent Auditors' Report	96
■	Statement of Financial Position	100
■	Statement of Profit or Loss and Other Comprehensive Income	101
■	Statement of Changes in Equity	102
■	Statement of Cash Flows	103
■	Notes to the Financial Statements	105

CORPORATE INFORMATION

OMBUDSMAN FOR FINANCIAL SERVICES

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

DIRECTORS

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen **(Chairman)**
Tan Sri Dato' Sri Tay Ah Lek **(Deputy Chairman)**
Tan Sri Dato' Sri Zaleha Binti Zahari
Datin Veronica Selvanayagy A/P S Mudiappu
Prof. Datuk Dr Marimuthu A/L Nadason
Ong Chong Hye
Mohd Radzuan Bin Ab Halim
Antony Fook Weng Lee
Lee Eng Huat *(Appointed on 7.3.2018)*
Kalpana A/P Sambasivamurthy *(Appointed on 16.7.2018)*

CHIEF EXECUTIVE OFFICER

Shahariah Binti Othman

OMBUDSMAN

Kalyana Kumar A/L Sockalingam
Marina Binti Baharuddin

SECRETARIES

Won Swee Hwan
Jasni Bin Abdul Jalil

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Level 14, Main Block
Menara Takaful Malaysia
No. 4, Jalan Sultan Sulaiman
50000 Kuala Lumpur

AUDITORS

Grant Thornton Malaysia
(Member Firm of Grant Thornton International Ltd.)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services ("OFS") for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

RESULTS

	RM
Surplus for the financial year	949,902

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)
Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)
Tan Sri Dato' Sri Zaleha Binti Zahari
Datin Veronica Selvanayagy A/P S Mudiappu
Prof. Datuk Dr Marimuthu A/L Nadason
Ong Chong Hye
Mohd Radzuan Bin Ab Halim
Antony Fook Weng Lee
Lee Eng Huat (Appointed on 7.3.2018)
Kalpana A/P Sambasivamurthy (Appointed on 16.7.2018)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which OFS is a party, with the object or objects of enabling the Directors of OFS to acquire benefits by means of the acquisition of interests in OFS or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 10 and 12 to the Financial Statements) by reason of a contract made by OFS with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for the Directors and officers of the OFS during the financial year are disclosed in Note 10 to the Financial Statements.

OTHER STATUTORY INFORMATION

Before the financial statements of OFS were made out, the Directors took reasonable steps:-

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of OFS have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of OFS; or
- (b) which would render the values attributed to current assets in the financial statements of OFS misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or
- (d) not otherwise dealt with this report of the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of OFS which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of OFS which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of OFS to meet its obligations as and when they fall due;
- (b) the results of OFS's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of OFS for the current financial year in which this report is made.

AUDITORS

Details of Auditors' remuneration are set out in Note 10 to the Financial Statements.

There was no indemnity given to or insurance effected for the Auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia have expressed their willingness to continue in office.

Signed on behalf of the Directors in accordance with a resolution of the Directors,



TAN SRI DATUK SERI (DR) FOONG CHENG YUEN



ONG CHONG HYE

Kuala Lumpur
19 March 2019

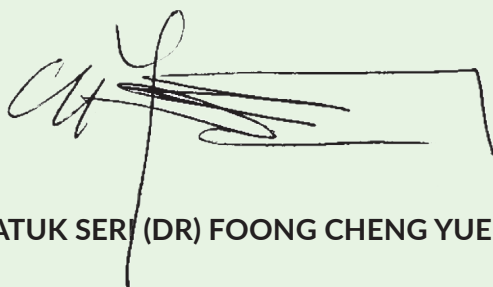
OMBUDSMAN FOR FINANCIAL SERVICES

(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 39 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of OFS as at 31 December 2018 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Directors in accordance with a resolution of the Directors,



TAN SRI DATUK SERI (DR) FOONG CHENG YUEN



ONG CHONG HYE

Kuala Lumpur
19 March 2019

STATUTORY DECLARATION

I, Shahariah Binti Othman, being the Officer primarily responsible for the financial management of Ombudsman for Financial Services do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 39 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory this day of
19 March 2019



SHAHARIAH BINTI OTHMAN

Before me:
Commissioner for Oaths



No. 4-13, 4th Floor, Wisma Konwa
No. 40 & 42, Jalan Tun Perak
(Lebu Ampang)
50050 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF
OMBUDSMAN FOR FINANCIAL SERVICES**
(Incorporated in Malaysia as a company
limited by guarantee and not having a share capital)
Company No: 664393 P



Grant Thornton

An instinct for growth™

Grant Thornton Malaysia (AF:0737)
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail, 50250 Kuala Lumpur
Malaysia
T +603 2693 4022 F +603 2691 5229

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Ombudsman for Financial Services, which comprise the statement of financial position as at 31 December 2018, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 12 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2018, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis of Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of OFS in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the Financial Statements and Auditors' Report Thereon

The Directors of OFS are responsible for the other information. The other information comprise the Directors' Report but does not include the financial statements of OFS and our auditors' report thereon.

Our opinion on the financial statements of OFS does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of OFS, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of OFS 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 the Directors' Report, 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 of OFS are responsible for the preparation of financial statements of OFS that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of OFS that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of OFS, the Directors are responsible for assessing OFS'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 OFS or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of OFS as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

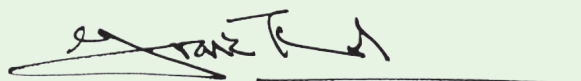
As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of OFS, 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 OFS'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 OFS's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of OFS 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 auditors' report. However, future events or conditions may cause OFS to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of OFS, including the disclosures, and whether the financial statements of OFS 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.

Other Matters

This report is made solely to the members of OFS, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS



DATO' N. K. JASANI
(NO: 00708/03/2020J)
CHARTERED ACCOUNTANT

Kuala Lumpur
19 March 2019

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
ASSETS			
Non-current asset			
Property, plant and equipment	4	278,070	381,151
Current assets			
Trade receivables		404,750	293,014
Other receivables	5	198,645	171,765
Fixed deposits with a licensed bank	6	596,225	577,774
Cash and bank balances		1,688,289	732,581
Total current assets		2,887,909	1,775,134
Total assets		3,165,979	2,156,285

MEMBERS' FUNDS AND LIABILITIES			
Members' funds			
Balance as at 1 January		2,111,112	1,619,597
Net surplus for the financial year		949,902	491,515
Balance as at 31 December		3,061,014	2,111,112

LIABILITIES			
Current liabilities			
Other payables	7	72,392	44,977
Tax payable		32,573	196
Total current liabilities/liabilities		104,965	45,173
Total members' funds and liabilities		3,165,979	2,156,285

The accompanying notes form an integral part of the financial statements.

**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the Financial Year ended 31 December 2018**

	Note	2018 RM	2017 RM
Revenue	8	7,632,000	6,490,900
Other income		18,614	88,825
Staff costs	9	(4,431,688)	(4,352,898)
Depreciation	4	(138,526)	(147,278)
Other expenses		(2,095,601)	(1,587,838)
Surplus before tax	10	984,799	491,711
Tax expense	11	(34,897)	(196)
Net surplus/total comprehensive surplus for the financial year		949,902	491,515

The accompanying notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the Financial Year ended 31 December 2018

	<u>Members' fund</u>	<u>Total</u>
	RM	RM
Balance at 1 January 2017	1,619,597	1,619,597
Total comprehensive surplus for the financial year	491,515	491,515
Balance at 31 December 2017	2,111,112	2,111,112
Total comprehensive surplus for the financial year	949,902	949,902
Balance at 31 December 2018	3,061,014	3,061,014

STATEMENT OF CASH FLOWS

for the Financial Year ended 31 December 2018

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
OPERATING ACTIVITIES			
Surplus before tax		984,799	491,711
Adjustments for:-			
Depreciation		138,526	147,278
Gain on disposal of property, plant and equipment		-	(57,897)
Interest income		(18,614)	(20,928)
Surplus before working capital changes		1,104,711	560,164
Changes in working capital:-			
Receivables		(138,616)	(286,726)
Payables		27,415	(9,362)
Net cash generated from operations		993,510	264,076
Tax paid		(2,520)	(850)
Net cash from operating activities		990,990	263,226
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		-	57,897
Purchase of property, plant and equipment		(35,445)	(271,667)
Interest received		18,614	20,928
Net cash used in investing activities		(16,831)	(192,842)
CASH AND CASH EQUIVALENTS			
Net changes		974,159	70,384
At beginning of financial year		1,310,355	1,239,971
At end of financial year	A	2,284,514	1,310,355

STATEMENT OF CASH FLOWS for the Financial Year ended 31 December 2018 (cont'd)

NOTE TO THE STATEMENT OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following:-

	<u>Note</u>	<u>2018</u> RM	<u>2017</u> RM
Fixed deposits with a licensed bank		596,225	577,774
Cash and bank balances		1,688,289	732,581
		2,284,514	1,310,355

The effective interest rates for fixed deposits with a licensed bank range from 2.95% to 3.20% (2017: 2.95% to 3.00%) per annum.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

1. GENERAL INFORMATION

OFS is a limited guarantee company and not having a share capital, incorporated and domiciled in Malaysia. The registered office and principal place of business of OFS is located at Level 14, Main Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur.

The principal activity of OFS is to provide an independent and impartial method in resolving complaints, claims and disputes between member financial institutions/financial services providers and individuals/corporations.

There has been no significant change in the nature of this activity during the financial year.

The financial statements were authorised for issue by the Directors in accordance with a resolution of the Directors on 19 March 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of OFS have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of OFS are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is OFS's functional currency and all values are rounded to the nearest RM, unless otherwise stated.

2. BASIS OF PREPARATION (cont'd)

2.4 Adoption of new standards/amendments/improvements to MFRSs

OFS has consistently applied the accounting policies set out in Note 3 to all years presented in these financial statements.

At the beginning of the current financial year, OFS adopted new standards/amendments/improvements to MFRSs which are mandatory for the current financial year.

Initial application of the new standards/amendments/improvements to the standards did not have material impact to the financial statements, except for:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supercedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The effect of the transition was not material to the financial statements.

MFRS 9 Financial Instruments

MFRS 9 Financial Instruments replaces MFRS 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

OFS applied MFRS 9 prospectively, with an initial application date of 1 January 2018. OFS has not restated the comparative information, which continues to be reported under MFRS 139. There were no material differences arising from the adoption of MFRS 9.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective

OFS has not applied the following MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for OFS:

MFRS, Amendments to MFRSs and IC Interpretation effective 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9*	Financial Instruments: Prepayment Features with Negative Compensation
Amendments to MFRS 119*	Employee Benefits
Amendments to MFRS 128*	Investments in Associates and Joint Ventures: Long-term Interest in Associates and Joint Ventures
IC Interpretation 23*	Uncertainty Over Income Tax Treatments
Annual Improvements to MFRS Standards 2015-2017 Cycle*	

Amendments to MFRS and IC Interpretation effective 1 January 2020:

Amendments to MFRS 3*	Business Combinations
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in accounting Estimates and Errors
Amendments to References to the Conceptual framework in MFRS Standards (MFRS 2*, 3*, 6*, 14*, 101, 108, 134*, 137, 138* and IC Interpretation 12*, 19*, 20*, 22, 132*)	

MFRS effective 1 January 2021:

MFRS 17*	Insurance Contracts
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Amendments to MFRS (deferred effective date to be announced by the MASB):

Amendments to MFRS 10 and 128*	Consolidated Financial Statements and Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the Company's operations

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards issued but not yet effective (cont'd)

The initial application of the above standards and amendments are not expected to have any financial impacts to the financial statements, except for:

MFRS 16 Leases

MFRS 16 was issued in January 2016 and it replaces MFRS 117 Leases, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

In summary, OFS expects no significant impact of MFRS 16 adoption other than additional disclosures.

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of OFS's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2018, management assesses that the useful lives represent the expected utility of the assets to OFS. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to OFS assets.

Provision for expected credit losses ("ECLs") of trade receivables

OFS uses a provision of matrix to calculate ECLs for trade receivables. The provision rates are based on past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on OFS historical observed default rates. OFS will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. OFS's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on OFS trade receivables is disclosed in Note 14.1 (a) to the Financial Statements.

OFS did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Income taxes

Significant judgement is involved in determining OFS's provision for income taxes. There are certain transaction and computations for which the ultimate tax determination is uncertain during the ordinary course of business. OFS recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to OFS's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

3. SIGNIFICANT ACCOUNTING POLICIES

OFS applies the significant accounting policies, as summarised below, consistently throughout all years presented in the financial statements.

3.1 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to OFS and the cost of the item can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Property, plant and equipment (cont'd)

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets.

The annual depreciation rates used are as follows:-

Computers	33⅓ %
Motor vehicles	20 %
Equipment	20 %
Furniture and fittings	10 %
Renovation	10 %
Books	10 %

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposals of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss.

3.2 Financial instruments

3.2.1 Initial recognition and measurement

Financial assets and financial liabilities are recognised when OFS becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (cont'd)

3.2.2 Classification and initial measurement of financial assets

Accounting policies applied from 1 January 2018

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

In the years presented, OFS does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- OFS's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

At the reporting date, OFS carries only financial assets measured at amortised cost on its statement of financial position.

Accounting policies applied until 31 December 2017

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets or loans and receivables, as appropriate. Management determines the classification of the financial assets upon initial recognition which depends on the nature and purpose of the financial assets. At the reporting date, OFS carries only loans and receivables on its statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (cont'd)

3.2.3 Financial assets - subsequent measurement

Accounting policies applied from 1 January 2018

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. OFS's trade and other receivables and cash and cash equivalents fall into this category of financial instruments.

Accounting policies applied until 31 December 2017

Loans and receivables

This category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received together with any cumulative gain or loss that has been recognised in equity is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2.4 Financial assets – impairment

Accounting policies applied from 1 January 2018

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces MFRS 9's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on OFS first identifying a credit loss event. Instead OFS considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

OFS makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, OFS uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (cont'd)

3.2.1 Financial assets – impairment (cont'd)

Trade receivables (cont'd)

OFS assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Accounting policies applied until 31 December 2017

All financial assets, except for financial assets categorised as fair value through profit or loss, investment in subsidiaries, associates, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is objective evidence of impairment.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduces directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against carrying amount of the financial asset.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of an asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Financial instruments (cont'd)

3.2.5 Financial liabilities – classification and measurement

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, OFS's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

OFS's financial liabilities include other payables only.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the OFS designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

3.3 Impairment non-financial assets

At each reporting date, OFS reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised as an expense in the profit or loss immediately.

An assessment is made at each end of the reporting year as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, short term demand deposits and highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.5 Revenue from contracts with owners

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring services to a customer, excluding amounts collected on behalf of third parties. OFS recognises revenue when (or as) it transfers control over a service to customer. An asset is transferred when (or as) the customer obtains control of the asset. OFS transfers control of a service at a point in time unless one of the following overtime criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided as OFS performs;
- (b) OFS's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) OFS's performance does not create an asset with an alternative use and OFS has an enforceable right to payment for performance completed to date.

3.5.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

3.6 Employees benefits

3.6.1 Short term employees benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by the employees of OFS. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Employees benefits (cont'd)

3.6.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which OFS pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceeding financial years.

Such contributions are recognised as expenses in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

3.7.1 Operating leases

Leases, where OFS does not assume substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

3.8 Tax expenses

Tax expenses comprise current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss.

3.8.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting year, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the statement of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Tax expenses (cont'd)

3.8.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.9 Goods and services tax

Goods and services tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% up until 31 May 2018. Input GST that the Company pay on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- (ii) Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Computers RM	Motor vehicles RM	Equipment RM	Furniture and fittings RM	Renovation RM	Books RM	Total RM
At 1 January 2017	567,125	147,550	285,516	682,348	611,178	150,000	2,443,717
Additions	-	248,163	23,132	372	-	-	271,667
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	567,125	248,163	308,648	682,720	611,178	150,000	2,567,834
Additions	14,556	-	18,339	2,550	-	-	35,445
At 31 December 2018	581,681	248,163	326,987	685,270	611,178	150,000	2,603,279

Accumulated depreciation							
At 1 January 2017	554,605	147,550	261,240	553,596	519,964	150,000	2,186,955
Charge for the financial year	11,576	49,633	15,726	38,181	32,162	-	147,278
Disposals	-	(147,550)	-	-	-	-	(147,550)
At 31 December 2017	566,181	49,633	276,966	591,777	552,126	150,000	2,186,683
Charge for the financial year	5,795	49,633	14,950	35,986	32,162	-	138,526
At 31 December 2018	571,976	99,266	291,916	627,763	584,288	150,000	2,325,209

Net carrying amount							
At 31 December 2018	9,705	148,897	35,071	57,507	26,890	-	278,070
At 31 December 2017	944	198,530	31,682	90,943	59,052	-	381,151

5. TRADE RECEIVABLES

OFS's normal trade credit terms is 30 days (2017: 30 days).

The trade receivables are amounts due from members for levy income and case fee which are interest-free, unsecured and repayable on demand.

6. OTHER RECEIVABLES

	2018	2017
	RM	RM
Other receivables	3,221	5,050
Deposits	123,796	123,876
Prepayments	60,230	42,839
GST receivable	11,398	-
	198,645	171,765

7. OTHER PAYABLES

	2018	2017
	RM	RM
Accruals	72,392	39,829
GST payable	-	5,148
	72,392	44,977

8. REVENUE

	2018	2017
	RM	RM
Levy income	6,501,000	6,187,500
Case fee	1,131,000	303,400
	7,632,000	6,490,900

9. STAFF COSTS

	2018	2017
	RM	RM
Salaries, wages and bonus	3,508,698	3,470,782
Employees Provident Fund	456,461	448,330
Social security contributions	27,363	26,055
Other benefits	439,166	407,731
	4,431,688	4,352,898

10. SURPLUS BEFORE TAX

Surplus before tax is stated after charging amongst others, the following items:-

	2018	2017
	RM	RM
Audit fee	12,500	12,500
Directors' emoluments	185,119	126,900
Office rental	888,797	886,511
Rental of equipment	9,720	9,720
Indemnity and insurance for Directors	30,000	30,000

11. TAX EXPENSE

	2018	2017
	RM	RM
Current year	32,573	196
Underprovision in prior year	2,324	-
	34,897	196

Malaysian income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation of income tax expense applicable to surplus before tax at the statutory income tax rate to the effective rate of the Company is as follows:-

	2018	2017
	RM	RM
Surplus before tax	984,799	491,711
At Malaysian statutory tax rate of 24% (2017: 24%)	236,352	118,011
Tax effect in respect of:		
Non-allowable expenses	20,428	23,897
Tax exempted	(224,207)	(141,712)
Underprovision in prior year	2,324	-
	34,897	196

The levy income are tax exempted under Income Tax (Exemption) (No.19) Order 2005.

12. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

Apart from the Board of Directors, no remuneration has paid to other key management personnel during the financial year.

13. OPERATING LEASE COMMITMENTS

The future minimum lease payments under non-cancellable operating leases as at the reporting date are as follows:-

	<u>2018</u> RM	<u>2017</u> RM
Not later than 1 year	814,730	888,797
Later than 1 year but not later than 2 years	-	814,730
	814,730	1,703,527

Operating lease commitments represent rental payable for the rent of outlets. These leases have average tenure of between 1 to 2 years with renewal option.

14. FINANCIAL INSTRUMENTS

14.1 Financial risk management

OFS is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policies are established to ensure that adequate resources are available for the development of OFS's operations whilst managing its risks. OFS operates within clearly defined policies and procedures that are approved by the Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to OFS if counterparty to a financial instrument fails to meet its contractual obligations. It is OFS's policy to enter into financial instrument with a diversity of creditworthy counterparties. OFS does not expect to incur material credit losses of its financial assets or other financial instruments.

14. FINANCIAL INSTRUMENTS (CONT'D)

14.1 Financial risk management (cont'd)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

Following are the areas where the company exposed to credit risk:-

(i) Receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. OFS evaluates the concentration of risk with respect to trade receivables as low, as the Members who are Licensed or Approved Institution under Financial Services Act 2013 (FSA) or Islamic Financial Services Act 2013 (IFSA) or prescribed institution under the Development Financial Institution Act 2002 are required to discharge their obligation pursuant to the requirement of OFS's Term of Reference (TOR) which is issued pursuant to the Financial Ombudsman Scheme (FOS) regulation.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	Expected credit loss rate	Estimated total gross carrying amount	Expected credit loss
2018	%	RM	RM
Not past due	-	263,200	-
Past due 1-30 days	-	66,100	-
Past due 31-60 days	-	15,000	-
Past due 61-90 days	-	13,500	-
Past due more than 90 days	-	46,950	-
	-	404,750	-

14. FINANCIAL INSTRUMENTS (CONT'D)

14.1 Financial risk management (cont'd)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

(i) Receivables

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix (cont'd):

	Expected credit loss rate	Estimated total gross carrying amount	Expected credit loss
2017	%	RM	RM
Not past due	-	84,588	-
Past due 1-30 days	-	36,676	-
Past due 31-60 days	-	39,750	-
Past due 61-90 days	-	132,000	-
	-	293,014	-

(ii) Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparty is a reputable bank with high quality external credit rating.

(b) Liquidity risk

Liquidity risk is the risk that OFS will not be able to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, OFS maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

14. FINANCIAL INSTRUMENTS (CONT'D)

14.1 Financial risk management (cont'd)

The main areas of financial risks faced by OFS and the policies in respect of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The maturity profile of OFS's financial liabilities based on the contractual undiscounted repayment obligation is less than 1 year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of OFS's financial instruments will fluctuate because of changes in market interest rates.

OFS's fixed deposits with a licensed bank is exposed to a risk of change in their fair value due to changes in interest rates.

The interest rate profile of OFS's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting year is as follows:-

	<u>2018</u> RM	<u>2017</u> RM
Fixed rate instruments:		
Financial asset		
Fixed deposits with a licensed bank	596,225	577,774

OFS does not account for any fixed rate financial assets at fair value through profit or loss. Therefore, a change in interest rates as at the end of the financial year would not affect profit or loss.

14.2 Fair value of financial instruments

The carrying amounts of financial assets and liabilities of OFS at the reporting date approximate their fair values due to the short term nature and insignificant impact of discounting.

14.3 Fair value hierarchy

No fair value hierarchy is disclosed as OFS does not have any financial instruments measured at fair value.

15. FUND MANAGEMENT

The primary objective of OFS's fund management is to ensure OFS continues to provide consumers with a vehicle for an objective and timely resolution of disputes, claims and complaints arising from services provided by financial institutions.

OFS managed its fund structure through the adjustments to the members' contributions to the extent that such contributions are adequate to finance OFS's normal operations.

Total fund managed is the members' funds as shown in the statement of financial position.

Capacity building activities



OFS' Team Building



Knowledge sharing session with UK's lead Ombudsman, the late Ms Caroline Mitchell

Ombudsman for Financial Services [664393P]

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