



OMBUDSMAN FOR FINANCIAL SERVICES

OMBUDSMAN PERKHIDMATAN KEWANGAN



AGILITY

IN THE FACE OF ADVERSITY

2021

ANNUAL REPORT

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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. OFS resolves disputes between its Members who are the 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.

We Listen.

We Mediate.

We Resolve.



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.



OUR GUIDING PRINCIPLES



INDEPENDENCE

OFS' Board is responsible for ensuring the integrity of its operations and its ability to provide effective, objective, and independent services to disputing parties.



ACCOUNTABILITY

OFS shall publish a report annually, providing information on its activities, operations and disputes handled.



FAIRNESS AND IMPARTIALITY

OFS shall act fairly and impartially when dealing with disputes. The Ombudsman must carefully and objectively consider the information provided by the disputing parties when deciding a dispute.



TRANSPARENCY

OFS shall publish information on its services and scope, 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 to educate the public and Members.



ACCESSIBILITY

OFS shall create awareness of its services, and maintaining easy to understand, clear and transparent procedures for eligible complainants to refer a dispute.



EFFECTIVENESS

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

Chairman's Foreword

From 2020 until now, the world has faced unprecedented interruptions resulting in loss of property, livelihood, health and even lives. Foremost, is the onslaught of the COVID-19 pandemic. Despite lockdowns and numerous prohibitions, OFS has continued with its operation by adaptation and innovation. We have devised new strategies and alternative ways to continue our work in resolving disputes between parties while adhering to the new norm and managing SOPs such as social distancing. This involves the adoption of a hybrid work system, extensive use of social media platforms, virtual meetings/discussions, and other remote methods of communication within and with our stakeholders outside. Such innovative methods have allowed us to stay in touch with all parties.

While working under this new norm, we did not lose sight of our objective, which is to ensure the disposal of matters referred to us swiftly, efficiently, and effectively without compromising on quality and fairness in our advice and decisions.

In pursuing our aim, we have also advanced our delivery system. We have embarked on the development of a website portal and are currently upgrading our complaint management system. This will provide easier methods for stakeholders to reach us with feedback on our service and performance. Such information will allow us to fine-tune and improve our operational system.

Last year, we recorded a significant number of complaints about financial losses through unauthorised transactions. These were primarily targeted at credit card usage

and internet banking. We have shared this information with our members, the authorities, and the public at various forums to enlighten them on the deceiving method used and to warn and educate the public on how to detect and avoid such scams.

To advance our public awareness efforts, we have been optimising the use of digital mediums, namely social media, and streaming platforms, to reach out to the public. Our services remain relevant and indeed crucial to the community, especially during these challenging times in coping with the spread of the COVID-19 virus and also the natural disaster where many suffered significant financial and property losses due to the massive floods in the Klang Valley region in December 2021.

In January 2022, Bank Negara Malaysia launched the Financial Sector Blueprint for 2022–2026. Part of the regulatory reforms taken will be the consolidation of the OFS and the Securities Industry Dispute Resolution Center (SIDREC) into an integrated dispute resolution scheme.

The abovementioned consolidation is further aimed at building a synergy between the two schemes (OFS and SIDREC) and bridging the gap between the financial and capital market activities conducted by the financial service providers. The consolidation will indeed be another milestone for financial dispute resolution. Currently, working groups have been set up with the assistance of Bank Negara Malaysia and the Securities Commission Malaysia to achieve this objective and soon, we hope, a comprehensive paper will be presented to our members for consideration.

Our focus remains on our mission in advocating for fair and effective financial dispute resolution for consumers.

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ACKNOWLEDGEMENT

To begin with, I wish to applaud the continuous spirit and agility displayed by all our staff at OFS throughout the year despite the difficulties posed by these challenging times. This is a testament to their resilience and fortitude.

I would like to extend my appreciation to Ms Kalpana Sambasivamurthy whose term as Non-Executive Non-Independent Director ended in July 2021. During her tenure as a member of the Board, she had contributed significantly to the work of OFS and I wish her all the best in her future undertakings.

On behalf of the Board, I would like to take this opportunity to sincerely thank our Members, the Regulator, and all the stakeholders for the support that they have given us throughout the year. Your contributions have greatly helped and encouraged us to enhance the quality of our service.

As we continue to tackle the crisis at hand, our focus remains on our mission of advocating for fair and effective financial dispute resolution for consumers. Our efforts and interests, continue to be targeted towards the betterment of the financial industry in general.

We look forward to a brighter and better year ahead.

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen
Chairman

CEO's Report

2021 marked the second year of the ongoing Covid-19 pandemic. Two years on since the pandemic, we have adapted to the new norms of work; the extensive use of cloud sharing and communication tools, hybrid work arrangement alongside the practice of social distancing to continue serving and interacting with the community and our stakeholders.

In shifting from a fully remote work to a hybrid work environment, we have taken measures such as regular sanitisation of the office space and imposed constant Covid-19 rapid antigen self-test requirements to keep the staff safe from the virus.

The ongoing Covid-19 pandemic has impacted the economy adversely and it had left many confronted with a myriad of issues that has led to disputes. We empathise with the problems faced by the affected communities, and we endeavour to resolve their disputes as best we can in a fair and impartial manner.

In dealing with the emerging issues and to prevent further complaints or issues from escalating, we shared our insights to generate a better understanding of our approach in dealing with the cases. It is heartening to note that our member institutions took our perspectives into consideration, and this resulted in a fairer outcome and improved customer experience in the financial services.

2021 PERFORMANCE

Disputes handled

Last year, we responded to 13,327 enquiries which indicated that the workload of our frontline has been growing steadily over the past five years.

Out of the 13,327 enquiries, 6,475 were new enquiries and complaints. Of the 6,475 new enquiries handled, 18% were eligible disputes and the rest were matters which were out of our scope such as loan restructuring, application of moratorium on financing accounts, product features and underwriting decisions.

We registered 1,156 eligible disputes and together with the 755 cases carried forward from 2020, our dispute resolution team handled a total of 1,911 cases.

By sector, the number of disputes registered against the banking and payment systems institutions had surged since 2018 and surpassed the number of insurance/takaful disputes for the first time.

As in the previous year, life insurance, medical, and family takaful claims topped the list under the insurance sector. As the global border closures spilled over into 2021, travel insurance related claims have declined. Conversely, the relaxing of the movement restrictions domestically saw an increasing trend in motor insurance disputes.

We empathise with the problems faced by the affected communities, and we endeavour to resolve their disputes as best we can in a fair and impartial manner.

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Since the pandemic began in 2020 and coupled with the constant lockdowns, consumers shifted their preference from in-person banking to using online banking to perform day-to-day financial transactions as well as purchase of merchandise. As people were badly affected financially and with some resorting to instant financial fixes, many became easy targets of scammers exploiting their vulnerability. Over the years, we have seen that the tactics employed by scammers have become more sophisticated.

In the past two years, the number of disputes received relating to unauthorised online transactions from banking or credit card accounts has increased considerably.

OFS will continue to play its part in spreading awareness and in educating the public of the various types of financial scams, the scammers' modus operandi and how to protect themselves from falling prey to scammers.

On resolution of cases, we closed 1,186 disputes (Case Management stage: 854; Adjudication stage: 332) consisting of 711 insurance/takaful cases and 475 banking, Islamic banking, and payment systems cases.

Approximately 29% of the complaints were resolved through mutual settlement between complainants and the financial institutions. The remaining disputes were closed by case managers' recommendations (31%) and decisions by the Ombudsmen (27%). A number of complaints were withdrawn by the complainants after agreeing to our findings and some were closed as they failed to respond to our queries.

About 28% of the disputes were closed within six months of the case registration date. At the end of the reporting year, 725 cases were pending resolution and carried forward to 2022. In view of the large volume of registered cases handled during the year, we have taken measures to address the time taken to resolve disputes. We are committed to ensuring that every complainant receives a fair and speedy resolution of dispute.

Additionally, we are currently developing a portal and enhancing the complaint management system (CMS), both of which are at the final stage of completion. The portal and the upgraded CMS cater for a seamless complaint handling process that would result in better case management.

Staff capacity and wellbeing

As financial products evolve at a rapid pace, it is important that our case officers are kept abreast of developments and acquire the necessary skillsets to deal with new emerging issues. Workshops, knowledge sharing, and training sessions were organised on regular basis to enhance the knowledge and capacity of our staff.

Apart from the skillsets, the wellbeing of our staff is equally important in order to carry out our work productively and efficiently. We have organised a series of wellbeing and self-empowerment programmes for our staff. Positive feedback from our staff indicates that these programmes had boosted their morale and helped them stay on course.

Financial management

Our operation is funded by our member institutions through the collection of case fees and annual levies. Members who have had cases filed against them contribute a non-refundable case fee. The levy is shared equally among the Licensed and Prescribed Members and it is determined by our annual budget and the total case fees collected during the year.

In 2021, the total revenue was RM7.22 million, comprising RM5.54 million in levies and RM1.68 million in case fees. Our operating expenses was RM7.17 million, a slight reduction compared to RM7.2 million in 2020. We will continue to be prudent in our financial management to ensure financial sustainability.

Stakeholder engagements and public awareness

We have stepped up our outreach efforts in increasing the visibility of the role of OFS in providing an affordable, fair, and independent dispute resolution for those in need of our services. As in the preceding year, we leverage digital platforms and social media pages in our awareness drive. Last year, we successfully garnered approximately 1.65 million views through postings on our social media pages and digital advertising.

For the purpose of consumer education, we continued to publish case studies and Ombudsmen's decisions, which outline our standpoint on the various types of disputes handled. Additionally, we published articles containing useful information and pointers which among others, showed how to go about claims on medical and life insurance that were rejected, how to avoid becoming victims of scams and the importance of sufficient insurance coverage to cover losses due to accident and natural disasters. These articles were uploaded on our website and social media pages.

We have reached out to the communities in East Malaysia through a public webinar at the Virtual Sarawak Financial Awareness Campaign (VISFA 2021) organised by Bank Negara Malaysia, Kuching, as well as targeted digital advertising campaigns within the area.

Once again, we collaborated with our counterpart, the Securities Industry Dispute Resolution Center (SIDREC) in virtual exhibitions and public webinars at the Merdeka SME E-fair 2021 organised by Money Compass Media and InvestSmart Fest 2021.

To measure our level of services, we regularly carry out surveys on our complainants and member institutions. Our member satisfaction survey result revealed that 92% of our members were either very satisfied or satisfied with our overall services. As for the feedback from the complainants, 69% were very satisfied or satisfied with the services provided by us. We value their feedback as it is an indication of the level of confidence in our process and a basis for improvement in our services. We are determined to deliver better services to the community.

CONSOLIDATION OF THE DISPUTE RESOLUTION SCHEME

Following the launch of the Financial Sector Blueprint for 2022–2026 by Bank Negara Malaysia, OFS and SIDREC will be consolidated into an integrated dispute resolution scheme. This move is a part of the regulatory reforms to promote consumer protection and strengthen the oversight of non-bank consumer credit providers.

The amalgamation of the two schemes creates a one stop centre for financial dispute resolution and a streamlined dispute resolution mechanism which are beneficial for financial consumers and investors. Groundwork on the consolidation has begun in paving the way for a smooth integration of both entities.

APPRECIATION

My sincere gratitude to the OFS' Board of Directors for their unwavering support and guidance during the year.

I would also like to convey my special thanks and best wishes to Ms Kalpana Sambasivamurthy for her invaluable contribution to OFS throughout her tenure as our Director.

My appreciation to Bank Negara Malaysia, the industry and consumer associations, OFS Members and other strategic allies for their continuous support and cooperation throughout the year.

Last but not least, I thank my colleagues for their tireless effort, hard work and perseverance in navigating yet another interesting year. I wish them a successful year ahead.



In the past two years, the number of disputes received relating to unauthorised online transactions from banking or credit card accounts have increased considerably.

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TRANSITIONING TO A NEW ERA

We are indeed proud of our accomplishments during the year despite the obstacles we faced. Our experience and lessons learnt over the past two years have been invaluable as they have made us stronger and more resilient as a team. We are equipped and ready to embrace changes in the way we work and live while embracing a work-life balance in a face of uncertainties and challenges.

As always, we will continue to provide a fair, impartial, effective, and efficient dispute resolution service to all. We are greatly humbled, encouraged and motivated by the positive feedback received from the complainants and our members. This feedback allows us to see the value in our contribution, albeit small but significant, and the difference it has made to and in the communities involved.

We certainly look forward to an exciting journey ahead.

Marina Baharuddin
Chief Executive Officer

Board of Directors



TAN SRI DATUK SERI (DR) FOONG CHENG YUEN

Tan Sri Foong was appointed as **Chairman** on 16 August 2016. He was a former Federal Court Judge. Prior to his elevation to the Federal Court of Malaysia, he served as a Judge of the High Court of Malaya and later a Judge of the Court of Appeal of Malaysia. While in the Malaysian Judiciary, he was made a Managing Judge of the Civil Division of the High Court in Kuala Lumpur, and the High Court and Subordinate Courts of Penang. He was also instrumental in assisting the Chief Justice of Malaysia in transforming the Judiciary by devising schemes to clear the backlog of cases. He retired from the Malaysian Judiciary on 25 February 2012.

Tan Sri Foong graduated from the University of London with LL.B. (Honours) degree in 1969. He was called to the English Bar by the Honourable Society of the Inner Temple in 1970. While in practice, after being called to the Malaysian Bar in 1971, Tan Sri Foong practised as an advocate and solicitor majoring in insurance both general and life and served as legal adviser to numerous guilds and associations in Malaysia before his elevation to the High Court Bench. He was also an external examiner at the Faculty of Law in the University of Malaya.

He was made Honorary Bencher of the Honourable Society of the Inner Temple, London in 2009; and in 2011, was conferred an honorary Doctor of Laws degree by the University of the West of England. He is an adjunct professor of law with Taylor's University, Malaysia. Currently, he practises law and is an arbitrator with several bodies, including the Asian International Arbitration Centre (AIAC), International Court of Arbitration (ICC), London Court of International Arbitration (LCIA) and Hainan International Arbitration Centre. He also serves as an independent director of several companies including Genting Berhad and OWG Group Berhad.



TAN SRI DATO' SRI TAY AH LEK

Tan Sri Tay was appointed as **Director and Deputy Chairman** in December 2004. He is currently the Managing Director and CEO of Public Bank Berhad. He joined Public Bank Group as a pioneer staff in 1966. Prior to his present designation in Public Bank, he was the Executive Vice-President of the former Public Finance and then the Executive Vice-President and Executive Director of Public Bank. He has accumulated immense experience, spanning six decades in the banking and finance industry.

He is also a director of several companies in the Public Bank Group, director of Cagamas Holdings Bhd, and Chairman of the Association of Hire Purchase Companies of Malaysia. In addition to this, he is also a Council Member of the Association of Banks in Malaysia and the Asian Institute of Chartered Bankers.

Tan Sri Tay graduated from Henley Business School, UK with an MBA and is an Alumni of Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management; a Fellow, Chartered Banker, of the Asian Institute of Chartered Bankers, and is a Fellow of CPA Australia and the Financial Services Institute of Australasia.

TAN SRI DATO' SRI ZALEHA BINTI ZAHARI

Tan Sri Zaleha was appointed as a **Non-Executive Independent Director** in July 2017. In her 20 years of service in the Judicial and Legal service, Tan Sri Zaleha had 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 Bench.



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

She is currently an Independent Non-Executive Director of Genting Plantation Berhad. She served as Chairman of the Operations Review Panel of the Malaysian Anti-Corruption Commission from 15 August 2016 to 14 August 2019.

DATO' (DR) PAUL SELVARAJ

Dato' Dr. Paul Selvaraj was appointed as a **Non-Executive Independent Director** of OFS in September 2020. He is currently the Secretary General of the Federation of Malaysian Consumers Associations (FOMCA), and the Chief Executive Officer for the National Consumer Complaints Centre (NCCC) as well as the Consumer Research and Resource Centre (CRRC).



Dato' Dr. Paul oversees consumer advocacy, education, complaints, and research to strengthen consumer protection and welfare. He has been actively involved with the consumer movement for more than 30 years. He represented FOMCA in various task forces and consumer areas including cost of living, healthcare, financial literacy, public transport, consumer education, and consumer laws. He was a member of the National Economic Council under the previous administration. He is the chief editor for the CRRC Review, a journal on enhancing research on consumer issues. He was the second editor of the book '*Consumer Issues in Malaysia: Strengthening Consumer Protection and Enhancing Consumer Empowerment*'.

He was a senior lecturer in Psychology at a private university and was the Executive Director of Yayasan SALAM Malaysia, an NGO promoting voluntarism and civil society involvement amongst Malaysian citizens. He served as the Head of Research for the Institute for Policy Research (IKD). He possesses a PhD in Business Administration from Open University Malaysia, Masters' in Psychology from Universiti Malaya and B.Sc. (Agribusiness) from Universiti Pertanian Malaysia.

MR ANTONY FOOK WENG LEE

Mr Antony Lee was appointed as a **Non-Executive Non-Independent Director** in December 2017. He is currently the Chairman of the General Insurance Association of Malaysia (PIAM); the Malaysian Insurance Institute (MII) as well as the American Malaysian Chamber of Commerce (AMCHAM). He is also a director of the Financial Industry Collective Outreach (FINCO).

Mr Lee has been in the insurance sector for more than 20 years. Since joining American International Group (AIG) group in 2001, he has served in various operational disciplines including 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. He was CEO of AIG Vietnam in 2011 before his appointment as CEO of AIG Malaysia Insurance Bhd in October 2013.



DATIN VERONICA SELVANAYAGY

Datin Veronica was appointed as a **Non-Executive Non-Independent Director** in October 2011.

Datin Veronica is currently the General Counsel of AIA Malaysia covering AIA Bhd., AIA Public Takaful Bhd., AIA General Berhad, AIA Health Services and AIA Pension Asset Management Sdn. Bhd.

As an Executive Committee member of the Senior Management Team of AIA Bhd. her focus is on strategy for sustainable growth while creating value for the company's stakeholders. Datin Veronica is also responsible for a number of portfolios including legal, company secretarial, investigation, corporate governance, corporate security, business continuity and occupational safety.

She serves on the Committees of multiple organisations, and she is currently Chairperson of Competition Act Task Force, Life Insurance Association of Malaysia (LIAM), Member of the Disciplinary Committee, Malaysian Financial Planning Council (MFPC) and Member of the Administration and Finance Committee, Life Insurance Association Malaysia.

Datin Veronica has been involved in many corporate exercises and has been instrumental in bringing the successful integration of ex-ING with AIA Bhd. and the most recent establishment of AIA General Berhad, a separate line of business for general insurance of AIA Malaysia.

She was called to the Bar in 1991 and was in practice for 6 years before moving into the insurance industry that spans 21 years of experience. She has also held regional counsel positions for AIA entities in Indonesia, Sri Lanka and India.

Datin Veronica has a bachelor's degree in Law from University Malaya and graduated in 1991.



MS SUJATHA SEKHAR NAIK

Ms Sujatha Sekhar Naik has been a **Non-Executive Independent Director** of OFS since September 2020. She is a senior capital markets professional whose experience encompasses policy and strategy development, governance, compliance, and dispute resolution. With over 30 years of experience in legal and capital market work, Ms Sujatha brings a depth of experience plus a practical and holistic understanding of financial markets, the regulatory framework and investor concerns and challenges.



In October 2021, she took on the mantle of Chief Governance Officer & Group General Counsel of Smart Glove Holdings Bhd, bringing her experience in governance and compliance work to the manufacturing sector. Prior to this she was Managing Partner and Principal Consultant of SSN Consult Pte, during which she worked as part of a founding team with a fintech start up, responsible for developing the risk and compliance framework for the platform. She is currently a member of the Board of Governors of the Malaysian Institute of Corporate Governance (MICG).

She served as CEO of the Securities Industry Dispute Resolution Center (SIDREC) from 2013 to 2019. As CEO, she helped steer SIDREC's dispute resolution service to be at par with international best practice and in step with developments in the capital market. Her prior work as a regulator at the Securities Commission Malaysia (SC), included advisory and reform work in both the General Counsel's Office and the Corporate Finance and Investments Business Group. She was involved in SC's major policy and reform work and responsible for the development and implementation of the investor education strategy and management of complaints on market misconduct.

Ms Sujatha obtained her LL.B. (Hons) degree from the University of London and was called to the Bar of England and Wales in 1989 and re-qualified with the Law Society of England and Wales as a Solicitor in 1990. She was called to the Malaysian Bar in 1998. She is an accredited mediator plus certified trainer and coach of the Bar Council's Malaysian Mediation Centre.

OFS BOARD COMMITTEE MEMBERS

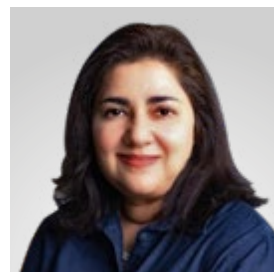
BOARD AUDIT COMMITTEE



**Tan Sri Dato' Sri
Zaleha binti Zahari**
(Chairperson)



**Datin Veronica
Selvanayagy**



Ms Sujatha Sekhar Naik

BOARD NOMINATION AND REMUNERATION COMMITTEE



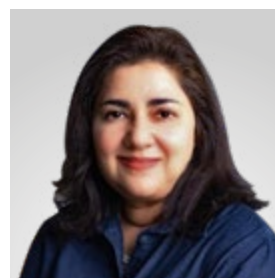
**Tan Sri Dato' Sri
Zaleha binti Zahari**
(Chairperson)



**Datin Veronica
Selvanayagy**

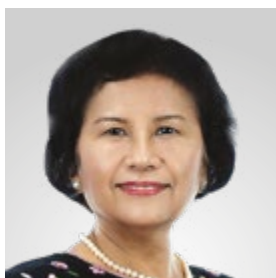


Dato' Dr Paul Selvaraj



Ms Sujatha Sekhar Naik

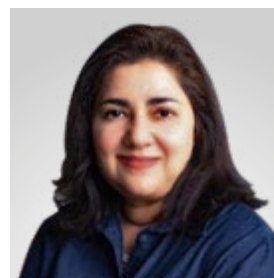
BOARD DISPUTE RESOLUTION OVERSIGHT COMMITTEE



**Tan Sri Dato' Sri
Zaleha binti Zahari**
(Chairperson)



Dato' Dr Paul Selvaraj



Ms Sujatha Sekhar Naik

Management Team



MS MARINA BAHARUDDIN is the CEO of Ombudsman for Financial Services (OFS). Prior to this, she held the position of an Ombudsman of the Banking and Payment Systems from October 2016 until December 2019. With over 20 years of experience in dispute resolution, she brings in-depth and practical understanding of financial consumer protection especially in areas of banking and financial services. She started her career in the banking industry and progressed into dispute resolution with the Banking Mediation Bureau (BMB) as Assistant Mediator in 1998. She continued her service at the Financial Mediation Bureau (FMB) and assumed the post of Mediator in 2010. She holds a Bachelor of Business degree with a major in Finance from Edith Cowan University, Western Australia, and Bachelor of Laws LL.B. (Hons) from the University of Hertfordshire, UK. She is an accredited Mediator and an Affiliate member of the Financial Services Institute of Australasia (FINSIA).

MR KALYANA KUMAR was appointed as an Ombudsman in October 2016. He graduated with an LL.B. (Hons) degree from the University of East Anglia, Norwich, UK in 1987. He obtained the Certificate in Legal Practice (CLP) in 1989 and was called to the Malaysian Bar in 1990. Mr Kumar served in the Malaysian Judicial and Legal Services 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 to 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. Prior to his appointment as an Ombudsman, he was a Mediator with the Financial Mediation Bureau (FMB) since July 2009.

PUAN INTAN KHADIZA has been with OFS and its predecessor scheme since 2010. During this time, she has held active roles in case management as Assistant Mediator/Case Manager and subsequently as Senior Case Manager. Puan Intan's professional career developed from her initial years in private legal practice in Kuala Lumpur as a practising lawyer specialising in trademark and anti-counterfeit matters. This was followed by her employment in a variety of roles in the financial services industry, which included the life and general insurance industry. Puan Intan holds a Bachelor of Laws from International Islamic University Malaysia and was called to the Malaysian Bar in 1999. She also graduated from Malaysian Insurance Institute with a Diploma in Insurance. She was appointed as an Ombudsman in January 2020.

Our Approach to Dispute Resolution

OFS adopts a two-stage dispute resolution process comprising Case Management and Adjudication stages.

At the Case Management stage, the Case Manager's role is to encourage and facilitate dialogue, provide guidance and assist the disputing parties in clarifying their interests and in understanding the differences in opinion. They will be given sufficient opportunity to provide documents and information concerning their dispute. The Case Manager may conduct the resolution through negotiation, mediation, or conciliation towards a mutually acceptable settlement.

If they do not reach any settlement, the Case Manager will issue a recommendation. If either party disagrees with the recommendation, they may refer the matter to the Ombudsman for Adjudication.

“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.”

The Ombudsman will review the dispute independent of the Case Manager's findings and issue a Decision. If the complainant accepts the final Decision, the Decision is binding on the complainant and the financial service provider. If the complainant does not accept the Decision, they are free to pursue their claim through any other legal means, such as the court of law.

OFS has the full discretion to decide on the most effective approach to resolve a dispute.

We do not 'take sides.' We view each dispute independently and with impartiality. We weigh all the facts and evidence provided by the financial service provider and the complainant thoroughly and carefully before we propose a fair and reasonable resolution.

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Thanks for being unbiased in resolving this matter. It is my first pleasant experience lodging a report to OFS. I am impressed by the independence, trust, efficiency, and quality alternative dispute resolution service by OFS to financial consumers and financial service providers.

MONETARY JURISDICTION

Under the Financial Ombudsman Scheme (FOS), OFS only accepts disputes related to direct financial losses that fall within the following limits:

Banking and Islamic banking products and services/insurance and takaful claims

Monetary Limit of
RM250,000

Motor third party property damage insurance/takaful claims

Monetary Limit of
RM10,000

Unauthorised transactions through the use of designated payment instruments or a payment channel such as internet banking, mobile banking, automated teller machine (ATM), or unauthorised use of a cheque

Monetary Limit of
RM25,000

DISPUTES OUTSIDE OFS' SCOPE

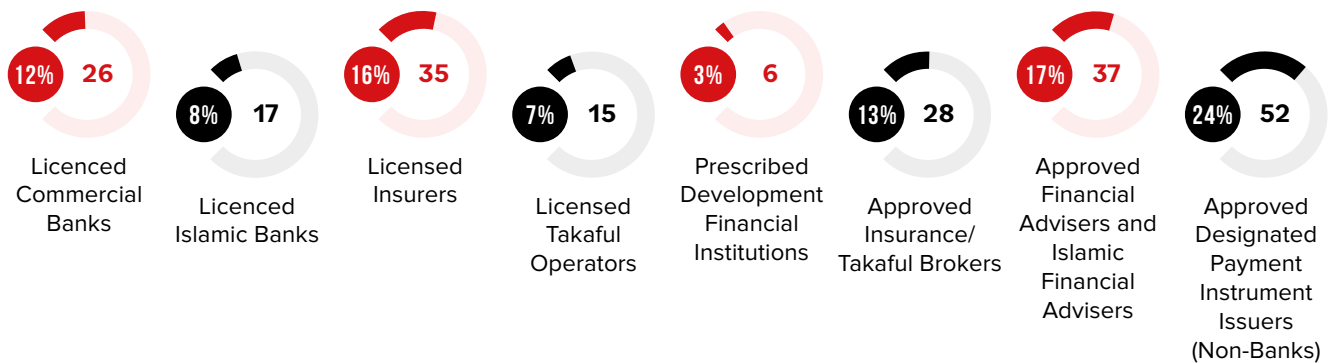
OFS will not consider the following complaints or disputes:

1. Cases that involve more than the specified monetary limit except for cases agreed upon by Members in accordance with sub paragraph 12(3) of OFS' Terms of Reference (TOR).
2. Cases on general pricing, product features, credit or underwriting decisions, or applications to restructure or reschedule a loan or financing which are commercial decisions.
3. The actuarial standards, tables, and principles which a Member applies to its long-term insurance/takaful business.
4. Any complaints relating to contract of employment or agency matters.
5. Complaints referred to court or arbitration.
6. Cases brought to OFS after the six-month time limit (from the date of the final decision issued by Members).
7. Complaints that are time barred under the Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap.72), or Limitation Ordinance (Sarawak) (Cap.49).
8. Any dispute that had been previously decided by OFS (or by its Predecessor Scheme) unless new evidence which are material facts that could change the earlier decision arises.
9. Complaints or disputes on investment performance except in relation to non-disclosure of facts or misrepresentation.
10. Complaints on capital market services and products.
11. Disputes involving multiple complainants without the consent of the other complainant.
12. Complaints involving third party bodily injury and/or death.
13. Complaints related to payment or benefit under life and personal accident or payment of takaful benefits under family takaful or personal accident takaful as set out in Schedule 10 of Financial Services Act 2013 and Islamic Financial Services Act 2013, respectively.

WHO ARE OUR MEMBERS

OFS' Members are the Financial Service Providers (FSP) who are licensed persons under the Financial Services Act 2013 (FSA) and the Islamic Financial Services 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 of 31 December 2021, OFS has a total membership of 216 (2020: 213). The full list of OFS Members is listed on [page 67](#).



WHO CAN LODGE A DISPUTE WITH OFS

An eligible complainant is a financial consumer who uses any financial services or products provided by a financial service provider.

OFS has the discretion to determine whether a financial consumer is an eligible complainant. For the avoidance of doubt, OFS has the sole discretion in determining whether a financial consumer is an eligible complainant for purposes of filing their dispute with OFS and such determination is final and binding on the Member and the eligible complainant.



INDIVIDUALS

for personal, domestic, or household purposes



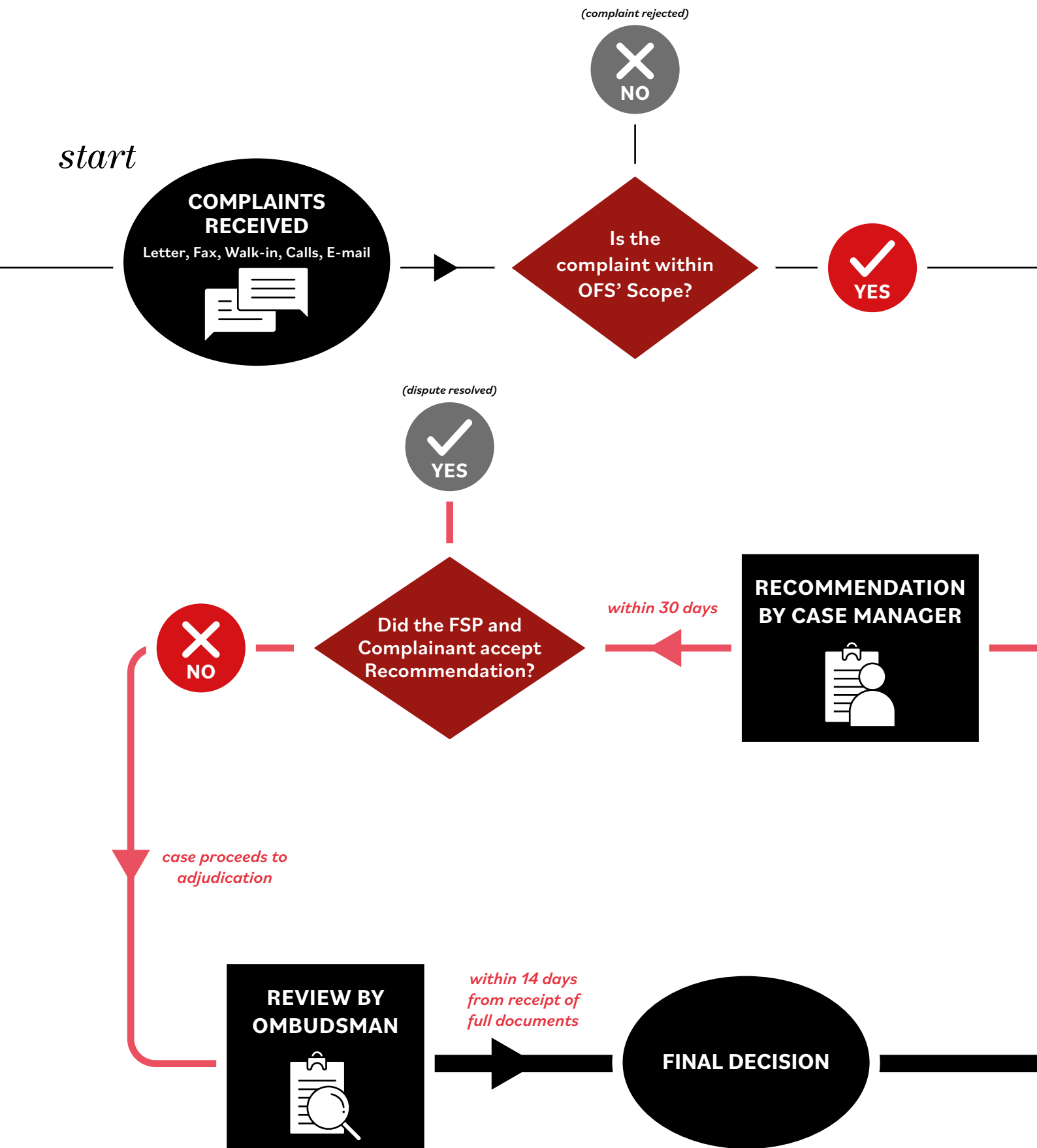
SMALL AND MEDIUM ENTERPRISES (SME)

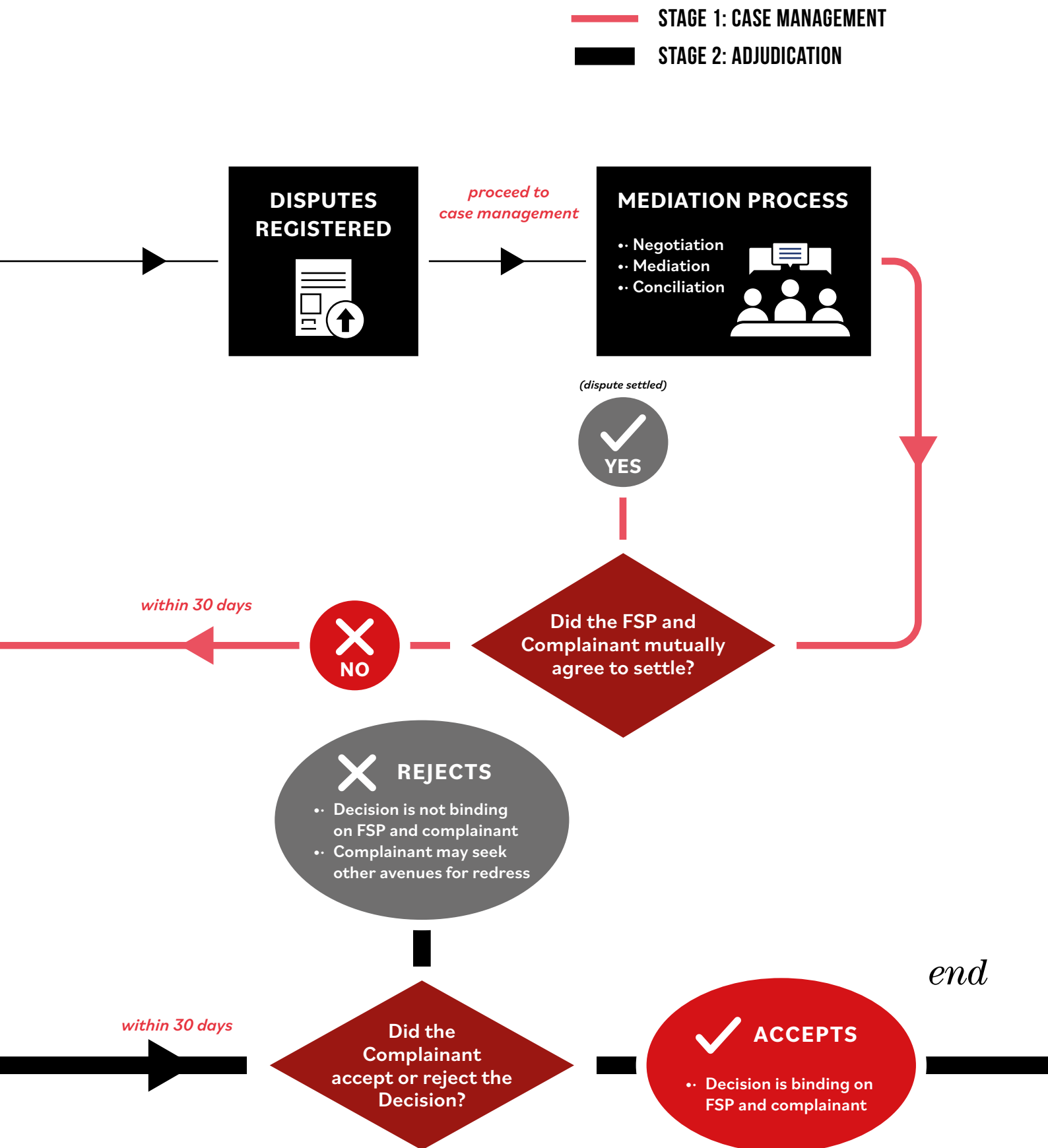
in connection with a small business

Financial consumers also include:



DISPUTE RESOLUTION PROCESS





Our Team at OFS

We take pride in what we do at OFS. We have established a conducive environment for our team members, whom we regard as vital assets to our organisation. We ensure that our team members are equipped with up-to-date information and the latest technology to provide our clients with the best service.

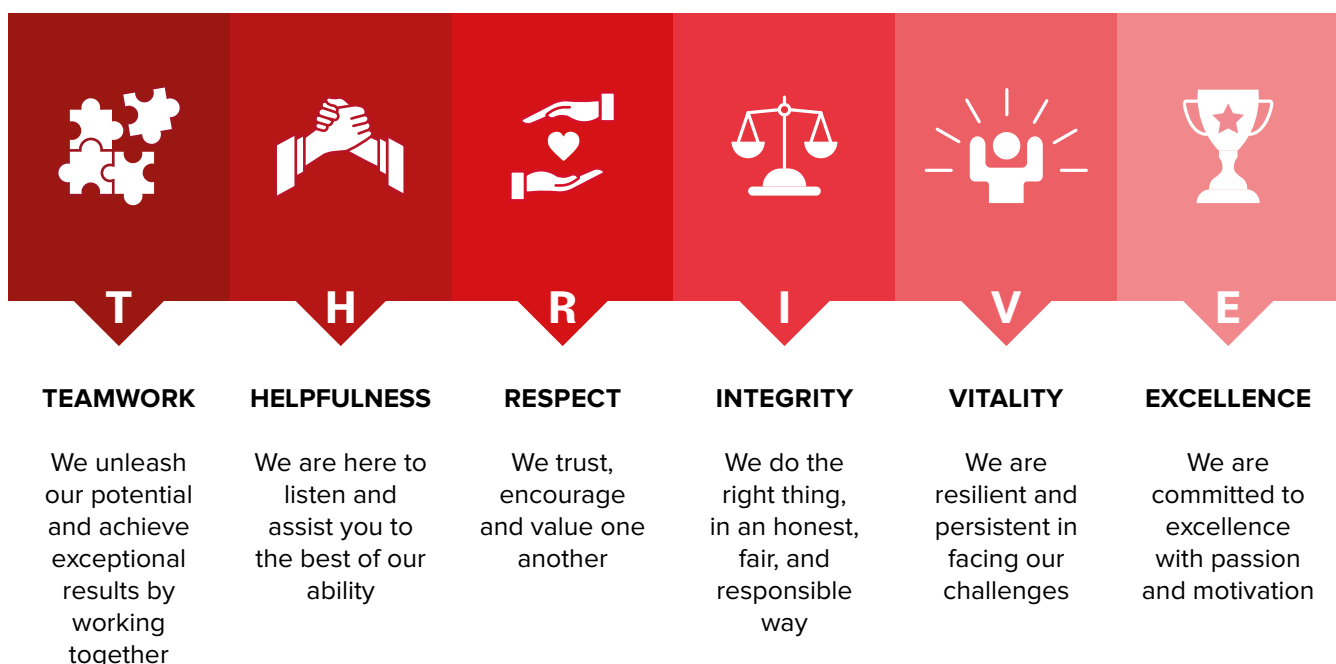
We continue observing the COVID-19 Standard Operating Procedures (SOP) at our work premises to safeguard our people from the impact of the ongoing pandemic. Meetings, training, and mediation sessions are still being conducted on virtual platforms along with a hybrid work schedule to minimise any infection risk.

The Dispute Resolution (DR) Department is the primary unit of OFS. The DR team consists of two divisions: Insurance and Takaful, and Banking, Islamic Banking and Payment Systems. We have 15 Case Managers and seven support staff led by their respective Ombudsman. Most of our Case Managers are accredited mediators with legal and/or financial backgrounds. Our Case Managers have substantial knowledge and experience in dealing with diverse financial matters.

The Consumer Engagement and Analysis (CEA) Department is the touchpoint for receiving consumer enquiries and screening of complaints. The overall operations of OFS are backed by the Human Resources, Finance and Administration, Corporate Communication, and Information Technology departments.

OUR CORPORATE VALUES

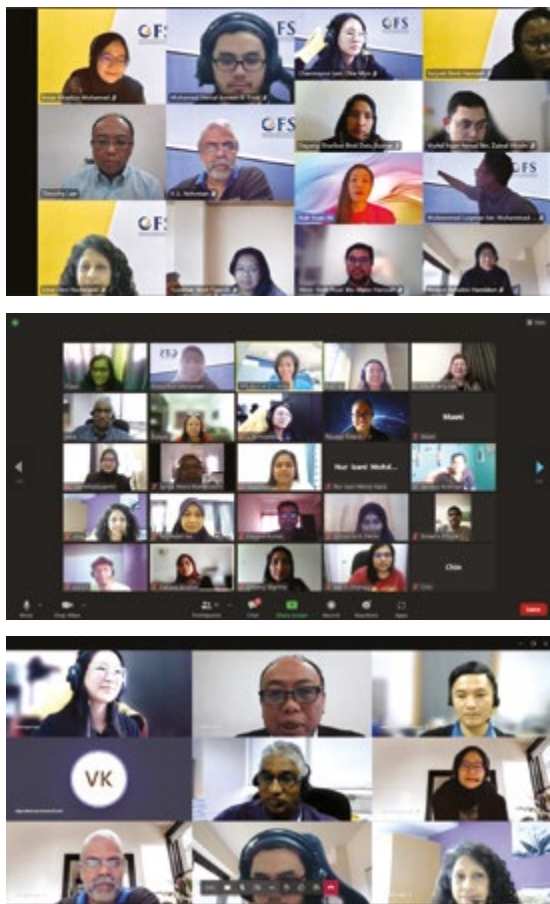
OFS' inherent corporate culture ensures a purpose-driven organisation. Our work ethic is based on the following values:



CAPACITY BUILDING

The pandemic has inflicted a multitude of challenges on society. Nonetheless, we have endeavoured to provide all support and means to our team members to remain focused on delivering quality and effective dispute resolution services.

We organised training and workshops to enhance our staff's skill sets and strengthen their overall ability to perform well in all their assignments. High emphasis on mental health was also put in place during these challenging times.

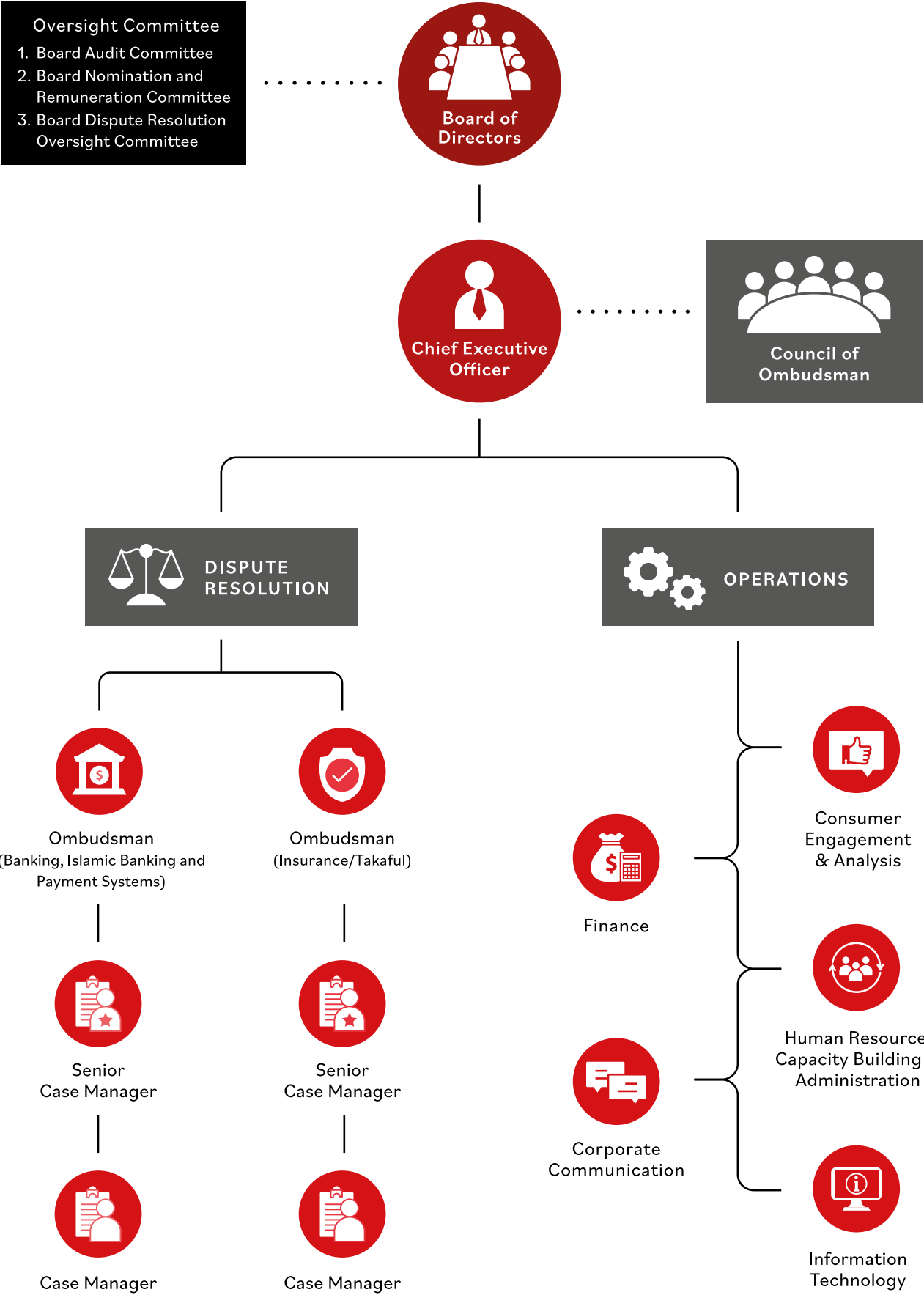


The following were among the training programmes and workshops conducted in 2021:

- Webinar on wellbeing: through a staff lens by the International Network of Financial Services Ombudsman Schemes (INFO).
- Lima Langkah Efektif Menguruskan 'Poor Performer' Melalui PIP by SMC Consulting Asia.
- Personal Well Being and Self-Empowerment by Pentaa Advantage Consultancy Sdn Bhd.
- Legal Documentation for Islamic Banking Division by Islamic Banking and Finance Institute Malaysia (IBFIM) Combating Cybercrime Pandemic in the Financial Sector by INFO.
- Fundamentals of Crash Investigation by Crash Engineering.
- Islamic Consumer Financing Products and Services by IBFIM.
- Banking Law for Electronic Banking – Legal Issues by Asian Banking School.
- Towards Employers Readiness for LHDNM Tax Audit by Malaysian Employers Federation (MEF) and Lembaga Hasil Dalam Negeri (LHDN).
- Employees to effectively work from home with better productive results by Pentaa Advantage Consultancy Sdn Bhd.
- Business Writing Skills for Administrative Employees by Open Path Education Sdn Bhd.
- Social Media Strategies in Building Brand Digitally by Fresh Upskills Training Sdn Bhd.

“*Kami telah menghubungi untuk meminta tunjuk ajar cara mengisi borang OPK dan telah dibimbing dengan penuh kesabaran. Perkhidmatan yang TULUS dan CEKAP!*”

ORGANISATIONAL CHART



Engagement with our Stakeholders

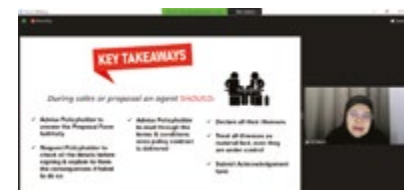
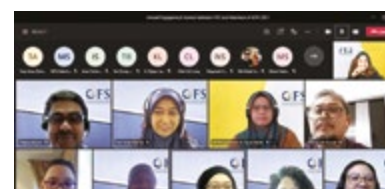
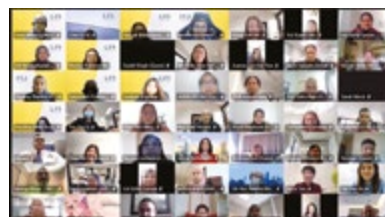
The pandemic did not deter us from continuing to interact and engage with our members and key stakeholders last year.

During the year, we shared our data and statistics through our quarterly performance report with our regulator, industry associations and members. We shared our observations, insights, and emerging issues relating to the disputes handled as well as our approach to decision-making on a regular basis. We strongly believe that this will facilitate effective handling of complaints and disputes by both sides while providing everyone with an opportunity to interact, understand and address the concerns raised by the involving parties.

Additionally, more knowledge sharing sessions targeting our other key stakeholders such as consumer agencies and industry associations are in the pipeline to deepen their understanding of OFS' function and scope. We continued hosting our 16th Annual General Meeting and our annual engagement sessions with our Members via virtual conference platforms.

The following were among the stakeholder engagement sessions conducted in 2021:

- OFS' 16th Annual General Meeting
- Dialogue session with members of Life Insurance Association of Malaysia (LIAM)
- Dialogue session with members of Malaysia Takaful Association (MTA)
- Dialogue session with members of Persatuan Insurans Am Malaysia (PIAM)
- Dialogue session with members of Association of Banks in Malaysia (ABM), Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) and Association of Development Financial Institution of Malaysia (ADFIM)
- Webinar for the members of National Association of Malaysian Life Insurance Fieldforce and Advisers (NAMLIFA)
- Online seminar with members of the National Insurance and Takaful Claims Society (NICS)
- Knowledge sharing session with Jabatan LINK, Pejabat BNM (JLPB) and staff of Bank Negara Malaysia (BNM) regional offices
- Knowledge sharing session with BNM by Financial Ombudsman Services (FOS) UK
- Other ad-hoc meetings and discussions with Members, agencies, and associations



MEMBER SATISFACTION SURVEY 2019 – 2021

We value our Members, and their feedback is important for us to be able to provide the best possible services to them. As such, we recently conducted the second edition of the OFS' Member Satisfaction Survey among our Members who have had disputes lodged against them between 2019 and 2021.

This survey is aimed at measuring the satisfaction level of our members in dealing with OFS and the overall quality of our dispute resolution service, while identifying the areas for further improvement.

Out of the 205 questionnaires that we distributed online, 77 responses (38%) were successfully collected.

The survey established that 92% of the respondents (our members) were either 'very satisfied' or 'satisfied' with the overall services they received from OFS.

The issues that have been highlighted by our Members included the timeline in resolving disputes. We take our members' feedback seriously and we pledged to rectify any shortcomings.

Survey analysis



On specific areas, the responses were as follows:

A hand is shown holding a tablet that displays a table of survey results. The table has two columns: 'SURVEY QUESTION' and 'STRONGLY AGREE /AGREE'. The data is as follows:

SURVEY QUESTION	STRONGLY AGREE /AGREE
Our case screening /registration process is prompt and effective	93%
We kept you informed on the progress of your dispute(s)	83%
Our officers were attentive and professional when handling your dispute(s)	96%
We resolved your dispute(s) on time	86%
Our Recommendation(s) and/or Decision(s) to your disputes are fair and impartial	91%
Our observations and feedback are beneficial in improving your internal complaint management	92%
Our communication and engagement sessions with your representatives meet your organisation's needs	91%

Consumer engagements and public awareness

Accessibility is one of our key guiding principles, as such we always ensure that the public can reach us easily. Consumers with enquiries or grievances may contact us through multiple communication channels namely telephone, fax, email, the post or by coming to our office. People also find it convenient to interact with us through social media pages, especially Facebook.

Our website features all salient information about OFS including our scope, monetary limit, eligible complainants, how we resolve disputes, and complaints that we do not handle. The online complaint form is also available on our website for consumers to submit their enquiries or complaints. We also publish our latest case studies, updates, and articles on trending financial matters. OFS' website received 110,796 unique visitors with 177,475 total views in 2021.

We have continued with our ongoing efforts in expanding the awareness and understanding of OFS' services to the public. The pandemic has compelled us to fully switch to digital avenues since the beginning of 2020. Our on-ground publicity initiatives are still on hold until the situation is deemed safe by the government and health authorities. In 2021, we magnified our efforts to extensively leverage social media and other online platforms.

Our social media pages have been consistently updated with important information and announcements, scam alerts, case studies, articles, and the types of disputes that we have handled. We are delighted to report that we have reached out to an audience of more than 1.65 million in Malaysia via our digital advertising campaigns.

The following were among the public awareness initiatives executed in 2021:

- Digital content sharing and advertising on social media pages and streaming platforms
- Online feature on Malaysiakini.com and Varnam.my entitled '*Many still unaware of Ombudsman for Financial Services*' and '*Malaysian Indian Financial Consumers Are Pretty Much Unaware Of Ombudsman for Financial Services*'
- Article feature on The Malaysian Insurance Institute (MII) Magazine (3rd quarter issue) entitled '*COVID-19 and the Rise of the Travel Insurance*'
- Public webinar during Virtual Sarawak Financial Awareness Campaign (VISFA 2021)
- Virtual exhibition and public webinar during Merdeka SME e-fair by Money Compass Media 2021 in collaboration with SIDREC
- Virtual exhibition and public webinar during InvestSmart Fest in 2021 in collaboration with SIDREC
- Virtual exhibition during Financial Literacy Month (FLM2021)



CONSUMER SATISFACTION SURVEY 2020 – 2021

The fourth edition of OFS' Consumer Satisfaction Survey was conducted among consumers who have had disputes lodged with OFS against our Members between 1 July 2020 and 31 May 2021.

We conduct the survey annually to assess the satisfaction level of our complainants with OFS after the dispute resolution process. Our complainants' experience and feedback offer valuable insights on whether we understood their issues and met their needs and expectations. This feedback would ultimately help us further improve our services.

We collected 244 (25%) responses out of the 967 questionnaire forms that we distributed online. Of the total responses received, 67% were from the insurance and takaful claimants while the rest was

contributed by the banking, Islamic banking, and payment systems complainants.

About 69% of the respondents stated that they were either very satisfied or just satisfied with the overall services provided by OFS for the duration of the survey. The rating has dipped by 4% compared to the previous assessment.

Based on their experience dealing with us, the respondents have underlined a few issues especially on the turnaround time in resolving disputes. This is still a concern for most and we strive to reduce the time taken to resolve a dispute despite the high case volume while continuing to uphold our principles in providing high-quality dispute resolution to our consumers and stakeholders.

Survey analysis



On specific areas, the responses were as follows:



OFS' Performance

THE YEAR IN REVIEW

2021 AT A GLANCE



6,475 new
enquiries/complaints
[2020: 7,340] ↓12%

Cases registered in 2021:

**BANKING,
ISLAMIC BANKING &
PAYMENT SYSTEMS**

53%

[2020: 40%]



**INSURANCE &
TAKAFUL**

47%

[2020: 60%]



72%

disputes resolved at
case management stage

28%

disputes resolved at
adjudication stage



69% of
complainants
were **satisfied**
with our
overall
services



216 members
as at 31 December 2021
[2020: 213 members]



66% of OFS members
had no disputes lodged
against them



1,156 eligible
disputes registered
[2020: 1,285] ↓10%



1,186 disputes
closed amounting to
RM33 million
[2020: 966 cases]

29% disputes resolved
through amicable
settlement valued at
RM8.5 million

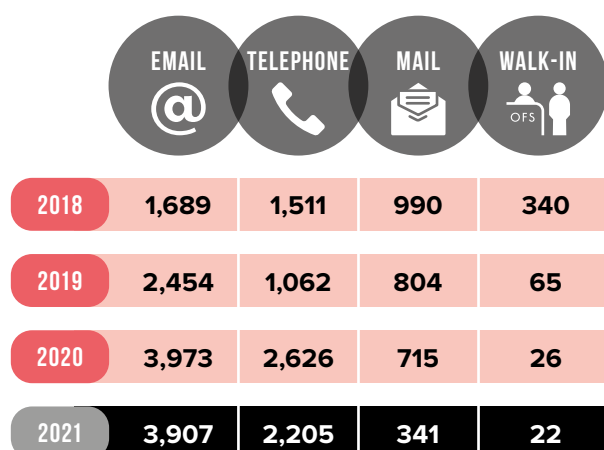
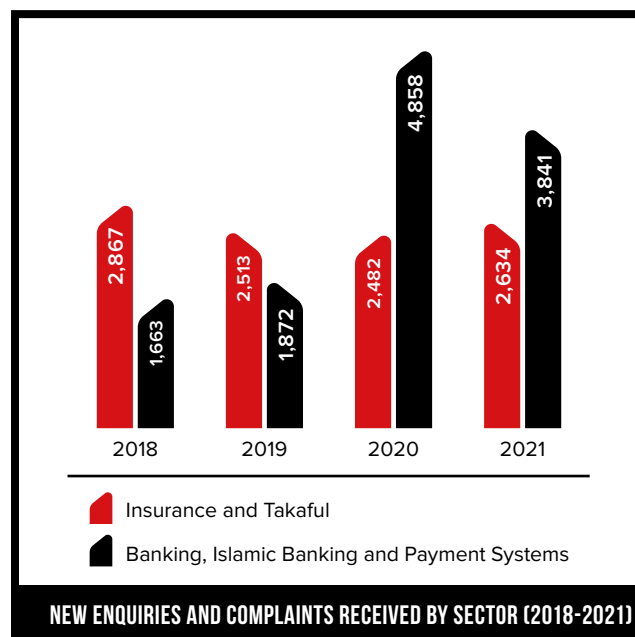
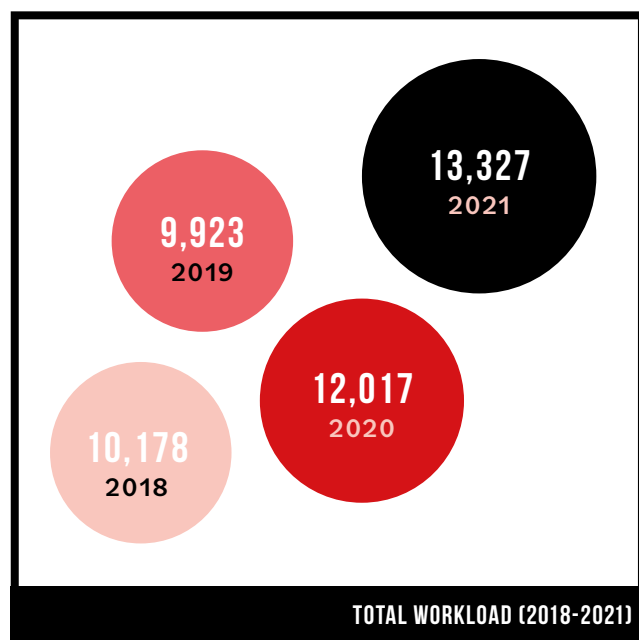


43% disputes resolved
within six months from
the registration date



64% disputes are
pending six months
and below as of
31 December 2021

OVERVIEW OF ENQUIRIES AND COMPLAINTS HANDLED AT THE SCREENING STAGE



NEW ENQUIRIES AND COMPLAINTS RECEIVED BY CHANNEL (2018-2021)

“

I am really touched and appreciate your kindness for helping me to get back the balance money. OFS is really great! Good job done by OFS by helping people like me.

We receive substantial queries from the public every year and the volume continues to rise annually.

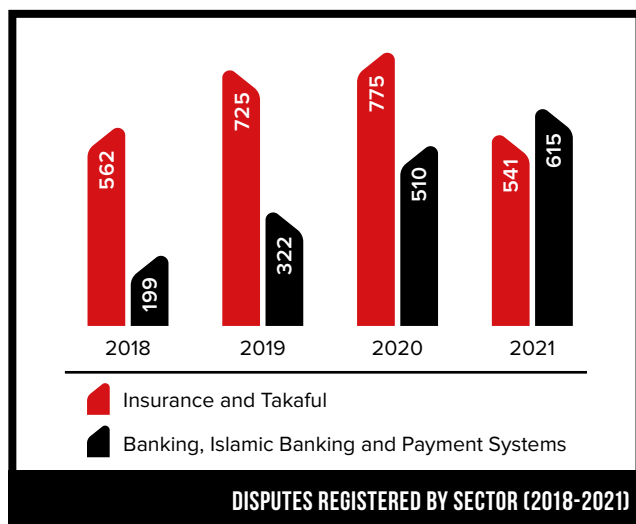
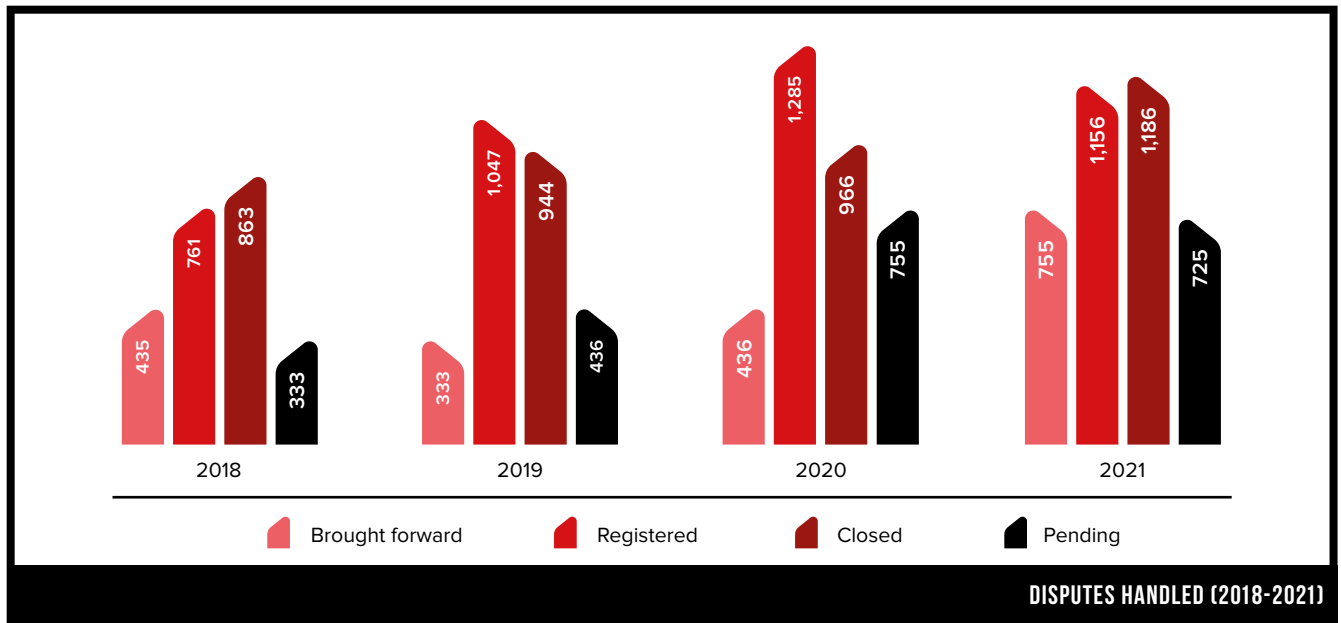
Consumers generally submit their enquiries to OFS through channels such as telephone, mail, email and in person. However, the number of walk-in complaints has declined since 2018.

Following the easing of the movement restrictions during the third quarter of last year as well as for safety reasons, we have been encouraging consumers to submit their complaints online.

Before registering a complaint, we thoroughly screen, assess and determine the disputes which are eligible under OFS’ jurisdiction. We advise consumers to refer to the appropriate agencies for matters which do not fall within our purview.

In 2021, the average time taken to register a dispute was 62 days, doubled from 31 days in 2020. The delay in providing information and submission of relevant documents by the parties in dispute impacted our case registration process last year.

OVERVIEW OF DISPUTES HANDLED AND CLOSED



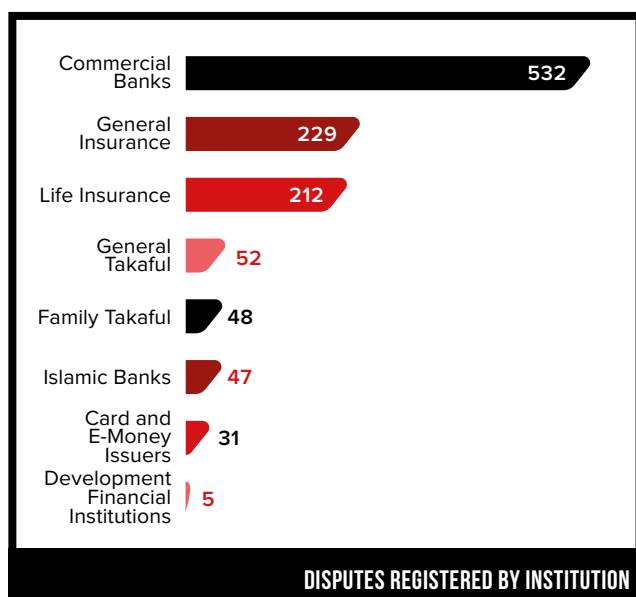
Since the operationalisation of OFS in October 2016, we have handled 5,958 eligible disputes in total.

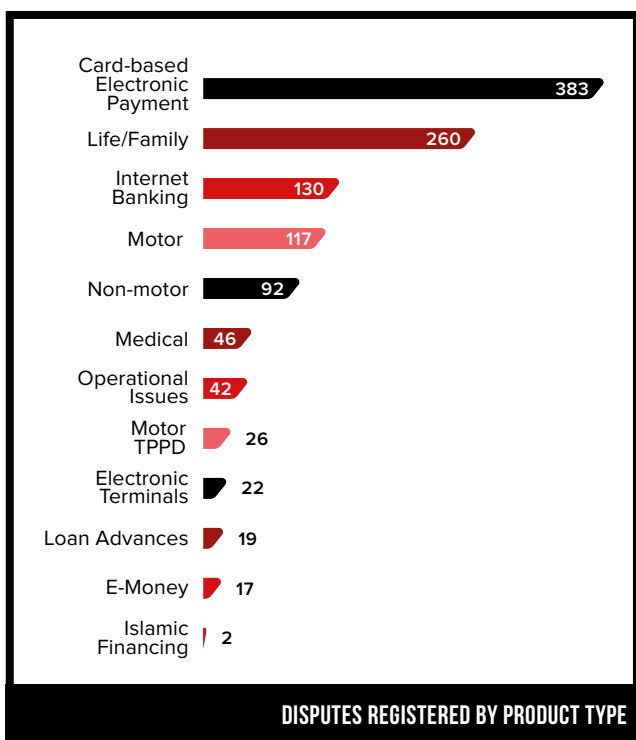
In 2021, we had to reject 82% of the 6,475 new complaints that we received from consumers, as those matters were out of OFS' jurisdiction. Among the issues that fell out of our jurisdiction were complaints about financial product features and pricing, applications for loan moratorium, and underwriting decisions. Complaints with insufficient documents or information required for registration were also rejected.

From January until December 2021, we handled 1,911 disputes consisting of 1,156 newly registered cases and 755 brought forward from 2020. Overall, the registered disputes were down by ten per cent compared to 2020.

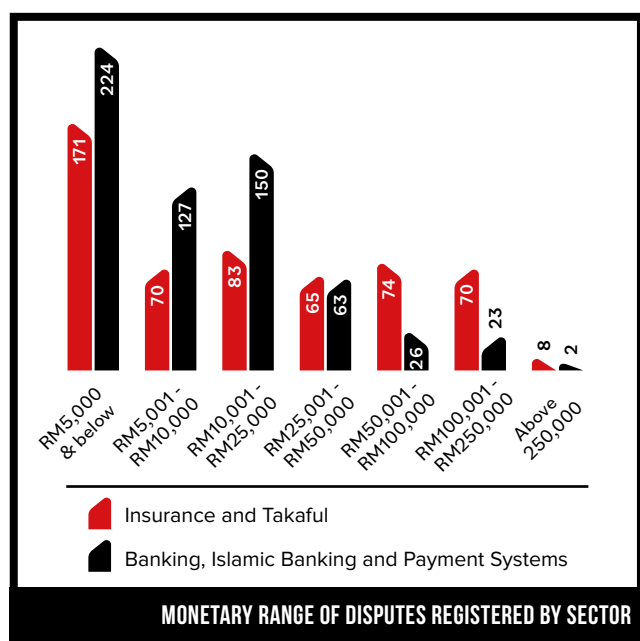
More than half of the disputes lodged with OFS last year were against the banking, Islamic banking, and payment systems sector. For the first time, disputes registered under this sector surpassed the insurance and takaful sector.

Commercial banks, as in previous years, are at the top of the list of financial institutions with the most disputes, followed by general and life insurance companies.

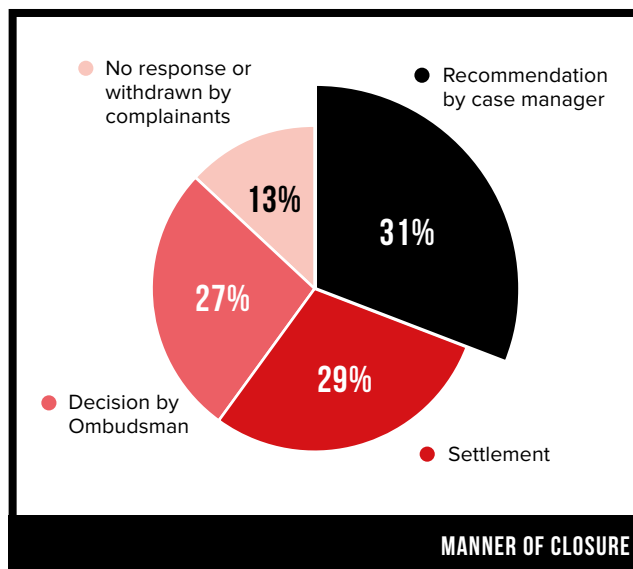




The common grievances under the banking, Islamic banking and payment systems sector were related to unauthorised transactions linked to scams, online transactions, and lost/stolen cards. The complaints related to the insurance/takaful sector were predominantly about life and family takaful such as medical and hospitalisation related claims.



In 2021, half of the disputes lodged with OFS were for monetary amounts lower than RM10,000. We also handle disputes exceeding OFS' tiered monetary limit and such cases will be filed only upon obtaining agreement from the disputing parties (2021: 93 cases).



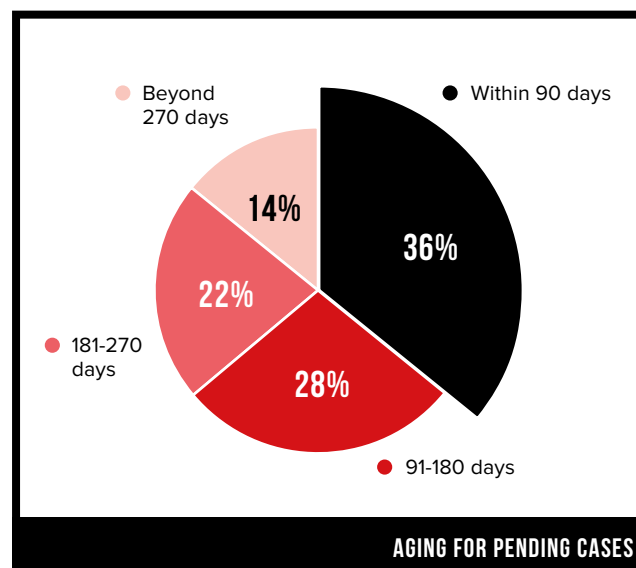
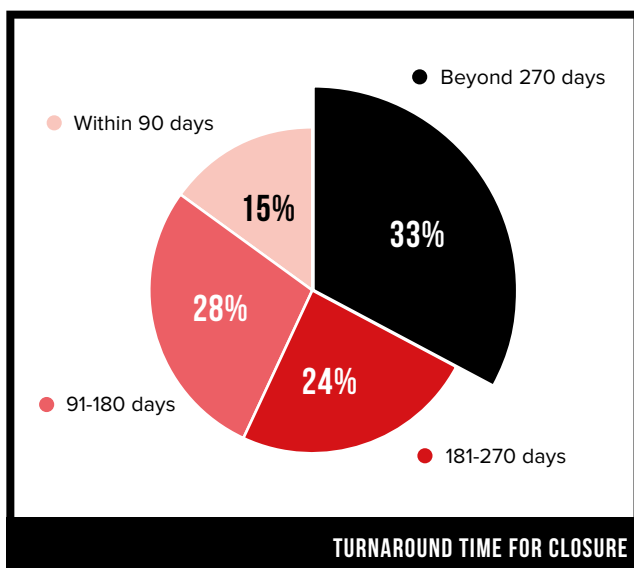
We have successfully closed 1,186 disputes, comprising 711 cases from the insurance/takaful sector and 475 cases from the banking, Islamic banking, and payment systems sector last year. We resolved 854 cases at the Case Management stage and 332 cases at the Adjudication stage.

About 29% of the complaints were resolved by mutual settlement between complainants and the FSPs (Case Management: 332 and Adjudication: 13 cases).

Of the 695 total recommendations issued by our case managers:

- 112 were accepted by complainants and FSPs
- 331 were rejected either by the complainants or FSPs and referred for Adjudication
- 239 were closed because the complainants did not respond to our recommendations
- 13 were rejected by the complainants but not referred to the Ombudsman

The Ombudsmen issued 317 Decisions at the Adjudication stage. A total of 292 cases (92%) were decided in favour of the FSPs and 25 cases were made in favour of the complainants.



We closed 507 cases within six months from the registration date (2020: 547 cases). As of 31 December 2021, 725 cases were still pending resolution and were carried forward to 2022; 63 of which were outstanding for six months and or less from the registration date.

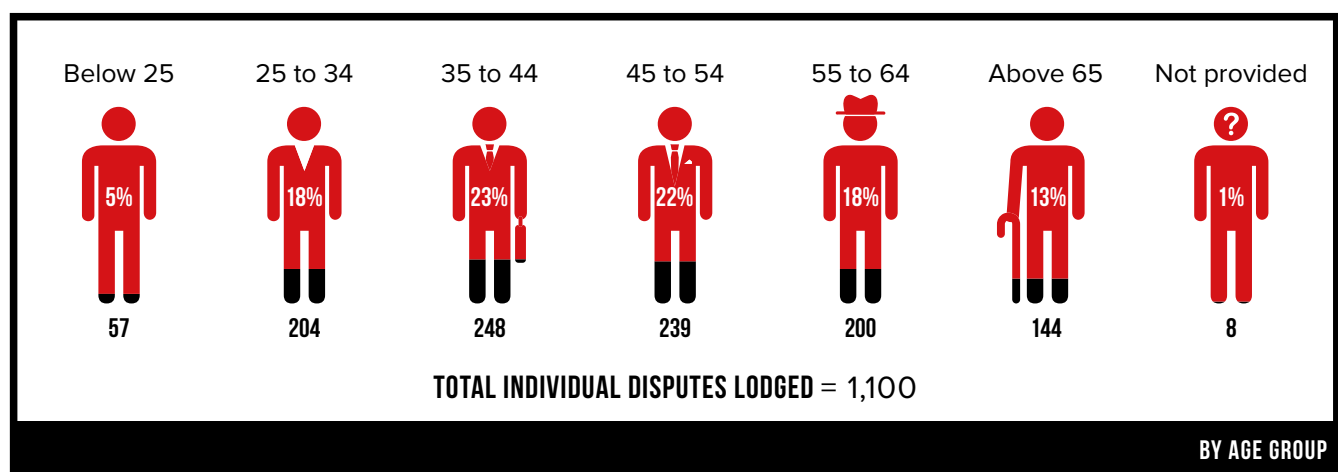
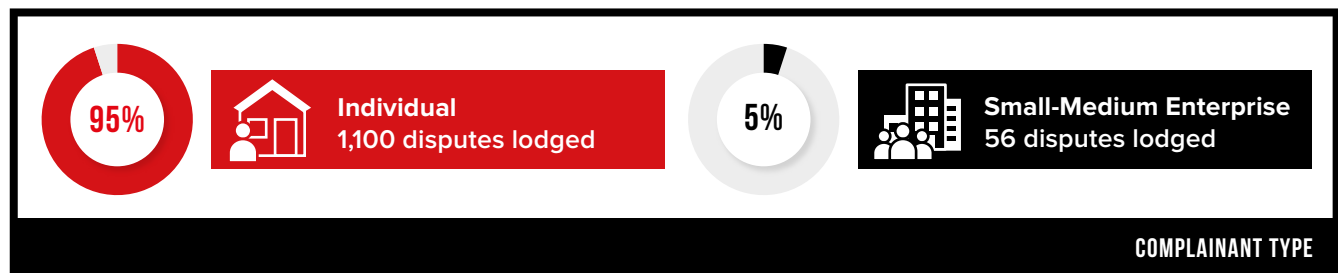
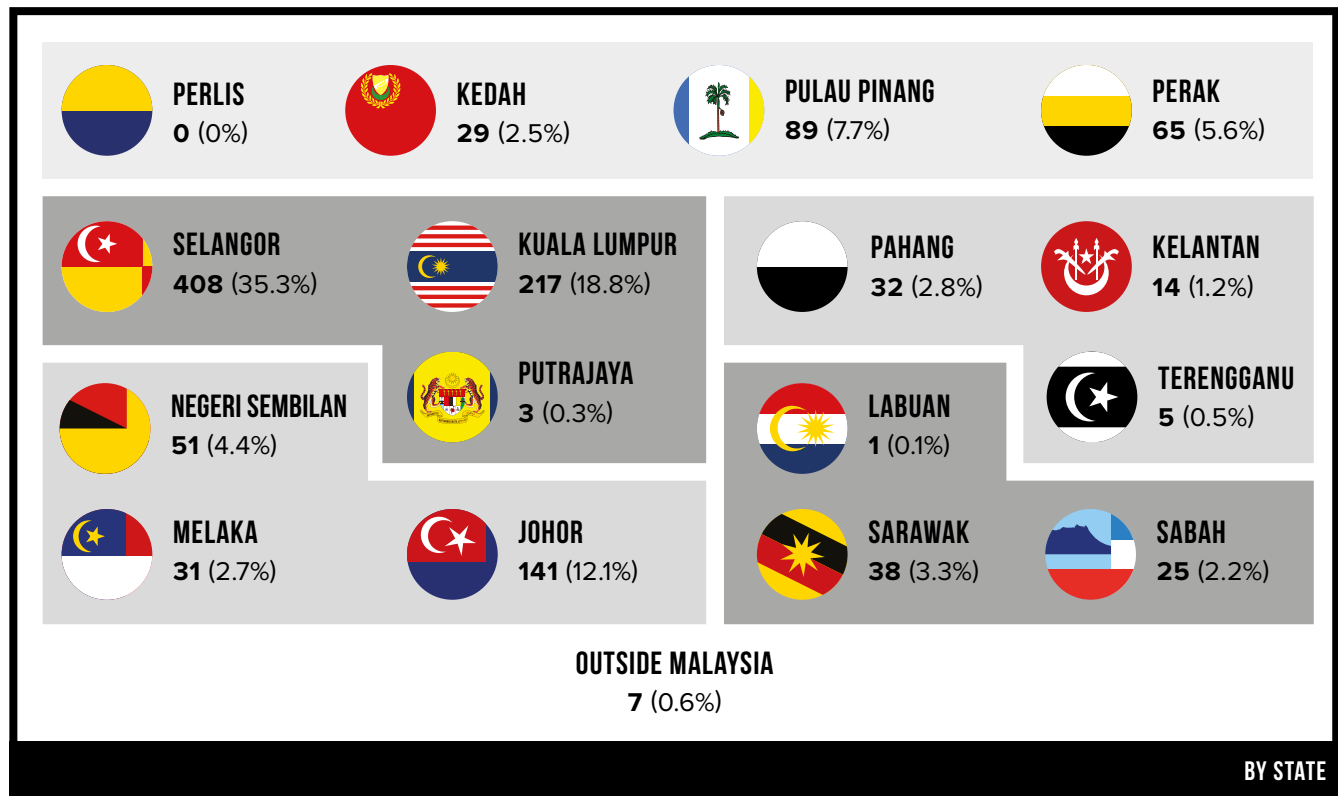
We are committed to resolving disputes as efficiently as possible with the support of all the parties involved. Concurrently, robust measures are being taken to overcome any delay in the time taken to resolve our disputes.

DISTRIBUTION OF DISPUTES REGISTERED ACROSS OFS' MEMBERS

Member Type	No. Of Members	Members With Disputes	Disputes Lodged
E-money Issuers	47	2	17
Financial Advisers and Islamic Financial Advisers	37	0	0
Commercial Banks	26	13	532
Insurance and Takaful Brokers	25	0	0
General Insurance	21	20	229
Islamic Banks	17	10	47
Takaful Operators	15	13	100
Life Insurance	14	13	212
Credit/Charge Card Issuers	5	1	14
Development Financial Institutions	6	2	5
Insurance Brokers	1	0	0
Takaful Brokers	2	0	0
Total	216	74	1,156

The number of FSPs with disputes decreased from 76 in 2020 to 74 in 2021. About 57% of our Members had ten cases or fewer while 12% had more than 40 cases filed against them last year.

OUR COMPLAINANTS' PROFILE



As in previous years, the central region recorded the highest number of disputes (624), followed by the states of Johor with 141 cases and Pulau Pinang with 89 cases. The disputes we received were predominantly lodged by individual complainants aged 35 and above. The disputes lodged by small and medium enterprises are still very low in numbers and we are beefing up our awareness initiatives targeting this category.

Sectoral Review

CONVENTIONAL INSURANCE AND TAKAFUL

PERFORMANCE AT A GLANCE

902

disputes
handled

[2020: 1,058]



Cases registered in 2021:

CONVENTIONAL
INSURANCE

82%



TAKAFUL

18%



76%

disputes resolved at
case management stage

24%

disputes resolved at
adjudication stage



541 disputes registered

361 disputes brought
forward from 2020



711 disputes closed

26% disputes
resolved through
amicable settlement
valued at
RM6.3 million



61% disputes
resolved within
six months from the
registration date



92% disputes are
pending six months
and below as of
31 December 2021

OMBUDSMAN'S REPORT

The COVID-19 pandemic has changed the nature of our day-to-day work. We shifted to remote operations and rotational work arrangements and fully utilised digital technologies to carry out our tasks effectively.

As the pandemic entered its second year in 2021, we observed that there was a 30% decline in the total number of disputes registered under conventional insurance and takaful. There were 541 cases registered in 2021 compared to 775 cases in 2020. This was mainly attributed to the decline in the number of travel claims in view of the COVID-19 pandemic resulting in fewer travel policies being purchased.

Most of the disputes we handled were on Life, General, Medical Insurance and Takaful family with the majority of cases were in relation to medical and hospitalisation claims.

In general, many of our complainants are not equipped with the knowledge and understanding of the policy terms and conditions, which continues to be an area of concern. It is the policyholder's obligation and responsibility to read and understand the policy benefits and coverage. The FSPs also have a duty to ensure that the policy terms and conditions are understood by the policyholders and the exclusion clauses made clear to them.

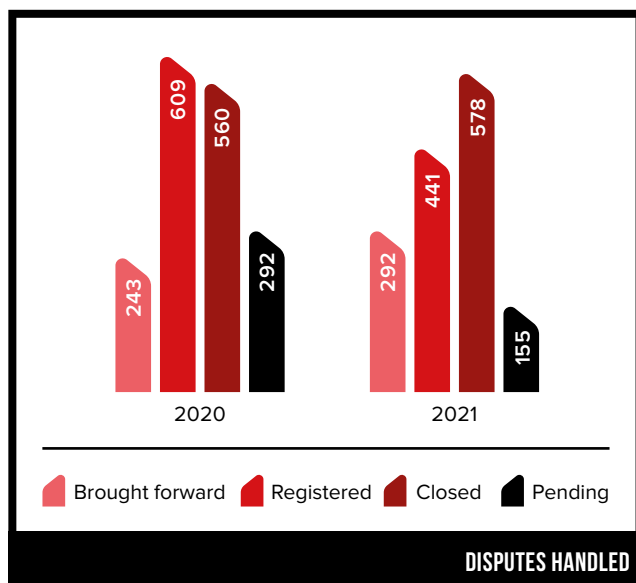
Despite the challenges and restrictions posed by the pandemic, we managed to resolve 79% of the disputes handled, compared to 66% cases in 2020. In this respect, I would like to thank my team members for their dedication and hard work throughout the year.

Similarly, my sincere appreciation to our members for their cooperation and dedication to resolving the disputes despite the challenges and restrictions posed by the pandemic. We will continue to provide effective and prompt resolution of disputes while adapting to the challenges in the remote working condition.



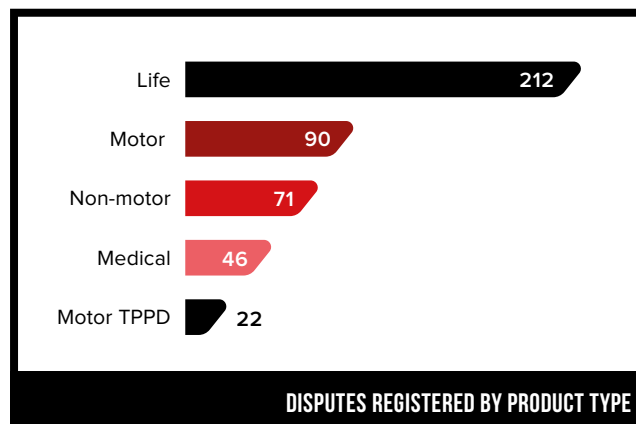
CONVENTIONAL INSURANCE

OVERVIEW OF DISPUTES HANDLED AND CLOSED



In 2021, we handled a total of 733 disputes comprising 441 new cases and 292 outstanding cases from 2020. The new cases declined by 28% compared to 2020 (609 cases) as a result of a large reduction in disputes related to general non-motor.

About 52% (229 cases) of the disputes were filed against licensed general insurance companies with claims totalling RM12.5 million and 48% (212 cases) were against the life insurance companies with claims amounting to RM6.8 million.

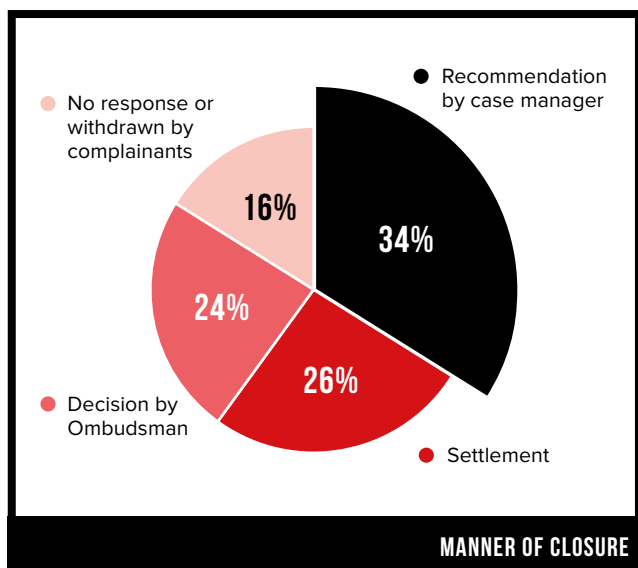


Of the 441 new disputes, 59% were registered under life insurance and general insurance (medical). Most of the issues were in relation to medical and hospitalisation claims.

General non-motor disputes recorded a significant reduction by 59% in 2021 (2020: 174 cases). This was primarily due to the reduction in travel insurance related disputes.

NATURE OF DISPUTES HANDLED

Product Type	Nature of Complaints Received
LIFE/MEDICAL	<ul style="list-style-type: none"> non-conformance with policy terms and conditions non-disclosure/misrepresentation in the proposal form
NON-MOTOR	<ul style="list-style-type: none"> compensation for travel cancellation and travel curtailment applicability of the exclusion clause
MOTOR	<ul style="list-style-type: none"> failure to take reasonable precautions in safeguarding the vehicles breach of policy terms and conditions such as late notification of claim and non-possession/expired driving licence quantum of settlement for cost of repairs and market value of the insured vehicle
MOTOR THIRD PARTY PROPERTY DAMAGE CLAIMS (TPPD)	<ul style="list-style-type: none"> compensation for loss of use of the vehicle while it is being repaired non-possession/expired driving licence cost of repair



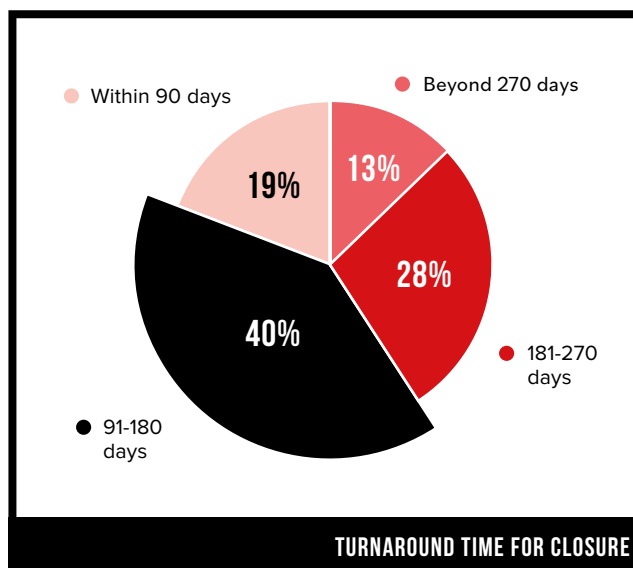
The total number of conventional insurance disputes closed in 2021 was 578 with 74% resolved at the Case Management stage. Of these, 149 cases were resolved through mutual settlement. Some FSPs reconsidered and paid the claims based on the findings by the case managers.

Where a settlement could not be achieved, a recommendation was issued by case managers on how the dispute should be resolved.

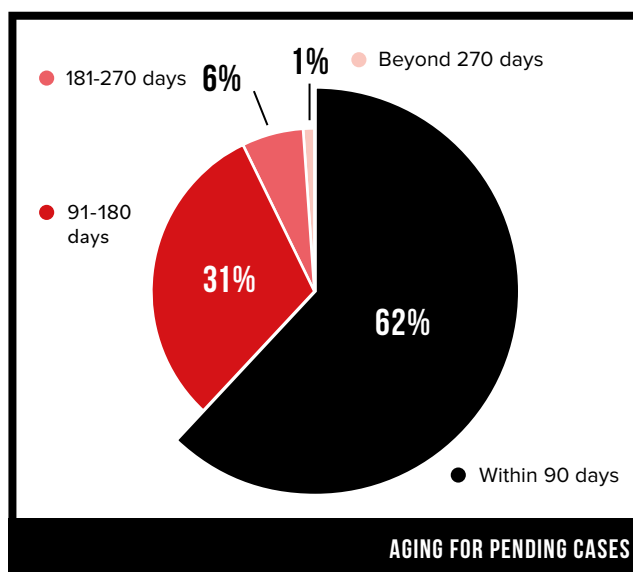
Last year, our case managers issued 345 recommendations and the Ombudsmen decided on 138 cases. From the 148 disputes that were referred for Adjudication, nine were settled amicably.

“

I am here to thank OFS, in regard of my dispute. With the help of the Case Manager, it has been solved. I am really grateful when I go to the Ombudsman for help. Thank you for your great work.

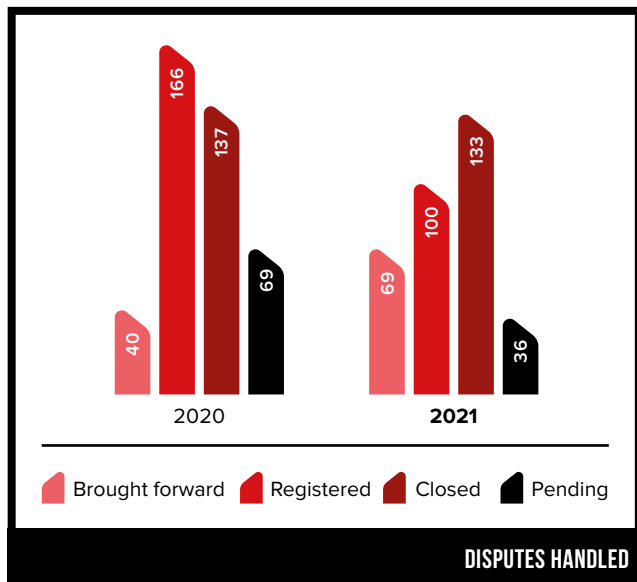


Of the 578 cases closed in 2021, we successfully resolved 341 cases (59%) within six months from the registration date. Some disputes took longer to resolve because of the time taken to obtain further clarification and documents such as medical or adjuster's report.



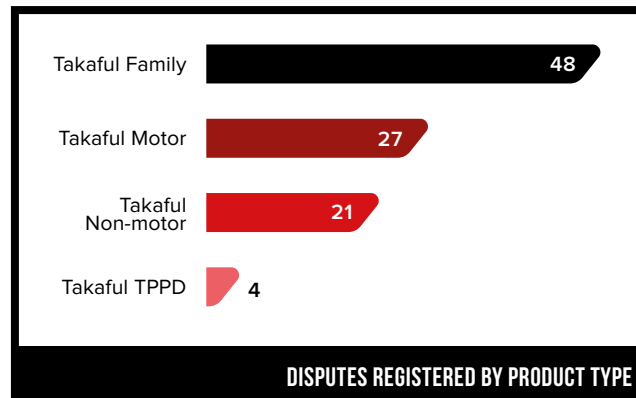
As of 31 December 2021, 155 disputes remained outstanding with 145 cases within six months from the registration date. The remaining ten cases exceeded the 6-month time frame. Our team continued to take robust initiatives to ensure cases are resolved promptly, efficiently, and fairly.

OVERVIEW OF DISPUTES HANDLED AND CLOSED



In 2021, we handled 169 takaful disputes comprising 100 newly registered cases and 69 brought forward from 2020. The new disputes declined by 40% compared to 2020 (166 cases) largely due to the reduction in takaful non-motor disputes.

Around 52% of the disputes were filed against the general takaful operators and 48% against family takaful operators with a total claim of RM6.7 million.



The takaful family recorded the highest number of disputes, which generally involved medical and hospitalisation claims. Similar to conventional insurance, takaful non-motor disputes recorded a significant reduction by 73% (2020: 79 cases) due to the decline in the number of travel claims. Motor takaful recorded 27% of the newly registered disputes followed by TPPD at 4%.

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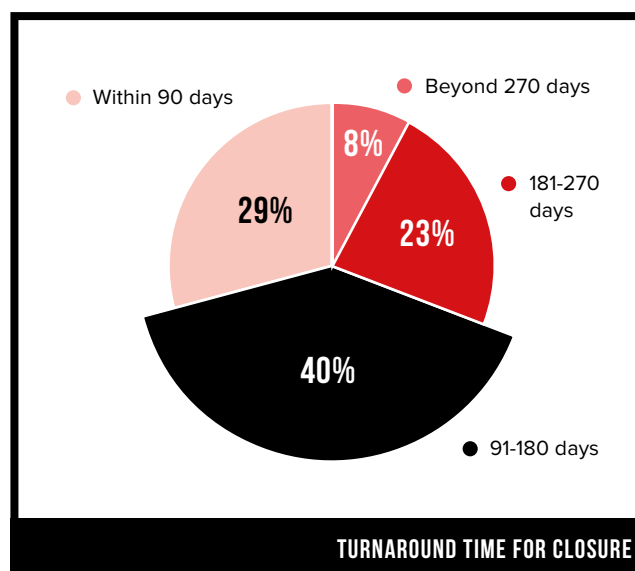
Yesterday, my insurance agent told me that they have reimbursed part of the hospitalisation and surgical claim. I am satisfied with the amount that has been reimbursed to me. I would like to thank my Case Manager and the team for your kind assistance in this matter. I truly appreciate the role that has been played by the Ombudsman team to settle my dispute with the insurance company.

NATURE OF DISPUTES HANDLED

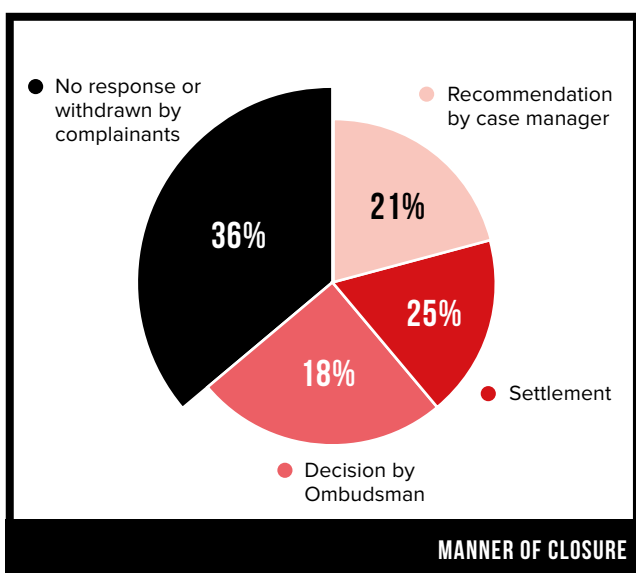
Product Type	Nature of Complaints Received
TAKAFUL FAMILY	<ul style="list-style-type: none"> non-conformance of the certificate terms and conditions non-disclosure/misrepresentation of material facts in the takaful proposal/application form applicability of the certificate exclusion clause
TAKAFUL NON- MOTOR	<ul style="list-style-type: none"> compensation for travel cancellation and travel curtailment applicability of the exclusion clause
TAKAFUL MOTOR	<ul style="list-style-type: none"> breach of certificate terms and conditions and/or applicability of exclusion clause such as non-possession/expired driving licence and limitation of use of the covered vehicle failure to take reasonable precautions in safeguarding the vehicles market value of the covered vehicle
TAKAFUL THIRD PARTY PROPERTY DAMAGE CLAIMS (TPPD)	<ul style="list-style-type: none"> compensation for loss of use of the vehicle while it is being repaired cost of repair non-possession/expired driving licence

that were referred for Adjudication, two were settled amicably. Our Ombudsman upheld 24 of the decisions made by the takaful operator.

The remaining 48 cases were closed because the participants did not respond to our queries or did not wish to pursue their disputes further.

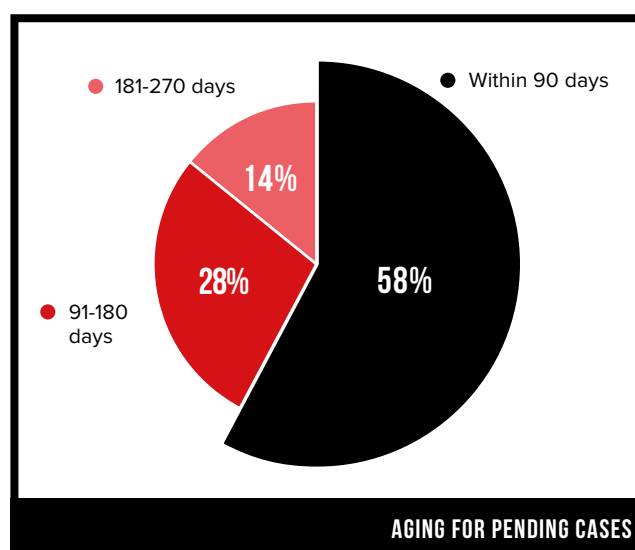


We managed to close 92 (69%) takaful cases within six months from the registration date. Some cases took longer than six months to resolve because of the delay in obtaining supporting documents, such as medical or adjuster's reports.



As of 31 December 2021, we closed 133 takaful disputes, 80% were resolved at the Case Management stage. Of these, 33 cases were settled amicably between the parties involved.

Last year, our case managers issued 28 recommendations and the parties that did not accept our recommendations referred their disputes to the Ombudsman. From the 26 disputes



A total of 36 takaful disputes remain outstanding as of 31 December 2021, 31 cases of which were within six months while five cases have exceeded the 6-month time frame. All the outstanding cases are closely monitored to ensure prompt resolution.

There was a slight decrease in the number of

KEY INSIGHTS AND OBSERVATIONS ON CONVENTIONAL INSURANCE AND TAKAFUL DISPUTES

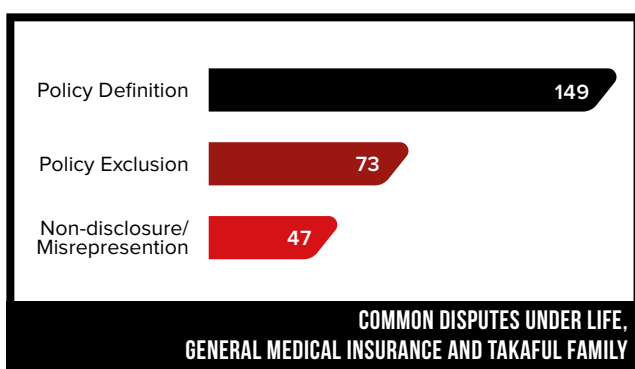
LIFE, GENERAL MEDICAL INSURANCE AND TAKAFUL FAMILY

disputes received under this category last year (Life: 212; Medical: 46 and Family Takaful: 48) compared to 375 in 2020. The total disputed amount was valued at RM12.1 million.

Most of the disputes received were in relation to medical and hospitalisation claims, followed by critical illness/dread disease claims and death claims.

Medical and hospitalisation claims were mainly repudiated for the following reasons:

- non-conformance to the policy contract/certificate definitions
- claims which fell under the exclusion clauses such as congenital conditions, pre-existing illness, and admission primarily for investigation purpose
- non-disclosure/misrepresentation of medical condition in the insurance/takaful application or renewal form



A marginal increase was seen in disputes related to mis-selling of life insurance products with 15 cases compared to 12 cases in 2020.

We closed 396 cases, with 299 cases at the Case Management stage and 97 cases at the Adjudication stage. A total of 93 cases were resolved through settlement valued at RM1.69 million.

At the Adjudication stage, the Ombudsman upheld the FSP's decision in 86 cases and revised FSP's decision in four cases; whereas six cases were settled, and one was withdrawn by the complainant.

Observations and our approach to resolving disputes

Importance of understanding the policy/certificate terms and conditions

Policyholders'/participants' misinterpretation of policy/certificate terms and conditions especially on definitions and exclusions continue to be a matter of concern.

Normally, many are unaware that they are not eligible to claim outpatient cancer treatment benefits when their cancer is in remission stage and/or in relation to investigation/diagnostic purposes. The intention of the policy is to provide coverage during the chemotherapy or radiotherapy treatment only.

Another common occurrence is when an accidental injury claim is filed, the injury must be solely and independently due to the accident. There must be also evidence of wounds or bruises on the body.

As an example, a claimant complained of lower back pain after lifting a heavy object and was diagnosed with 'Lumbar Disc Prolapse'. MRI report revealed a degenerative condition at the posterior disc bulge and partial disc surgery at L4/L5. His claim was declined as the injuries were not solely caused by the accident but related to the degenerative condition on the spine due to wear and tear resulting from daily physical activities.

Disputes with FSPs can be avoided if policyholders/participants read and understand the terms and conditions stated in the policy/certificate. The agents also play an important role in ensuring policyholders/participants are given proper advice before making a claim.

In addition, FSPs should also use simple and clear language when drafting the policy/certificate document to make it easier for policyholders/participants to understand the meaning and intention of the contract terms and conditions.

Adherence to Paragraph 10, Schedule 9 of the FSA / IFSA 2013

The Proposal Form is an integral document to any insurance policy and takaful certificate. The FSPs reserve the right to void the policy/certificate, revise the terms or reject a claim if the policyholder/participant does not disclose material facts accurately during the application, renewal, or enhancement of the policy/certificate.

However, such remedies can only be enforced by the FSPs for consumer insurance/takaful contracts, where specific questions were included in the proposal form.

In instances where the policyholders/participants failed to notify any change in health conditions between the date of signing the proposal form and the issuance of the policy contract/certificate, the FSPs cannot rely on the 'General Declaration' or a 'Basis Clause' to repudiate the claim.

It is important to note that pursuant to paragraph 10 of Schedule 9, any misrepresentation made at the pre-contractual stage cannot be converted into a warranty/assurance wherein the misrepresentation becomes the basis of the contract.

Mis-selling of insurance/takaful products

During the course of selling a policy/certificate, we noticed there is miscommunication between the agents and the consumers. Generally, we find that the sales process has been adhered to by the agents. However, in most cases, the consumers did not fully understand the salient terms of the products they are buying. They only realised that the product did not meet their expectations when they wanted to surrender or upon maturity of the policy/certificate.

In order to establish mis-selling, the burden of proof lies on the consumers. Therefore, awareness campaigns to educate the public on due diligence before purchasing a policy/certificate are vital. Consumers are encouraged to read, review, and

understand the company's Product Disclosure Sheets and Sales Illustration before signing the contract, and should not solely rely on the agents' explanation and presentation. Legally, once a consumer signs a document, he/she is bound by the terms and conditions of the form regardless of whether he/she has read the document.

In addressing the issue of alleged mis-selling, the FSPs are encouraged to:

- Conduct comprehensive training for all agents to ensure that they are well equipped with complete knowledge of the product sold.
- Perform risk assessment on customers to evaluate their eligibility and suitability of the product offered, i.e., age, income, and financial goals.
- Ensure their agents practise the following:
 - i) Exercise a high level of transparency during the sales process especially on the product details by emphasising that the product is an insurance/takaful and providing the necessary sales materials.
 - ii) Inform the exact duration of premium/contribution payment.
 - iii) Advise the options available to sustain the policy/certificate, i.e., Reduced Paid Up (RPU), Automatic Premium Loan (APL), Non-Forfeiture Loan (NFL).
 - iv) Explain the impact of effecting NFL/APL (non-payment of premium) in the policy which will eventually cause the FSP to:
 - impose interest on the premium advanced by the FSP to sustain the policy; and
 - deduct the outstanding amount from the maturity sum.
 - v) Avoid the usage of inaccurate/misleading terminologies, such as, 'investment plan', 'saving plan' or 'fixed deposit' in their presentation.

As a best practice, the FSPs are advised to make an independent post-sale call within 15 days from receipt of the policy contract/certificate (free-look period) to ascertain whether the agent has complied with the sales standard operating procedures and also if the consumers understand the nature of the product purchased.

CASE STUDY

Claimant's Cancer Hormonal Treatment Rejected by the Insurer as it was Preventive in Nature



Madam Rose underwent a Radical Mastectomy due to Breast Cancer in June 2021. During the follow up of the cancer treatment in November 2021, she was prescribed with hormonal treatment called *Aromasin* which blocks the aromatase enzyme (a type of protein) from producing oestrogen. Her claim was rejected by the insurer as the prescription was meant for prevention of cancer and did not meet the policy definition of Medically Necessary and Outpatient Cancer Treatment Benefit as stated below:

i) Outpatient Cancer Treatment Benefit

- a. If the Life Assured is diagnosed with Cancer (as defined in this sub-paragraph (b) below), we shall reimburse Reasonable and Customary Charges incurred for the Medically Necessary treatment of the Cancer.
- b. The Medically Necessary Cancer treatment must be received at the Outpatient department of a Hospital or a legally registered cancer treatment centre for the Cancer. Outpatients' follow up for surveillance or prevention after curative Cancer treatment or when Cancer goes into remission shall not be covered.

ii) Definitions

In this Annexure, unless we say otherwise or unless it should in the circumstances be understood differently, each of the following terms set out below shall have the following meanings:

19. Medically Necessary

A medical service, which is:

- a. *consistent with the diagnosis and customary medical treatment for a Disability.*

- b. *in accordance with standards of good medical practice, consistent with current standard of professional medical care and of proven medical benefits.*
- c. *not for the convenience of the Life Assured or the Doctor, and unable to be reasonably rendered out of Hospital (if admitted as an inpatient).*
- d. *not of an experimental, investigational or research nature, preventive, or screening nature.*
- e. *for which the charges are fair and reasonable and customary for the Disability; and*
- f. *provide treatment directly related to the covered Disability.*

Our Findings

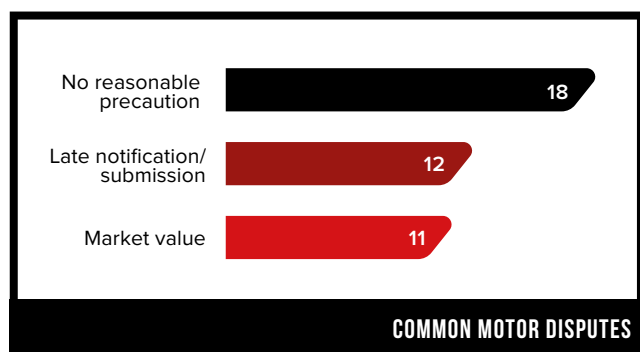
Based on the blood tests taken in November 2021, the results were all within the normal range with no indication of cancer recurrence or metastases. The attending doctor also confirmed that she did not have to undergo any radiotherapy or chemotherapy treatments after the surgery in June 2021 as her histopathology report revealed that all the cancer cells had been successfully removed. The attending doctor's justification for prescribing *Aromasin* was to prevent and suppress the cancer cells from spreading or recurring.

Outcome

The policy provision clearly states that the outpatient cancer treatment is to provide medical coverage for the duration of curative treatment only and does not cover treatments which are preventive in nature. As *Aromasin*'s main purpose is only to prevent the risk of cancer cells recurring, the claim was not allowed.

MOTOR AND TAKAFUL MOTOR

During the year, we registered 90 motor insurance disputes and 27 takaful motor disputes. The total claim was valued at RM6.3 million.



The nature of the top three disputes:

- failure on the part of the insured/participant to take reasonable precaution to safeguard the vehicle from loss or damage
- delay in notification of claims to the FSP
- disputes on market value of the insured vehicle

A total of 119 cases (motor insurance: 96 cases; takaful motor: 23 cases) were closed under this category (Case Management: 100; Adjudication: 19). Of the 119 cases, 56 cases valued at RM2.15 million were resolved through settlement.

The Ombudsman upheld the FSP's decision in 15 cases and revised three decisions while one was settled amicably.

Observations and our approach to resolving disputes

Understanding of the policy/certificate terms and conditions

A standard comprehensive motor insurance policy/certificate provides coverage for loss or damage to the insured vehicle due to accidental collision, fire, or theft. The policy/certificate holder must know the terms and conditions contained in the policy/certificate; specifically, what is covered and what is not covered, exclusion clauses and conditions that must be fulfilled in order for the coverage to apply.

In relation to this, our observation from the disputes handled revealed that many complainants are unaware that the motor policy/certificate imposes a condition that requires the insured/participant and their authorised driver/rider to exercise due care and reasonable precaution to prevent loss or damage to the vehicle. A failure to do so may lead to a claim being denied.

We seek to distinguish if the complainant was merely negligent, or was reckless i.e. the complainant recognised a serious risk but deliberately did not take steps to prevent the loss or damage to the vehicle.

Similar issues arose in disputes related to claims being rejected due to delay in notification of claims to the FSP. An analysis of the cases revealed that the reason for the late notification is complainants' unawareness of the basic claims procedure stipulated in the motor policy/certificate particularly on the time limit to notify the FSP of any claim. Consequently, they fail to notify the FSP of the loss within the stipulated time period.

In several disputes related to theft claim, the complainant had relied on the advice and information given by the police to wait for the police investigation result before submitting the claim, thus causing the delay in notification of claim to the FSP.

In this respect, the motor policy provides that the insured/participant must notify the FSPs claims department and get a claim form as soon as possible. The policy/certificate requires the insured/participant to notify the FSP within seven (7) days from the date of incident or within thirty (30) days if the insured/participant is physically disabled and hospitalised as a result of the incident. A longer notification period may be allowed if the insured/participant can provide specific proof and justification for the delay.

It is the insured/participant's duty as the policyholder to have knowledge of and comply with the terms and conditions of the policy/certificate. In dealing with the disputes, we will consider whether the insured/participant's reason for the delay in notification is substantiated or reasonable.

Investigation of claims by FSPs

Claims should be thoroughly investigated with all the supporting documents before FSPs make any decision. The claim could be more easily resolved with thorough investigation. Without proper investigation, it might lead to an unfavourable result and unfairness to the insured/participant.

It is pertinent to note that when FSPs make a decision to repudiate a claim, the burden is on the FSPs to prove that the claim is not payable. In one case, the claim for the cost of repairs to the insured vehicle as a result of accidental collision was rejected on the grounds of non-reasonable precaution, a breach of policy condition 7(c) in the motor policy.

In order to prove breach of the condition in the motor policy/certificate which requires the policyholder/participant or the authorised driver to take reasonable precaution to safeguard the vehicle from loss or damage, it must be shown that the policyholder/participant or the authorised driver was reckless i.e., where he/she recognised a serious risk but deliberately or intentionally did not take steps to prevent it.

Judicial authorities have held that it is the duty of the insured to take reasonable precautions to safeguard the property insured/ covered. However, it does not impose an absolute duty on the insured/participant to safeguard the property. Thus, FSPs must consider whether reasonable precautions were taken by the insured/participant before they decide to repudiate a claim.

Any repudiation should be supported by credible evidence and the FSPs should take into consideration relevant applicable case laws before deciding on a claim.

“

Thanks for your help and now we managed to get back the benefit supposed to belong to us.

Market value

Another common dispute is the market value of a vehicle when claiming for theft or when the vehicle is declared ‘total loss’ and the applicability of the average clause when the vehicle was under-insured. The FSP’s approved amount for claim settlement is based on the market value of the vehicle at the material time of loss as determined by the loss adjuster.

As per Bank Negara Malaysia’s (BNM) Circular on the Market Value of Motor Vehicles, it is the responsibility of the insurer/takaful operator to ensure the consistency in determining the market value of an insured vehicle at the time of the issuance of the policy and also for a subsequent claim where the same reference database ought to be used.

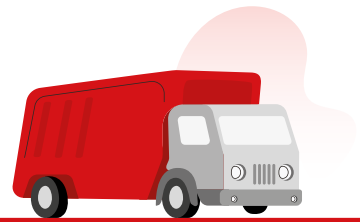
In most of the disputes handled, we observed that certain insurers/takaful operators did not use the same reference database to determine the market value of the vehicle at the time of the issuance of the policy/certificate. Therefore, a difference between the market value of the vehicle occurs when a claim arises. The insurer/takaful operator must abide by the circular issued by BNM, and failure to comply with the circular will lead to a disparity between the sum insured and the settlement amount, to the detriment of consumers.

“

I strongly believe that your recommendation contributed a great deal towards this result, and I am forever grateful for the time and effort you put in to write the recommendation. I also appreciate your support through this process. Thank you once again to take the time to write such an impactful letter.

CASE STUDY

Failure to Take Reasonable Precaution to Safeguard the Vehicle from Loss or Damage



Kenny was an employee of Thomas & Sons Sdn. Bhd. On the material date of incident, Kenny was driving the company's motor lorry from Kuala Lumpur to Penang and entered the R&R (Rest and Relaxation) area. Suddenly, the front upper section of the lorry knocked into a metal height barrier and sustained damages.

Following the accident, Thomas, on behalf of his company, Thomas & Sons Sdn. Bhd. submitted an own damage (OD) claim for the cost of repairs to the motor lorry. The claim was rejected by the insurer on the grounds that the driver, Kenny had breached the policy condition 7(c) of the commercial vehicle policy as he had failed to take reasonable precaution to safeguard the vehicle from loss or damage.

The relevant policy provision provides as follows:

"CONDITIONS

(These apply to the whole policy)

7. Other Matters

This Policy will only be operative if:

(c) You have taken all reasonable precaution to safeguard Your Vehicle from loss or damage."

The insurer's decision was based on the loss adjuster's report which revealed that Kenny had driven through the height limit barrier at the R&R despite the signage indicating the maximum height of the overhead barrier of 2.1 metres. Nevertheless, upon appeal, the insurer on goodwill consideration offered to pay 50% of the cost of repair assessed by their appointed loss adjusters. Thomas rejected the insurer's offer and referred the dispute to OFS.

Our Findings

Kenny works as a driver for Thomas & Sons Sdn. Bhd and he has been driving the company's van and motor lorry interchangeably in the course of his employment. At the material time of accident, Kenny admitted that he saw the signage of the height indicator and was aware of the height limit.

However, he had decided to drive through the barrier as he thought he was driving a van at that time, which would be within the permissible height limit. His unfortunate momentary mistaken assumption that he was driving a van at the time had caused the accident.

Outcome

The Ombudsman adjudicated this dispute in favour of Thomas & Sons Sdn. Bhd. on the following grounds:

- i) In order to prove breach of condition 7(c) of the policy, it must be shown that the driver was reckless, i.e where he recognised a serious risk but deliberately did not take steps to prevent it. Most importantly, the driver must recognise a serious risk but deliberately or intentionally did not take steps to prevent it. (*English Court of Appeal case of Fraser v BN Furman (Productions) Ltd (1967) Vol 2 LLR 1; Hong Leong Assurance Bhd V Yeow Seow Chiew (2004) 8 CLJ 247*)
- ii) According to the loss adjuster's report, even though the driver of the vehicle was aware of the height indicator, he was under the impression that he was driving a van at that time. As such, he did not recognise the risk. The act of the driver was not intentional and rather his unfortunate momentary assumption that he was driving a van at the time that had caused the accident.
- iii) There is a distinction between negligence and recklessness. The word reckless connotes 'deliberate' which speaks of intention. This is a motor insurance policy which covers risk of accidents, and accidents are commonly caused by carelessness or negligent acts of drivers. (*Malaysia National Insurance v Abdul Aziz (1978), 1 MLJ; Mc Cann v Switzerland Insurance Australia Ltd (2000) 203 CLR 579*)
- iv) The Ombudsman found that it is only fair and reasonable for the insurer to pay the full claim on liability (100%) based on the loss adjuster's assessment of damages.

CASE STUDY

Dispute on Claim Settlement Amount (Market value)



John was involved in an accident and submitted an own damage (OD) claim to the insurer. The insurer approved the claim on a Beyond Economical Repair (BER) basis of RM50,000 being the market value of the vehicle at the material time of loss as determined by the loss adjuster.

However, John disputed the market value quoted by the loss adjuster and contended that the vehicle was insured for RM80,000 on agreed value basis based on the quotation received from his agent.

Our Findings

The policy was endorsed with Endorsement 113 (Reference to Motor Vehicle Market Valuation System). Based on the valuation obtained from the Motor Vehicle Market Valuation System i.e., the ISM Automobile Business Intelligence System (ISM-ABI system) showed the market value of the vehicle at the point of purchase of the insurance coverage as RM58,000. However, the sum insured for John's vehicle was not based on the ISM-ABI system, which contradicted with the Endorsement 113 in the policy.

The case manager brought to the attention of the insurer the Bank Negara Malaysia's Circular on Market Value of Motor Vehicles. The aforementioned circular stated that insurers/takaful operators and their agents are required to advise consumers accordingly on the sum insured during the pre-contractual stage or upon renewal of motor insurance/takaful coverage, based on the ISM-ABI system or any other credible vehicle valuation database. Also, the same database reference must be used to determine the market value of the vehicle at the point when a claim arises. Based on the above, the market value of John's vehicle would be based by the ISM-ABI system as endorsed on the policy.

Outcome

Following the case manager's findings, the insurer increased the offer to RM59,000 based on the ISM valuation. John accepted the offer, and the claim was settled amicably.

“

The case manager was very helpful and extremely patient in answering my queries. He also assisted me to get the bank to return me the promised return.

“

I am happy with the professionalism of the Case Managers and also the way that cases are dealt with. I find that the OFS is willing to hear both sides of the story and decide accordingly.

GENERAL NON-MOTOR AND TAKAFUL GENERAL NON-MOTOR

There was a significant decrease in this category, from 253 cases in 2020 to 92 in 2021. (General: 71 cases and Takaful General: 21 cases). This was mainly attributed to the reduction in travel claim disputes in view of the movement control order or travel restrictions imposed during the pandemic phase.

In general, the nature of disputes handled during the year were related to travel, Houseowner/Householder, Fire, All risks, Marine, Contractor's All Risk, Equipment All Risk, Fire, Business Guard, Erection All Risks, Extended Warranty, Goods-In-Transit and Public Liability.

We closed 176 cases (Case Management stage: 120; Adjudication: 56). A total of 23 cases valued at RM466,896.81 were resolved through settlement.

At the Adjudication stage, the Ombudsman upheld the FSP's decision in 49 cases and revised FSP's decision in three cases.

Observations and our approach in resolving disputes

We observed that insurers and takaful operators have improved in the quality of their investigations in general non-motor claims.

We opine that consumers need to enhance their understanding of policy terms and should not assume that everything is covered. We urge consumers to read and understand the policy/takaful coverage terms they wish to purchase. If there are any doubts with regards to the coverage terms, consumers should seek clarification with the FSPs concerned through the proper channels such as the FSP's intermediaries/agents. FSPs could assist consumers in this aspect by facilitating dedicated channels for any such enquiries.

CASE STUDY

Contractors All Risks Cover – Theft Loss of Construction Material

Musang Putih Construction company was involved in a construction project and some construction material was lost due to theft from the site storage. A claim was submitted to the insurer for the loss of the materials. The insurer had repudiated the claim due to non-compliance of Special Conditions Concerning Theft Prevention and Security on Construction Site Warranty.

Our Findings

The policy schedule stated that the coverage is subject to following clauses/warranties/memo/endorsements that included among others:

"2. Special Conditions Concerning Theft Prevention and Security on Construction Site"

However, the full wordings for the above special conditions were not stated anywhere in the policy documents provided by the insurer. The case manager requested the insurer to submit documentary evidence which shows that the above special conditions were clearly stated in the policy documents provided to the insured.

The insurer could not provide any such documentary evidence but contended that the above special conditions were verbally explained to the insured. We highlighted that all the policy terms and conditions should be clearly stated in an insurance policy contract given to the insured.

Based on the above, OFS requested the insurer to review its decision.

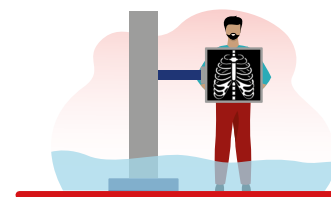
Outcome

The insurer reviewed their decision and made an offer which was accepted by the insured.



CASE STUDY

All Risk Insurance – Water Damage to Equipment due to Flood



Flood water had entered Mr. Jackson's clinic and his X-ray machine was allegedly damaged by water.

The insurer appointed forensic services to assess the cause and extent of damage, following which an offer was made to repair certain components.

Mr. Jackson rejected the offer on the basis that it was too low and insisted that the insurer replaced the whole X-ray machine. The insurer relied on the forensic experts' findings and maintained their stand.

Our Findings

Mr. Jackson claimed that the flood waters reached at least 1 meter in height but was unable to provide any evidence of actual flood water level.

However, the water mark observed by the independent loss adjuster during their initial site visit was 11 inches from the ground level. The forensic specialist along with the machine vendor's representative had jointly carried out tests to the X-ray machine and found that it could be powered up and functioned normally.

Signs of corrosion were observed only to the components at the floor level that could be repaired/replaced. This implied that the water damage did not warrant replacement of the whole machine.

Outcome

The technical report provided by the machine vendor's representative was not conclusive while the forensic findings had greater bearing as expert evidence. Based on the above, the Ombudsman upheld the insurer's decision and offer.

“

Thank you, OFS team, for helping us to resolve the issue with the insurer.

“

Thanks for paying attention and helping the medical claim to be approved by the insurer, without OFS helping, the claim was sure to be declined.

“

This claim has helped me to live with the situation so difficult, and I have no words to express how grateful I am to you for the support and your help to this claim that you showed me during that trying time. I am specifically thankful for the advice, and the understanding. Please accept my heartfelt thanks again for this timely help.

CASE STUDY

Houseowners & Householders Takaful Certificate – Break-In Claim



Madam Jasmine and her husband who live in Johor had purchased a property in Langkawi for investment purposes. They occasionally visited the property. There was a break-in incident to the participants' property and items were stolen or damaged. A claim was made and the takaful operator repudiated the claim on the basis that theft coverage is excluded if the covered property is left unoccupied for more than 90 days.

Our Findings

The takaful coverage was purchased through an agent in Johor who was aware that the covered property is located in Langkawi, and it was purchased for investment purposes. The agent was also aware that Madam Jasmine is based in Johor while her husband worked overseas. Despite this, the agent did not inform the participants of other suitable options such as the 'unoccupancy in excess of 90 days' coverage which was available with payment of additional contribution.

There was also no specific question in the proposal form with regards to whether the property covered will be occupied. Further, there was no indication in the proposal form to alert the participants of the 'theft coverage' conditions

whereby a theft claim will not be payable if the house is left unoccupied for more than 90 days.

The takaful operator confirmed that they were aware that Madam Jasmine's husband works abroad. However, the takaful operator did not advise the participants that coverage for 'unoccupancy in excess of 90 days' was available with payment of additional contribution.

Madam Jasmine and husband claimed that they were never provided the full takaful contract wordings which stated the limitations linked to the 'theft peril'. The only documents provided to them were the takaful quotation, schedule, and invoice. Hence, they were unaware of the condition that the property should not be unoccupied for more than 90 days until after the rejection of their claim.

Outcome

After the case manager highlighted that the participants were only informed of the condition for unoccupied property after the rejection of their claim, the takaful operator reviewed their decision and settled the participants' claim.

“

Thank you so much for the efforts and follow up on the case, will definitely discuss with my insurer on the alternative suitable coverage to suit on my condition.

“

Thanks to the Case Manager for their great negotiation with the takaful operator and change the CART offer. All of you deserve the highest honour for performing your duties. I'm feel so overwhelmed and thank you again.

MOTOR TPPD AND TAKAFUL TPPD

Disputes registered under this category continue to show a declining trend (2020: 30 cases; 2021: 26 cases).

The most common issue dealt with is the Loss of Use of the vehicle, which is a dispute over the number of days the claimants were deprived of the use of their vehicle whilst being repaired compared to the actual number of days required to repair as recommended by the loss adjusters (12 cases). This is followed by claims repudiated due to non-possession of Driving License (6 cases). The remaining disputes were on miscellaneous categories, which included Liability, Cost of Repairs, Unauthorised Driver, Non-Disclosure/Misrepresentation.

We closed 20 disputes in 2021, 18 of which were resolved at the Case Management stage. A total of 10 cases (50%) valued at RM11,107.70 were resolved through settlement.

Observations and our approach to resolving disputes

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 the vehicle is being repaired.

Claimants often assume that they would be compensated for the entire duration they were deprived of the use of the vehicle. However, the assessment of CART is based on the Bank Negara Malaysia's (BNM) 'Guideline on Claims Settlement Practices (consolidated)'.

Under this Guideline, the compensation is based on the independent loss adjuster's recommendation of the estimated duration for repair of the damaged vehicle subject to FSPs' discretion to apply an additional seven working days grace period for unforeseen delays.

CASE STUDY

Compensation for Assessed Repair Time (CART)



A stranger had knocked into Leonard's car, which was sent to the workshop for repairs. Due to delay from the shipment of the vehicle parts, his vehicle was at the workshop for 33 days. Meanwhile, he was forced to take a cab to work daily, which cost him RM40 per day. Leonard made a claim for loss of use against the third-party insurer for CART.

Leonard was dissatisfied with the insurer's offer, as they had only offered RM420 for CART, at a rate of RM30 per day for 14 days.

Our Findings

Under the BNM Guideline, the rate of CART is based on the vehicle's cubic capacity. Leonard's vehicle is 1299cc. Based on the scale of CART, if the vehicle is below 1500cc, the rate of CART is RM30 per day. Thus, the insurer is liable to compensate RM30 per day.

The Guideline states the number of days for computation of CART shall be based on the independent loss adjuster's recommendation on the number of days for repair of the damaged vehicle. Leonard's insurer had produced a report by an

independent loss adjuster which estimated that the number of days to repair his vehicle is 7 days.

Due to the delays experienced by Leonard, the insurer had exercised their discretion to add another seven days to the computation of his total CART offer, which brought the total to 14 days.

Outcome

Based on our investigation, the insurer had made an offer for CART in accordance with the BNM guideline. Leonard understood and accepted our explanation on his dispute and decided to withdraw the matter.

Sectoral Review

BANKING, ISLAMIC BANKING AND PAYMENT SYSTEMS

PERFORMANCE AT A GLANCE

1,009

disputes
handled

[2020: 663]



67%

disputes
resolved at
case
management
stage

33%

disputes
resolved at
adjudication
stage



16% disputes
resolved within
six months from the
registration date



615 disputes registered
394 disputes brought
forward from 2020



475 disputes closed

34% disputes
resolved through
amicable settlement
valued at
RM5.5 million



54% disputes are
pending six months
and below as of
31 December 2021

“

*We would like to express our thanks and appreciation
for the assistance rendered in the mediation process.*

OMBUDSMAN'S REPORT

COVID-19 has propelled significant changes to global workplaces and not adapting to it is not an option anymore. To remain relevant during and after the pandemic, the financial sector too must align its approach to match the rapid shift in technology and the evolving customer expectations.

Likewise, changes are also evident in how we handle our disputes at OFS. The use of technology and virtual platforms have become a key component at our workplace and resulted in the Banking Dispute Resolution team embracing the new work culture such as remote working and virtual mediation sessions.

Last year, our team received a total of 615 cases, an increase of 21 per cent (2020: 510 cases). About 83 per cent of the disputes received were in relation to internet banking and card-based payments. As the information age continues to evolve, we have observed an increasing trend of online scams involving internet banking and credit/debit cards.

Scammers have been employing new tactics to deceive and defraud the public. Despite the constant awareness campaigns, many continue to be vulnerable to such scams.

We would like to emphasise that it is paramount for consumers to safeguard their banking credentials at all times.

For cases involving loans and Islamic financing, the disputes handled included excessive or unreasonable interests charged and unreasonable extension of loan tenure without notice. Other banking disputes included mis-selling and misrepresentation of banking products by the sales personnel, payments relating to forged cheques, remittances, unauthorised ATM withdrawals as well as non-dispensation of cash at cash deposit machines.

When resolving these disputes, we apply the principles of fairness and reasonableness and take into account the best banking practices.

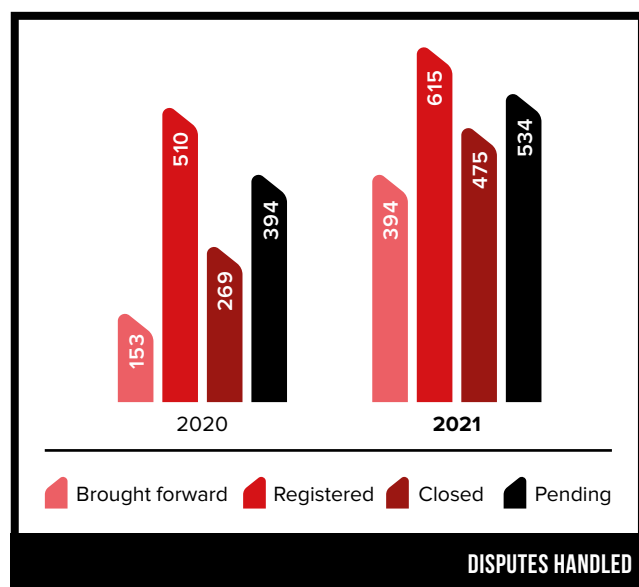
Albeit experiencing a turbulent year, we successfully handled 1,009 cases in 2021 and resolved 475 cases, a massive increase of 77 per cent compared to 269 cases in 2020. I am proud of the commitment and the undiminishing force exhibited by my team in resolving disputes efficiently despite the surge in the disputes.

We will continue to strive to do better in resolving banking disputes.

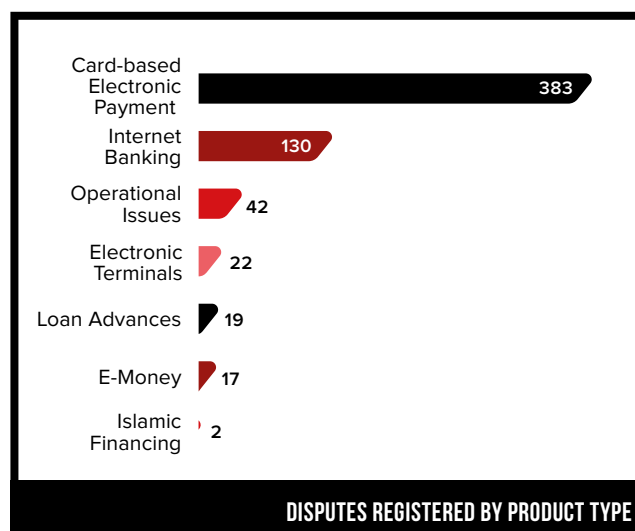
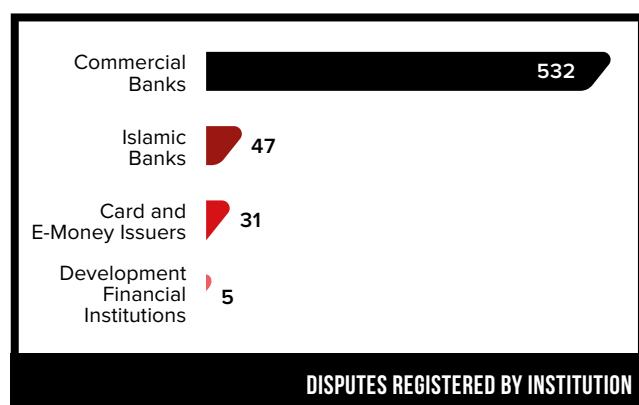


OVERVIEW OF DISPUTES HANDLED AND CLOSED

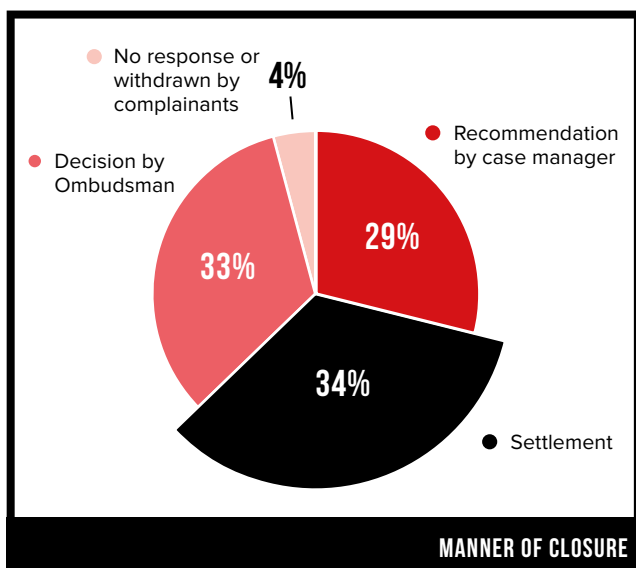
In 2021, the total disputes registered under banking, Islamic banking and payment systems continued to rise from the preceding year by approximately 20% to 615 cases (2020: 510 cases). Card-based electronic payment constituted the highest number of disputes registered (383 cases).



Similarly, disputes related to internet banking showed an upward trend, an increase of 33% to 130 cases (2020: 98 cases) due to the rise of online financial scams. Approximately 87% of the new disputes were against licensed commercial banks totaling around RM11.2 million due to its large retail banking customer base.



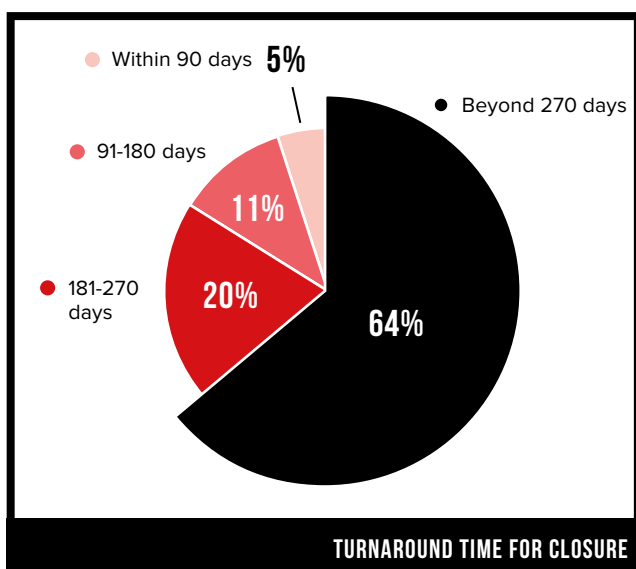
NATURE OF DISPUTES HANDLED	
Product Type	Nature of Complaints Received
CARD-BASED ELECTRONIC PAYMENT SYSTEMS	<ul style="list-style-type: none"> lost/stolen cards alleged unauthorised online transactions issues relating to chargeback unauthorised cash advances
ELECTRONIC TERMINALS	<ul style="list-style-type: none"> non/short dispensation of cash from Automated Teller Machine (ATM) alleged shortage of cash accepted by the Cash Deposit Machine (CDM)
OPERATIONAL ISSUES	<ul style="list-style-type: none"> alleged mis-selling of insurance products by the FSPs remittance counter/teller services payment on cheques
INTERNET BANKING	<ul style="list-style-type: none"> transfer of funds arising from phone scams and 'phishing' transfer of money into wrong account by mistake
LOAN ADVANCE/ ISLAMIC FINANCING	<ul style="list-style-type: none"> interest rate unreasonably/wrongly charged wrong computation of instalment amount method of interest/profit computation
E-MONEY	<ul style="list-style-type: none"> stored value by participants due to alleged unauthorised transactions



The total number of cases resolved in 2021 was 475 (2020: 269 cases), an increase of almost 77% from the year 2020. Of these, 317 cases (67%) were resolved at the Case Management stage and 158 cases (33%) were resolved at the Adjudication stage.

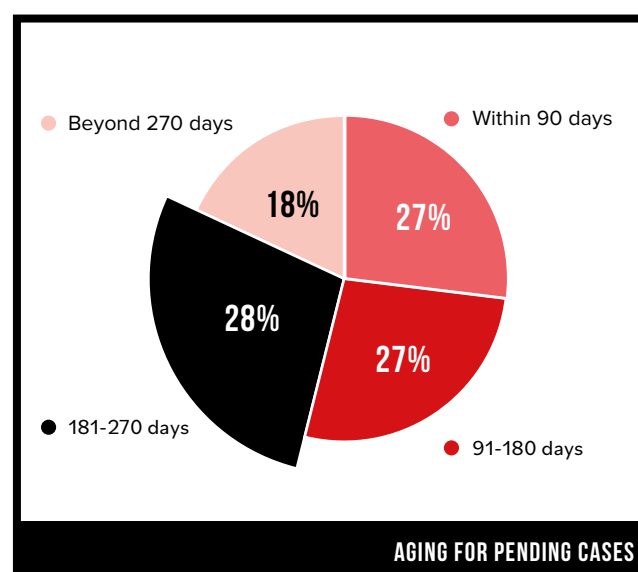
In 2021, 163 cases were settled amicably, an increase of 12% compared to 2020. A total of 139 cases (29%) were resolved at the Case Management stage after the issuance of Recommendations while 17 cases (4%) were withdrawn or closed due to no response from the complainants.

A total of 155 cases were adjudicated. We upheld the FSP's decision in 140 cases while the decisions of the remaining cases were revised. Two cases were settled amicably at the Adjudication stage, while one case was withdrawn by the complainant.



Of the 475 cases resolved, 74 cases (16%) were closed within six months of the date of registration. The cases that were closed after six months were due to the time taken to obtain further clarification and documents from the parties in dispute.

The continued COVID-19 pandemic and work from home (WFH) arrangements which spanned a significant part of the year 2021 had indeed posed challenges to the complainants as well as the FSPs in responding with the required documents and clarification within the stipulated timeframe. Despite the ongoing challenges, we managed to resolve more cases compared to 2020.



Of the 534 pending cases as of 31 December 2021, 287 cases (54%) fell within six months from the registration date and the remaining exceeded the 6-month timeframe, a decline of 14% compared to last year. Strategies and action plans have been formulated to reduce the outstanding cases and to resolve cases in a timely manner.

“

I would like to say thank you for your time and efforts to help me on my credit card dispute.

KEY INSIGHTS AND OBSERVATIONS ON ISLAMIC BANKING AND PAYMENT SYSTEMS

CARD-BASED ELECTRONIC PAYMENT

Most of the disputes received were related to unauthorised transactions carried out as a result of scams through credit/debit cards.

For the year 2021, 383 cases were registered, an increase of approximately 28% (2020: 300 cases). The total claim was valued at RM5.08 million. A total of 600 cases were handled, with 217 cases carried forward from the previous year. Of the cases handled, 301 cases were resolved whereby:

- 9.6% (29 cases) were closed with recommendation accepted by complainant
- 14% (42 cases) were closed due to no response after issuance of our recommendation
- 3% (9 cases) were closed with recommendation rejected with no reference to Ombudsman
- 4% (12 cases) were either withdrawn or received no response from complainants.

In terms of case resolution, about 38% were closed at the Case Management stage. Most of the complaints received were related to scams that led to unauthorised transactions, in particular online transactions made with credit/debit cards.

Observations and our approach to resolving disputes

Online card transactions

We observed a continuous trend of disputes on online card transactions relating to scams since the beginning of the pandemic.

We registered 174 cases, and the most prevalent disputes handled were scam cases in which consumers were deceived into disclosing their banking information to fraudsters. People much prefer to perform transactions online which is deemed more convenient and fast. Consequentially and taking into account the rise in digital sophistication, the modus operandi of online scams has extended across various channels

and platforms such as *Facebook*, *Instagram*, and *WhatsApp* messenger.

Scammers have also exploited *Google Forms* in certain cases to steal payment information. This platform is used in rudimentary phishing attacks attempting to convince victims to insert their card information in an online form designed akin to a log-in page. In other instances, the customers were instructed to download and install a file link containing a fake application on their mobile phones, which will then provide access to the victim's existing Short Message Service (SMS) system.

We also encountered cases of scammers disguising themselves as friends on social media and requesting the victims' phone numbers and credit card details in order to access their card accounts. In some cases, we discovered that the cardholder's family members or close friends had used the card details without the cardholder's knowledge.

Most of the fraudulent activities via these channels involved online shopping, bogus work prospects as well as online trading and investment. We found that e-wallet top-ups to be commonly performed by the fraudsters. Fraudsters are more inclined to using the victims' banking credentials for such purpose, as e-wallet top-ups do not entail physical delivery of goods.

In resolving such disputes, we take into account the following factors (among others):

- i) Whether the transaction performed was verified with a one-time password (OTP).
- ii) Whether the SMS containing OTP clearly states its purpose and the transaction amount.
- iii) Whether the complainant reported the unauthorised transaction to the bank as soon as reasonably practicable after having discovered that the card was used.

- iv) What are the banks' best practices in preventing further transactions being performed such as contacting the complainant before the complainant's credit card usage reaches the credit limit and/or to temporarily block the complainant's credit card when the bank is unable to contact the complainant.

Based on our findings, in most cases, the online transactions were performed with the cardholders' credit or debit card number, card verification value/code (CVV/CVC) number and verified with OTPs which were sent by the bank to the cardholders' registered mobile number. These transactions were reported to the banks as unauthorised transactions after they were successfully completed, despite receiving the OTP messages which explicitly stated their intended use and the transaction amount.

In an attempt to recover the loss of the disputed amount, the banks will perform a chargeback from the merchants. Nonetheless, most of the chargebacks are often unsuccessful as the transactions were performed with merchants under the 3D secure platform which requires authentication of OTPs.

A total of 67 (43%) cases, valued at RM543,813.56 were mutually settled under this category. The total amount claimed under online card transactions was valued at RM1.73 million.

Unauthorised transactions (card compromised)

We registered 173 cases related to this category in 2021, an increase of 33% (2020: 130 cases). The typical disputes involved occurrences of unauthorised transactions while the credit cards were still in the complainant's possession. However, the cardholders' details were compromised to a third party, which enabled the disputed transactions to be performed without the cardholder's knowledge.

In most cases, we discovered during the mediation process that the third parties involved in such transactions were people known to the cardholders such as a family member or friend of the cardholder. As such, we would like to stress that it is crucial for cardholders to safeguard their card details at all times.

Of the cases handled, 29 (12%) cases valued at RM278,951.32 were settled at the mediation.

Unauthorised transactions (lost and stolen cards)

There were 34 cases under the card-based electronic payment category related to lost and stolen credit/debit cards received and handled in 2021.

Of the 34 cases handled, 28 (82%) were successfully resolved. This includes five cases that were resolved at mediation whereby the complainant agreed with the banks' thorough investigation or accepted banks' proposal for settlement. The settlement is valued RM45,745.96.

The remaining 23 cases were resolved at the Adjudication stage by the Ombudsman.

Our findings from these cases revealed that the physical cards were stolen and used when the cards were left unattended, and the personal identification number (PIN) was compromised. We also received complaints whereby the cards were stolen in a robbery and were subsequently used to perform the unauthorised transactions.

In resolving the complaints, we take into consideration how fast the complainant notified the bank of the lost and stolen card and how swift the bank acted in blocking/cancelling the card.

Cash advance

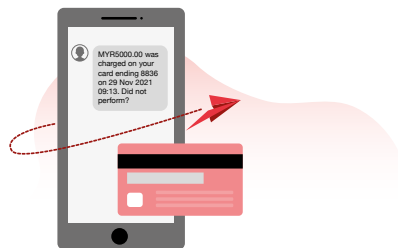
Under this category, our investigations revealed that the cash advances were performed with a valid PIN assigned to the credit card. We found that the complainants' PIN was associated with either their identity card number, birth date, handphone numbers or a combination of their spouse's identity card number, which could be easily guessed by third parties. In other instances, the complainants usually recorded their PIN and kept them in the wallet or mobile phone which enabled the PIN to be easily compromised.

In determining whether the cash advance was a genuine transaction by the complainant, our attention would be focused on the Electronic Journal which would enable us to assess whether there had been any indications of erroneous PIN attempts.

As the cash advance facility is less commonly utilised by cardholders, we recommend that cardholders are given the option to opt out of the cash advance facility to avoid unauthorised transactions performed through this manner.

CASE STUDY

Unauthorised Transactions – Credit Card



Encik Ramlan came across a Facebook page that offered free gifts for credit card users. Subsequently, he clicked on the advertisement and inserted his contact number in the web page that he was directed to. The next day, he received a call from an unknown number introducing him to a reward programme.

After the call, he received a WhatsApp message requesting him to click on a link whereby he was required to insert his credit card information such as the card number, card expiry date and CVV number.

Suspecting something was amiss, he contacted the bank immediately and discovered several transactions for a total sum of RM12,000 were performed without his knowledge.

The bank held Encik Ramlan liable for the disputed transactions on the grounds that the said transactions were performed with secured OTPs which were sent to his mobile number.

Our Findings

The disputed transactions were performed through the merchant's Three Domain (3D) secure website whereby an OTP must be entered for authentication and verification before the online transactions were executed.

While he contended not receiving the OTPs, the bank's SMS records showed that the OTPs were successfully sent to Encik Ramlan's mobile phone number registered with the bank for the disputed transactions. The OTPs were entered and were successfully authenticated upon positive verification.

Encik Ramlan had also downloaded a phishing software application containing malicious malware which allowed the fraudster to gain access to his mobile phone including all SMS received from the bank. During the installation process, the said application would have requested the user's permission to access the mobile phone's SMS.

Outcome

The Ombudsman decided in favour of the bank on the grounds that Encik Ramlan has the duty to safeguard his credit card details as well as to ensure that the application was from a genuine source prior to downloading the same on his mobile phone. Whilst the downloaded application may have enabled the fraudster to intercept the SMS sent to Encik Ramlan's mobile phone, he is still responsible for all transactions that occurred given that the credit card was in his possession at the material time and the card information had been compromised.

“

Your efforts are amazingly respectful. It is beyond my expectation to get the full refund via OFS.

“

Thanks a lot OFS for your service. My dad and I are truly appreciative of your assistance.

CASE STUDY

Stolen Debit Card



On 28 September 2019, at 3:00 a.m., Mary's bag was snatched by a thief while she was standing by the roadside waiting for her friend. The theft resulted in Mary losing several documents which amongst others, were her mobile phone and debit card. Two unauthorised transactions amounting to RM500 were performed without her knowledge. Subsequently, Mary lodged a police report at 10:00 a.m. on the same day and thereafter, filed an official dispute with the bank on 30 September 2019 at 2:00 p.m.

Mary stated that she was not aware of the unauthorised transactions and requested for a full refund from the bank. However, the bank held Mary liable for the disputed amount as there was a delay on the part of Mary in reporting her stolen card to the bank as Mary had only called the bank to report the incident at 6:00 a.m., i.e., three hours after the theft.

Our Findings

There were two retail transactions charged on Mary's debit card amounting to RM500 which were performed between 5.25 a.m. and 5.28 a.m. on the day of the theft. Both unauthorised transactions were performed by way of payWave (without the Personal Identification Number (PIN) authentication). When Mary called the bank at 6:00 a.m. to report the incident, the bank blocked her debit card immediately.

Outcome

Mary was awarded a full refund by the Ombudsman on the following grounds:

- i) The disputed transactions were successfully made through a contactless payment facility i.e., payWave without the need for authentication of the 6-digit PIN.
- ii) As Mary was a victim of snatch theft and was relieved of her mobile phone, the Ombudsman opined that she had notified the bank as soon as reasonably practicable.

“

*Thank you for helping my mother with her bank case.
You are our hero.*

“

OFS is relevant and an effective channel to help banking consumers to seek redress.

CASE STUDY

Credit Card – Card Compromised



Cindy alleged that there were several unauthorised transactions through an e-commerce platform, amounting to RM15,000 which were charged to her credit card. She only noticed the alleged transactions when she checked her online statement. She denied performing such transactions as she was busy with her work schedule as a front-liner treating patients at the material time.

Cindy did not lose her credit card and denied receiving any OTPs or SMS alerts from the bank. Upon discovery of the unauthorised transactions, she immediately contacted the bank to block the credit card and filed a dispute for a full waiver on the unauthorised transactions.

Our Findings

In Cindy's case, the credit card transactions through the e-commerce platform totalling RM15,000 were made online through the merchant's Three Domain (3D) secure platform. Generally, online transactions require the input of the credit card details such as card number, card expiry and the three-digit Card CVV number. An online transaction made through the merchant's 3D secure platform is approved upon authentication and verification of a (OTP) or Transaction Authorisation Code (TAC) which is an added layer of security against fraudulent transactions. Thus, in addition to the input of the credit card details, a transaction in a 3D secure platform will only be successful with the input of the OTP.

Based on the bank's record, the text message containing the OTPs for the said transactions were successfully delivered to Cindy's mobile number registered with the bank. Subsequently, the OTPs were entered into the 3D secure page for verification to complete the transaction. Thereafter, the online transactions were approved on positive verification of the OTPs by the bank. Hence, an inference can be drawn that Cindy's credit card details and the OTPs would have been compromised which enabled the disputed transactions to be performed.

Further, under the card scheme rules, the bank has no chargeback rights for a claim of an unauthorised transaction that was authenticated and approved in a 3D secure platform. Cindy confirmed that her credit card and mobile phone were in her possession at the material time when the unauthorised transactions were performed.

Upon the bank's further investigation, it was found that one of Cindy's family members had utilised her credit card without her knowledge.

Outcome

Cindy accepted the bank's explanation and agreed to settle the disputed amount. The bank had also agreed to waive all interest and late charges on the disputed amount.

INTERNET BANKING

A total of 130 disputes related to internet banking were registered in 2021 valued at approximately RM4 million.

These disputes received were predominantly related to scams whereby the complainants' username, password, and OTPs/TACs were compromised. In most cases, the fraudster/third party managed to successfully access the complainants' online banking. In order to complete the unauthorised fund transfer, the fraudster/third-party managed to obtain the OTPs from the complainants through various channels i.e., telephone, e-mail, SMS, and suspicious links. In some instances, however, the internet banking access was performed by the fraudster online with the ATM/debit card details as well as PIN.

Generally, we discovered that the unauthorised fund transfers were performed via mobile banking applications, with the fraudster/third party gaining control of the complainant's account following a successful device binding.

'Device binding' is a process that allows access to the mobile banking application linked to the complainants' internet banking account by registering the third party's mobile device as a trusted device for online banking. The device binding process involves authentication of OTP/TAC that was sent to the complainants' mobile phone, which was divulged to the fraudster.

Thereafter, the notifications on the online transactions such as fund transfers will be diverted to the fraudster's device leaving the complainant unaware of such transactions. Notwithstanding this, some banks send notifications by way of e-mail and SMS to the accountholder's mobile number as well as the bind device. In this manner, accountholders would be aware of online transactions made through the new device.

In determining the outcome of internet banking disputes, we usually take into account factors such as:

- i) Whether any OTP/TAC was used to authenticate the transactions and notifications were sent to the complainant to make him aware of such.
- ii) The speed with which the complainant contacted the bank to report the transaction.
- iii) Time taken by the bank to perform the recovery of the funds from the beneficiary bank.
- iv) Other safety measures such as the quality and clarity of the notification sent to the complainant's registered mobile number.

A total of 60 cases were resolved at the case management level and 16 were mutually settled at a value of RM79,396.50. A total of 31 cases were resolved at the Adjudication level.

“

I would like to take this opportunity to thank my case manager and his assistant for dispute on late payment charges. The case manager is very knowledgeable and professional. He is very good in resolving the dispute over bank by arranging mediation meeting for both parties, explaining OFS' function and the purpose of mediation before the meeting, issuing fair and reasonable judgement as neutral party during meeting, and finally supporting through constant follow-up post meeting. Despite I am residing in Singapore, he promptly called me at my mobile phone to ensure I have received my email related to important and critical update from banker. Well done, good job!

CASE STUDY

Unauthorised Fund Transfer



On 17 March 2020, at approximately 7:00 p.m., Puan Halimah received a call from an unknown number which she did not answer. Subsequently, she received three messages from the bank, each containing an OTP. She immediately called the bank's customer service but was unable to reach them. Suspecting that something was amiss, she accessed her internet banking account to check her savings balances. She was relieved when she discovered that the balances in her savings accounts were still intact. However, at 9:00 p.m. on the same day, she checked her savings accounts again and discovered that four online fund transfers totalling RM12,000 had been made.

Upon noticing the unauthorised online fund transfers, she immediately contacted the bank to block her internet banking facility. She claimed not to have received the OTPs and post-transaction alerts and therefore, could not have performed the transactions. Her claim was rejected by the bank on the grounds that the transactions were performed with a valid username and password which were deemed legitimate.

Our Findings

The alleged unauthorised transactions were performed via mobile banking by a third-party unknown to Puan Halimah. The bank confirmed that the fund transfers were made through a valid username and password. Additionally, a third party's mobile device was registered to link to Puan Halimah's internet banking account. The registration for the device binding requires only one OTP. Therefore, the post-transaction alerts of the completed transactions were sent to a new device instead of to Puan Halimah's mobile phone.

Outcome

The Ombudsman's decision was to apportion the loss equally between Puan Halimah and bank on the following grounds:

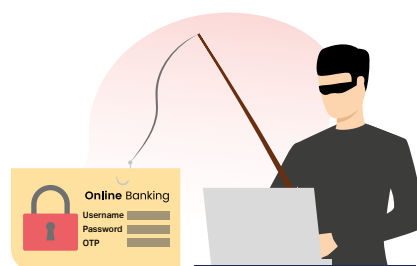
- i) The message containing the OTP for binding device should clearly state that the OTP is for access to the complainant's mobile banking.
- ii) The bank ought to have sent a post-transaction alert to Puan Halimah's mobile number of her account activity so that the necessary actions could have been taken promptly to prevent further transactions.
- iii) Puan Halimah must have unintentionally revealed the OTP to a third party which otherwise could have prevented the unauthorised fund transfers from occurring.

“

Terima kasih kerana telah membantu dan membalas email saya. Untuk makluman tuan, bayaran cek tersebut telah dikredit ke akaun saya.

CASE STUDY

Unauthorised Fund Transfer - Mobile Banking



Mrs. Lim received a telephone call from a stranger requesting for the OTP on the pretext that the OTP was wrongly sent to her handphone. Without any hesitation, Mrs. Lim gave the OTP to the caller. Thereafter, a sum of RM20,000 was transferred out from her savings account and she immediately contacted the bank to report the matter.

Mrs. Lim contended that she had never revealed her banking credentials to anyone. The bank rejected her claim on the grounds that the online funds transfers were made through a valid username, password, and OTP.

Our Findings

The four disputed internet banking fund transfers amounting to RM20,000 were transacted via mobile banking.

Upon investigation, it was noted that an OTP was sent to Mrs. Lim's phone, which was subsequently divulged to the fraudster. The fraudster had then inserted the OTP in the mobile banking application to link Mrs. Lim's online banking facility with the fraudster's mobile device, thereby gaining control and access to her account. Subsequently, all notifications for the transactions performed were sent to the fraudster's device. There were no SMS notifications or post-transaction alerts sent for the disputed transactions to Mrs. Lim's mobile number.

After noticing the funds were transferred out from her savings account, Mrs. Lim contacted the bank at 11.15 a.m. before the funds were withdrawn from the recipient's account (on the same day at approximately 10.00 p.m.).

However, the bank only initiated recovery from the beneficiary bank 20 days after Mrs. Lim alerted the bank of the unauthorised transfers.

Outcome

Following the case manager's observation, the bank agreed to refund part of the loss suffered by Mrs. Lim on the following grounds:

- i) The OTP to link the bank's mobile banking application to the fraudster's phone was performed without the requirement for further OTPs. The case manager was of the view that OTP verifications should be required for each internet banking transaction as this is an additional security to protect against scams.
- ii) Mrs. Lim was not aware of the unauthorised transfers from her savings account as there were no SMS notifications sent to her mobile number registered with the bank. Had Mrs. Lim been notified of the unauthorised transactions, she would have had the opportunity to alert the bank and may have prevented the subsequent transfers.
- iii) There were no immediate recovery efforts taken by the bank and the funds which were transferred could have been recovered had the bank acted promptly upon receiving Mrs. Lim's dispute.
- iv) On the other hand, Mrs Lim had revealed the OTP to the fraudster which enabled the binding of the fraudster's device.

Mrs. Lim accepted the bank's offer, and the dispute was resolved amicably.

ELECTRONIC TERMINALS

A total of 22 disputes related to electronic terminals was registered in 2021 with total claim valued at RM497,828. The common types of disputes related to electronic terminals included issues involving cash dispensation, unauthorised Automated Teller Machine (ATM) withdrawals and cash deposit machines.

Dispensation of cash

Disputes concerning dispensation of cash were related to the customers' realisation of the cash dispensed at the ATM when performing withdrawals. Typically, disputes involving non-dispensation of cash from the ATM were due to the customers' failure to wait for the cash to be dispensed. This was observed in the closed-circuit camera (CCTV) recordings furnished by the FSPs. The customers had left the ATM immediately

after retrieving the card without waiting for the cash to be dispensed by the machine, resulting in the dispensed cash being taken by an unknown party. To avoid such instances, reminder messages were displayed at the ATMs of certain FSPs to alert customers to collect their cash immediately after removing their ATM cards.

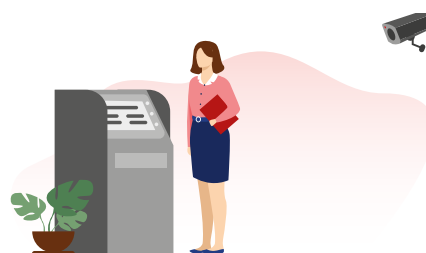
In 2021, two dispensation of cash disputes were mutually settled between the FSPs and the complainants at the value of RM1,550.

Unauthorised ATM withdrawals

The common complaints related to unauthorised ATM withdrawals were in relation to the compromise of the complainant's card and PIN. In order to prevent these unauthorised withdrawals, consumers are advised to safeguard their card as well as the confidentiality of their PIN. At the same time, the FSPs should take the necessary measures

CASE STUDY

Non-Dispensation of Cash



Amy withdrew a sum of RM1,500 from the bank's ATM at a shopping mall and contended that she had to wait for some time for the cash to be dispensed. To her dismay, the cash and the transaction slip were not dispensed by the ATM. Unexpectedly, her withdrawal attempt also resulted in a deduction of a sum of RM1,500 from her savings account although no cash was dispensed.

Our Findings

According to the bank's ATM Electronic Journal, Amy's withdrawal was successfully executed and 30 pieces of RM50 notes totalling RM1,500 were dispensed by the machine.

The Engineer's Report revealed that the ATM was functioning well at the material time of the transaction and there were no indication that the transactions performed by Amy was faulty. Conversely, the bank's Customer Discrepancy

Report revealed that the bank had to rely on the shopping mall's CCTV, which was not strategically located. As the CCTV was located at a distance from the ATM, the bank was unable to clearly ascertain the events that transpired when the transaction was performed and confirm the identity of the person who collected the cash.

Outcome

Based on the case manager's observation, the CCTV recording is crucial to ascertain the events that transpired when the transaction was performed. As the bank had to rely on the shopping mall's CCTV, which was not strategically located, the footage received was blurry which made it difficult to determine the identity of the person who collected the cash. In this regard, the bank offered a partial refund, which was accepted by Amy and the dispute was settled amicably.

to enhance their security system by improving their fraud detection mechanism and notifying their customers of any unusual withdrawals from their accounts.

Cash Deposit Machines (CDM)

The CDM disputes were related to short credit or unaccounted cash that was allegedly deposited into the CDM. In the course of investigation, we would rely on the Electronic Journal which captures the transactions performed in detail. In most instances, the records of the Electronic Journal do not reveal any discrepancies with the transactions in dispute. Likewise, no cash excesses are found during the balancing. To prevent the occurrence of such disputes, consumers are advised to count their cash before performing their deposits at the CDMs.

OPERATIONAL ISSUES

The type of disputes registered under this category (42 cases) consisted of alleged mis-selling of insurance products by the bank, payment on forged cheques, remittance, and fixed deposits.

Of the total registered cases, 32 were disputes on mis-selling and misrepresentation of financial products to customers with total claim of RM1.17 million.

It was observed that there were two common issues relating to mis-selling:

- Providing customers with misleading information about a financial product by omitting its key features or providing information that is inaccurate about the attributes of such product.
- Recommending a financial product that is unsuitable and incompatible with the consumers' risk profile.

The common dispute observed was the alleged mis-selling of insurance plans marketed as savings or retirement plans that offer high returns compared to fixed deposit rates. Other cases involved consumers allegedly being enticed into purchasing products with ambiguous premium payments, inaccurate product features and vague early termination clauses.

In resolving the disputes, we take into consideration the following factors:

- i) Whether the alleged misrepresentation by the FSPs influenced the complainant into making the decision to purchase the said policy.
- ii) Whether the sales process of products by the FSPs was conducted fairly and in line with the minimum requirements of the relevant Bank Negara Malaysia guidelines.
- iii) What transpired during the early stage of the policy commencement which led to the complaint.
- iv) Whether the FSPs ensured that the financial products and services sold are appropriate to the consumers' needs and resources and that the product features presented to the consumers are clear and accurate.
- v) Whether the FSPs paid special attention to vulnerable customers (e.g., age and language limitation).

In most instances, we observed that the complainant's grounds of misrepresentation were on the complainant's impression that the premium was a one-time payment and that he/she was unaware of the 'free look period' to cancel the product.

Where there is a clear misrepresentation by the sales staff which led to the purchase of the policy, the FSPs may be required to compensate the complainant for the financial loss suffered.

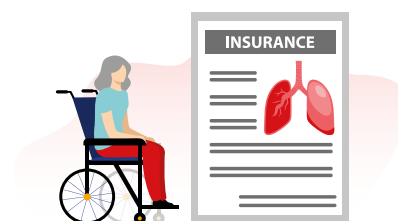
To prevent the occurrence of such incidents, we recommend that FSPs regularly provide comprehensive training for its staff on the product features such as the product type, premium payment frequency and premium allocation. Similarly, the consumers are also reminded to review all the sales documents in particular the 'Product Disclosure Sheet' to understand the basic features of the product. If the financial product is incompatible with the consumers' financial needs, they must be informed and made aware upfront of their rights to return the policy to the FSPs for a full refund of premiums within the free-look period.

During the year, 35 cases under operational issues were closed. About 22% (8 cases) valued at RM162,157.62, were resolved through mutual settlement. The recommendation issued for one case was accepted by the parties, one was withdrawn and five were closed due to no response from the complainant.

A total of 20 cases were referred for Adjudication. The Ombudsman upheld the FSP's decision for 17 cases and revised their decision for two cases. One case was mutually settled between the parties in dispute.

CASE STUDY

Mis-selling of Insurance Product by Bank



Jane, aged 62, went to the bank in April 2019 and was attended to by the bank's sales officer who promoted an investment plan by an insurance company. She had agreed to purchase the investment plan and was informed by the sales officer that the premium of RM20,000 was a one-off payment. A year later, she received a notice from the insurance company requesting another payment of RM20,000. Upon receiving the notice, she clarified the matter with the sales officer who gave her the assurance that she need not pay an extra RM20,000 for the policy to be renewed and remain valid.

In September 2020, Jane was diagnosed with lung cancer (Stage 4). To her dismay, she was informed by the insurance company that her policy had lapsed and consequently, did not cover her illness. Jane was made to understand that both the insurance company and the bank had different interpretations of the insurance policy.

Jane contended that she was misled by the sales officer into purchasing the plan. However, the bank rejected her claim on the grounds that the sale was conducted in accordance with its sales process.

Our Findings

Based on the case manager's investigation, Jane had signed all the necessary documents evidencing her acknowledgement and understanding of the product purchased. Nonetheless, the case manager found that there was a language barrier when the product was explained to Jane. While the documents, forms and pamphlets were in English

language, the sales representative explained to Jane in the Chinese (Hokkien) language. As she was only proficient in Hokkien, she also rejected and ignored the 'welcome calls' by the insurance company when the representative of the insurance company spoke in languages other than Chinese.

Outcome

The case manager's recommendation was made in favour of Jane on the following grounds:

- i) The complainant should be viewed as a vulnerable consumer, in view of her age and the language limitation which gave rise to a situation where she was significantly less able than a typical consumer.
- ii) Jane relied heavily on the information and explanation given by the sales representative in the Chinese (Hokkien) language which was different from the facts of the product displayed in the documents, forms, and pamphlets in the English language.
- iii) The sales representative failed to provide a clear and adequate explanation of all material information about the product to enable Jane make an informed decision.
- iv) The relevant Bank Negara Malaysia guidelines prescribe the requirement for FSPs to ensure that all forms and pamphlets are available in Bahasa Malaysia or other languages.

Both Jane, and the bank accepted the case manager's recommendation and the bank agreed to refund the premium payment of RM20,000 to Jane.

LOAN ADVANCES AND ISLAMIC FINANCING

About 51% of the disputes in this category were related to excessive or unreasonable interest charged, leading to high loan principal outstanding with extended loan tenure. The remaining 49% of the disputes were related to a variety of disputes ranging from system and human error by FSPs, non-refund of excessive fire insurance premiums levied by FSPs, overpayment, Mortgage Reducing Term Assurance claims and unreasonable extension of loan tenure without notice.

During the dispute resolution process, consumers were apprised of their obligations and responsibilities as borrowers, and their awareness of the industry practices particularly on the computation and apportionment of interest/profit on loan/financing.

The FSPs have made progressive enhancements to their respective administration processes for better client experience in line with OFS' observations.

There were 11 cases resolved through mutual settlement between the parties valued at RM129,251.52. Seven cases were resolved after issuance of the recommendation while another seven were referred to the Ombudsman for Adjudication.

CASE STUDY

Islamic Financing – Dispute on Home Financing

Encik Salman was a bank staff and was granted the staff *Bai' Bithaman Ajil Term Financing-i* facility (based on staff profit rate) to finance a joint purchase of a property together with his wife in 2010. Encik Salman resigned from the bank in June 2011. However, upon his resignation, the bank did not adjust the profit rate to the commercial rate, and he continued to enjoy the privilege of the staff profit rate for a few more years.

In 2019, the bank discovered that the profit rate was not converted to the commercial rate. Thus, the bank recalculated the profit and sent a notice to him on the readjustment of the profit rate. The notice required Encik Salman to pay an additional RM15,000 of profit outstanding after readjustment of the profit rate from the time he ceased employment with the bank in June 2011. Upon receiving the notice, he was shocked by the bank's instructions as he has been paying their instalments regularly.

Encik Salman contended that the readjustments and recalculation of the profit ought to have been performed by the bank at the point of cessation of employment instead of eight years later.



Our Findings

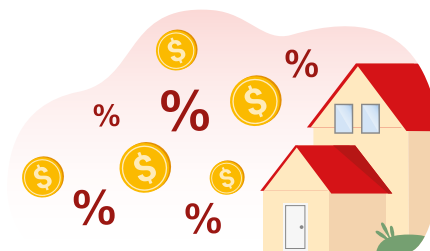
Based on the terms and conditions in the financing offer letter, the bank has the discretion to recall the financing or convert it into an ordinary home financing which is subject to approval. In this regard, the bank had taken the opportunity to recalculate the profit in 2019 upon discovery of Encik Salman's cessation of employment in June 2011.

Outcome

There was an oversight by the bank on Encik Salman's employment status which the bank ought to have detected at the point of his resignation date. Based on the case manager's observation, the bank agreed to waive half of the profit payable and Encik Salman and his wife accepted the offer.

CASE STUDY

Loan – Dispute on Interest Charged to Housing Loan



Mr. Samy and his wife obtained a housing loan facility from the bank. When the loan offer letter was signed in 2013, the land for the house construction was vacant and the prevailing interest rate was Base Lending Rate (BLR) – 3.00%. The specific terms and conditions contained in the loan offer letter, amongst others, stipulated that the bank has the right to revise the monthly repayment of the housing loan facility to BLR + 1.50% in the event Mr. Samy and his wife failed to commence construction of his house within 12 months from the date of the offer letter.

As Mr. Samy and his wife did not construct the bungalow within the stipulated timeframe, the bank had increased the interest rate from BLR – 3.00% to BLR + 1.50%. Mr. Samy and his wife were unhappy with this and requested for the additional interest refund on the following grounds:

- The bank did not notify Mr. Samy and his wife of the revision/increase in the interest rate in April 2014.
- There was an oversight by the bank on the readjustment of the interest rate differential which resulted in Mr. Samy and his wife maintaining a lower instalment amount since the year 2014 instead of a higher instalment based on the interest rate of BLR + 1.50%.

Nonetheless, Mr. Samy's request for the additional interest refund was rejected by the bank on the grounds that the revision of the interest rate was performed in line with the specific terms and conditions stipulated in the loan offer letter.

Our Findings

Upon further investigation, it was found that Mr. Samy was only made aware of the interest rate revision when he approached the bank in October 2020 to request for an interest reduction due to his financial constraints. During his visit, the bank informed Mr. Samy that he has been underpaying the monthly instalments since the year 2014 and that the instalments paid would be insufficient to cover the loan amount by the end of its tenure.

Outcome

The case manager highlighted that it was not fair for the bank to revise/increase the interest rate without notifying Mr. Samy and his wife. In this regard, the bank agreed to waive part of the interest charged amounting to RM14,000 which was accepted by Mr. Samy and his wife, and the matter was settled amicably.

“*Thanks for this good news. I have received the claim today. The progress of my dispute was incredibly fast since you took over. Truly appreciate your outstanding support.*”

List of Members

Members of OFS as at 31 December 2021

COMMERCIAL BANKS

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
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

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ISLAMIC BANKS

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

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DEVELOPMENT FINANCIAL INSTITUTIONS

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

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LIFE INSURANCE COMPANIES

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

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GENERAL INSURANCE COMPANIES

64. AIA General Berhad
65. AIG Malaysia Insurance Berhad
66. Allianz General Insurance Company (Malaysia) Berhad
67. AmGeneral Insurance Berhad
68. AXA Affin General Insurance Berhad
69. Berjaya Sampo Insurance Berhad
70. Chubb Insurance Malaysia Berhad
71. Etiqa General Insurance Berhad
72. Great Eastern General Insurance (Malaysia) Berhad
73. Liberty Insurance Berhad
74. Lonpac Insurance Berhad
75. MPI Generali Insurans Berhad
76. MSIG Insurance (Malaysia) Berhad
77. Pacific & Orient Insurance Co. Berhad
78. Progressive Insurance Berhad
79. QBE Insurance (Malaysia) Berhad
80. RHB Insurance Berhad
81. The Pacific Insurance Berhad
82. Tokio Marine Insurans (Malaysia) Berhad
83. Tune Insurance Malaysia Berhad
84. Zurich General Insurance Malaysia Berhad

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TAKAFUL OPERATORS

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

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APPROVED DESIGNATED PAYMENT INSTRUMENT ISSUERS (NON-BANKS)

E-MONEY ISSUERS

- | | |
|--|---|
| <p>100. AEON Credit Service (M) Berhad
(also a Credit Card Issuer)</p> <p>101. Alipay Malaysia Sdn. Bhd.
(formerly known as helloPay Malaysia Sdn. Bhd.)</p> <p>102. Axiata Digital eCode Sdn. Bhd.</p> <p>103. Bandar Utama City Centre Sdn. Bhd.</p> <p>104. Bayo Pay (M) Sdn. Bhd.</p> <p>105. BigPay Malaysia Sdn. Bhd.
(formerly known as TPaaY Asia Sdn. Bhd.)</p> <p>106. BLoyalty Sdn. Bhd.</p> <p>107. Chevron Malaysia Limited
(also a Charge Card Issuer)</p> <p>108. DIV Services Sdn. Bhd.
(formerly known as ePetrol Services Sdn. Bhd.)</p> <p>109. Fass Payment Solutions Sdn. Bhd.</p> <p>110. Finexus Cards Sdn Bhd
(formerly known as MAA Cards Sdn. Bhd.)</p> <p>111. Fullrich Malaysia Sdn. Bhd.</p> <p>112. Gkash Sdn. Bhd.</p> <p>113. Google Payment Malaysia Sdn. Bhd.</p> <p>114. GoNetPay Sdn. Bhd.
(formerly known as GoPay Sdn. Bhd.)</p> <p>115. GPay Network (M) Sdn. Bhd.</p> <p>116. Instapay Technologies Sdn. Bhd.</p> <p>117. I-Serve Payment Gateway Sdn. Bhd.</p> <p>118. JuruQuest Consulting Sdn. Bhd.</p> <p>119. KiplePay Sdn. Bhd.
(formerly known as Webonline Dot Com Sdn. Bhd.)</p> <p>120. ManagePay Services Sdn. Bhd.</p> <p>121. Maxis Broadband Sdn. Bhd.
(formerly known as Maxis Mobile Services Sdn. Bhd.)</p> | <p>122. Merchantrade Asia Sdn. Bhd.</p> <p>123. Mobile Money International Sdn. Bhd.</p> <p>124. MobilityOne Sdn. Bhd.</p> <p>125. MOL AccessPortal Sdn. Bhd.</p> <p>126. Mruncit Commerce Sdn. Bhd.</p> <p>127. MY E.G. Alternative Payment Services Sdn. Bhd.</p> <p>128. PayPal Pte. Ltd.</p> <p>129. Petron Fuel International Sdn. Bhd.
(also a Charge Card Issuer)</p> <p>130. Presto Pay Sdn. Bhd.
(formerly known as EPP Solution Sdn. Bhd.)</p> <p>131. qBayar Sdn. Bhd.</p> <p>132. Raffcomm Sdn. Bhd.</p> <p>133. Serba Dinamik IT Solutions Sdn. Bhd.</p> <p>134. Setel Ventures Sdn. Bhd.</p> <p>135. ShopeePay Sdn. Bhd.
(formerly known as AirPay Malaysia Sdn. Bhd.)</p> <p>136. SiliconNet Technologies Sdn. Bhd.</p> <p>137. SMJ Teratai Sdn. Bhd.</p> <p>138. TNG Digital Remittance Sdn. Bhd.
(formerly known as Numoni DFS Sdn. Bhd.)</p> <p>139. TNG Digital Sdn. Bhd.</p> <p>140. Touch 'n Go Sdn. Bhd.</p> <p>141. U Mobile Services Sdn. Bhd.</p> <p>142. WannaPay Sdn. Bhd.
(formerly known as ScanPay Sdn. Bhd.)</p> <p>143. Wavpay Systems Sdn. Bhd.</p> <p>144. WeChat Pay Malaysia Sdn. Bhd.</p> <p>145. Wise Payments Malaysia Sdn. Bhd.</p> <p>146. XOX Com Sdn. Bhd.</p> |
|--|---|

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CREDIT CARD ISSUER

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

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CHARGE CARD ISSUERS

148. Boustead Petroleum Marketing Sdn. Bhd.
149. Petronas Dagangan Berhad
150. Radius Business Solutions (M) Sdn. Bhd.
(formerly known as Radius Fuel Cards Sdn. Bhd.)
151. Shell Malaysia Trading Sdn. Bhd

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APPROVED INSURANCE AND TAKAFUL BROKERS

152. Anika Insurance Brokers Sdn. Bhd.
153. Antah Insurance Brokers Sdn. Bhd.
154. Aon Insurance Brokers (Malaysia) Sdn. Bhd.
155. BIB Insurance Brokers Sdn. Bhd.
156. Hayat Insurance Brokers Sdn. Bhd.
157. Howden Insurance Brokers Sdn. Bhd.
158. IIB Insurance Brokers Sdn. Bhd.
159. Insurepro Sdn. Bhd.
160. KSDC Insurance Brokers Sdn. Bhd.
161. MIT Insurance Brokers Sdn. Bhd.
162. MMS (Insurance Brokers) Sdn. Bhd.
163. MP Honan Insurance Brokers (Malaysia) Sdn. Bhd.
164. Perinsu (Broker Insurans) Sdn. Bhd.
165. Perinsuran (Brokar) Sdn. Bhd.
166. PNSB Insurance Brokers Sdn. Bhd.
167. Protac Insurance Brokers Sdn. Bhd.
168. Rosegate Insurance Brokers Sdn. Bhd.
169. Sentinel Insurance Brokers Sdn. Bhd.
(formerly known as Alloy Insurance Brokers Sdn. Bhd.)
170. Sime Darby Lockton Insurance Brokers Sdn. Bhd.
171. SP&G Gallagher Insurance Brokers Sdn. Bhd.
172. State Insurance Brokers Sdn. Bhd.
173. Sterling Insurance Brokers Sdn. Bhd.
174. Tradewinds International Insurance Brokers Sdn. Bhd.
175. Transnational Insurance Brokers (M) Sdn. Bhd.
176. Willis (Malaysia) Sdn. Bhd.

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APPROVED INSURANCE BROKER

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

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APPROVED TAKAFUL BROKERS

178. Howden Takaful Brokers Sdn. Bhd.
179. Marsh Takaful Brokers (Malaysia) Sdn. Bhd.

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APPROVED FINANCIAL ADVISERS AND ISLAMIC FINANCIAL ADVISERS

180. A.D. Avallis Financial Sdn. Bhd.
181. Advance Fin Advisory Sdn. Bhd.
182. Advisonomics Sdn. Bhd.
183. Advise Capital Sdn. Bhd.
184. ASWA Advisory Sdn. Bhd.
185. Bill Morrisons Wealth Management Sdn. Bhd.
186. Blueprint Planning International Sdn. Bhd.
187. Capspring Temasik Financial Group Sdn. Bhd.
188. CC Advisory Sdn. Bhd.
189. Easi Wealth Management Sdn. Bhd.
190. ECL Advisory Sdn. Bhd.
191. Excellentte Consultancy Sdn. Bhd.
192. FA Advisory Sdn. Bhd.
193. Fin Freedom Sdn. Bhd.
194. Finwealth Management Sdn. Bhd.
195. FZM Wealth Advisory Sdn. Bhd.
196. Genexus Advisory Sdn. Bhd.
197. Harvestkorp IFA Solutions Sdn. Bhd.
198. Harveston Financial Advisory Sdn. Bhd.
199. iFAST Capital Sdn. Bhd.
200. I-Max Financial Sdn. Bhd.
201. InsureDIY Sdn. Bhd.
202. ISK Planner Sdn. Bhd.
203. Kenanga Investors Bhd.
204. Legacy Advisory Sdn. Bhd.
205. Louise Holden Capital Management Sdn. Bhd.
206. Magnisave Group Sdn. Bhd.
207. Money Sense Advisory Sdn. Bhd.
208. Phillip Wealth Planners Sdn. Bhd.
209. Polisea Sdn. Bhd.
210. Steadfast Advisory (Malaysia) Sdn. Bhd.
211. Still Waters Fiduciaries Sdn. Bhd.
212. UOB Kay Hian Wealth Advisors Sdn Bhd
213. VKA Wealth Planners Sdn. Bhd.
214. Wealth Vantage Advisory Sdn. Bhd.
215. Whitman Independent Advisors Sdn. Bhd.
216. YES Wealth Planners Sdn. Bhd.

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Updated as at 31 December 2021

Reports and Financial Statements 31 December 2021

OMBUDSMAN FOR FINANCIAL SERVICES

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

Registration No: 200401025885 (664393 P)

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OMBUDSMAN FOR FINANCIAL SERVICES

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

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 2021.

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.

RESULT

RM

Surplus for the financial year	<u>78,097</u>
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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
Antony Fook Weng Lee
Sujatha Sekhar A/P Tan Sri B C Sekhar
Dato' Dr Paul Selvaraj A/L Joseph Thamby
Kalpana A/P Sambasivamurthy (term expired on 15 July 2021)

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 Note 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 12 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 the Company; 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 in 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 12 to the Financial Statements.

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

The Auditors, Grant Thornton Malaysia PLT 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

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) DIRECTORS
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.....
TAN SRI DATO’ SRI TAY AH LEK

Kuala Lumpur
24 March 2022

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 11 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 2021 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



TAN SRI DATO' SRI TAY AH LEK

Kuala Lumpur
24 March 2022

STATUTORY DECLARATION

I, Marina Binti Baharuddin, 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 11 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)
24 March 2022)

MARINA BINTI BAHARUDDIN

Before me:

Commissioner for Oaths



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)

Registration No: 200401025885 (664393 P)

Grant Thornton Malaysia PLT

Level 11, Sheraton Imperial Court
Jalan Sultan Ismail,
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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 2021, 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 11 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 2021, 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 for 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 comprises 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 PLT
(NO: 201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS



LEE SHEAU WEI
(NO: 03539/12/2022 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
24 March 2022

OMBUDSMAN FOR FINANCIAL SERVICES

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	NOTE	2021 RM	2020 RM
ASSETS			
Non-current assets			
Property, plant and equipment	4	117,157	354,765
Intangible asset	5	192,072	-
Right-of-use assets	6	2,222,621	769,084
Total non-current assets		2,531,850	1,123,849
Current assets			
Trade receivables	7	311,095	219,395
Other receivables	8	261,628	270,813
Tax recoverable		35,728	-
Fixed deposits with a licensed bank		1,060,753	1,671,386
Cash and bank balances		1,937,873	1,245,836
Total current assets		3,607,077	3,407,430
Total assets		6,138,927	4,531,279
MEMBERS' FUNDS AND LIABILITIES			
Members' funds			
Balance as at 1 January		3,547,544	3,429,978
Net surplus for the financial year		78,097	117,566
Balance as at 31 December		3,625,641	3,547,544
LIABILITIES			
Non-current liability			
Lease liabilities	6	1,538,550	-
Current liabilities			
Other payables	9	281,538	68,525
Lease liabilities	6	693,198	897,610
Tax payable		-	17,600
Total current liabilities		974,736	983,735
Total liabilities		2,513,286	983,735
Total members' funds and liabilities		6,138,927	4,531,279

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

OMBUDSMAN FOR FINANCIAL SERVICES

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	NOTE	2021 <u>RM</u>	2020 <u>RM</u>
Revenue	10	7,222,500	7,295,600
Other income		350	32,000
Finance income		17,436	37,167
Staff costs	11	(5,232,865)	(5,092,276)
Depreciation		(1,108,278)	(1,137,470)
Finance cost		(64,826)	(146,524)
Other expenses		(768,672)	(820,896)
Surplus before tax	12	65,645	167,601
Tax income/(expense)	13	12,452	(50,035)
Net surplus/total comprehensive surplus for the financial year		78,097	117,566

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

OMBUDSMAN FOR FINANCIAL SERVICES

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	MEMBERS' FUNDS/TOTAL
	<u>RM</u>
Balance at 1 January 2020	3,429,978
Total comprehensive surplus for the financial year	117,566
Balance at 31 December 2020	3,547,544
Total comprehensive surplus for the financial year	78,097
Balance at 31 December 2021	3,625,641

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

OMBUDSMAN FOR FINANCIAL SERVICES

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021	2020
	<u>RM</u>	<u>RM</u>
OPERATING ACTIVITIES		
Surplus before tax	65,645	167,601
Adjustments for:-		
Depreciation of property, plant and equipment	275,691	298,469
Depreciation of right-of-use assets	832,587	839,001
Gain on disposal of property, plant and equipment	(350)	(2,000)
Interest income	(17,436)	(37,167)
Interest expense on lease liabilities	64,826	146,524
Surplus before working capital changes	1,220,963	1,412,428
Changes in working capital:-		
Receivables	(82,515)	165,281
Payables	213,013	(18,930)
Net cash generated from operations	1,351,461	1,558,779
Tax paid	(40,876)	(58,932)
Net cash from operating activities	1,310,585	1,499,847
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	350	2,000
Purchase of property, plant and equipment	(38,083)	(94,550)
Purchase of intangible asset	(192,072)	-
Interest received	17,436	37,167
Net cash used in investing activities	(212,369)	(55,383)
FINANCING ACTIVITIES		
Interest paid on lease liabilities	(64,826)	(146,524)
Repayment of lease liabilities	(951,986)	(718,499)
Net cash used in financing activities	(1,016,812)	(865,023)

OMBUDSMAN FOR FINANCIAL SERVICES

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

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONT'D)

	NOTE	2021 RM	2020 RM
CASH AND CASH EQUIVALENTS			
Net changes		81,404	579,441
At beginning of financial year		2,917,222	2,337,781
At end of financial year	A	2,998,626	2,917,222

NOTES 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:-

	2021 RM	2020 RM
Fixed deposits with a licensed bank	1,060,753	1,671,386
Cash and bank balances	1,937,873	1,245,836
	2,998,626	2,917,222

The effective interest rates for fixed deposits with a licensed bank range from 1.70% to 2.95% (2020: 1.70% to 3.00%) per annum.

B. TOTAL CASH OUTFLOWS FOR LEASES AS A LESSEE

	2021 RM	2020 RM
<u>Included in net cash flow from operating activities:</u>		
Payment relating to low-value assets	9,600	9,600
<u>Included in net cash flow from financing activities:</u>		
Payment of lease liabilities	951,986	718,499
Interest paid in relation to lease liabilities	64,826	146,524
	1,026,412	874,623

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

OMBUDSMAN FOR FINANCIAL SERVICES

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 DECEMBER 2021

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 24 March 2022.

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 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 amendments/ improvements to MFRSs which are mandatory for the current financial year.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements.

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:

Amendments to MFRS effective 1 April 2021:-

Amendments to MFRS 16	Covid-19 Related Rent Concessions
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Amendments to MFRSs effective 1 January 2022:-

Amendments to MFRS 3*	Reference to Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137*	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020* (MFRS 1*, 9, 16 and 141*)	

MFRS and Amendments to MFRSs effective 1 January 2023:-

Amendments to MFRS 4*	Insurance Contracts – Extension of the Temporary Exemption from Applying MFRS 9
MFRS 17 and Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 17*	Initial Application of MFRS 17 and MFRS 19 – Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to MFRS 112*	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS – effective date deferred indefinitely:-

Amendments to MFRS 10 and 128*	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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* Not applicable to the OFS's operations

2. BASIS OF PREPARATION (CONT'D)

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 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 2021, 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 ("ECL") of trade receivables

OFS uses a provision of matrix to calculate ECL 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 ECL is a significant estimate. The amount of ECL 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 ECL on OFS trade receivables is disclosed in Note 16.1 (a) to the Financial Statements.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements (cont'd)

2.6.1 Estimation uncertainty (cont'd)

Provision for expected credit losses ("ECL") of trade receivables (cont'd)

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.

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.

Leases - estimating the incremental borrowing rate

OFS cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that OFS would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what OFS 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. OFS estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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.

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	33 1/3%
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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite life is amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. The amortisation expense on intangible asset with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Website portal under development

Website portal under development refers to website portal under development for intended use in future. The amount of website portal under development is stated at cost and not depreciated until it is completed and ready for its intended use.

3.3 Financial instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.3.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at the initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and OFS's business model for managing them. OFS initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Initial recognition and measurement (cont'd)

OFS's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that OFS commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. OFS's financial assets at amortised cost comprise trade and other receivables and cash and cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- OFS has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) OFS have transferred substantially all the risks and rewards of the asset, or (b) OFS have neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When OFS has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, OFS continue to recognise the transferred asset to the extent of its continuing involvement. In that case, OFS also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that OFS has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that OFS could require to repay.

Impairment

OFS recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost. Expected credit losses are a probability weighted estimate of credit losses.

OFS measures loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowance for trade receivables is always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, OFS consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on OFS's historical experience and informed credit assessment and including forward looking information, where available.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.1 Financial assets (cont'd)

Impairment (cont'd)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which OFS are exposed to credit risk.

OFS estimates the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, OFS assesses whether the financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when OFS determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still subject to enforcement activities in order to comply with OFS's procedures for recovery amounts due.

3.3.2 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

3.3.2 Financial liabilities (cont'd)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

OFS's financial liabilities comprise other payables only.

Financial liabilities at amortised cost

After initial recognition, carrying amounts are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.3.3 Offsetting on financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Impairment non-financial assets

At each reporting date, OFS reviews the carrying amount 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 its present value using a pre-tax discount rate that reflects current market assessments of the time value 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. Impairment losses recognised in respect of a cash-generating unit or groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised as an expense in the profit or loss immediately. Impairment losses of continuing operations are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

3.5 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.

3.6 Revenue from contracts with customers

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Revenue from contracts with customers (cont'd)

3.6.1 Interest income

Interest income is recognised on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable 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.

3.7 Employees benefits

3.7.1 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.

3.7.2 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").

3.8 Leases

OFS assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.8.1 As lessee

OFS applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. OFS recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leases (cont'd)

3.8.1 As lessee (cont'd)

3.8.1.1 Right-of-use assets

OFS recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Premises	3 years
----------	---------

If ownership of the lease asset transfers to OFS at the end of the lease term or cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment as detailed in Note 3.4 to the Financial Statements.

3.8.1.2 Lease liabilities

At the commencement date of the lease, OFS recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments included fixed payments (including in-substance fixed payments) less any incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by OFS and payments of penalties for terminating the lease, if the lease term reflects OFS exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, OFS uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Leases (cont'd)

3.8.1 As lessee (cont'd)

3.8.1.3 Short-term lease and lease of low-value assets

OFS applies the short-term lease recognition exemption to its short-term lease. It also applies the lease of low-value assets recognition exemption to lease of that are considered to be low-value. Lease payments on short-term leases and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.9 Tax expenses

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

3.9.1 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).

3.9.2 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.

4. PROPERTY, PLANT AND EQUIPMENT

	COMPUTERS	MOTOR VEHICLES	EQUIPMENT	FURNITURE AND FITTINGS	RENOVATION	BOOKS	TOTAL
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
COST							
AT 1 JANUARY 2020	1,012,741	330,634	329,474	692,690	611,178	150,000	3,126,717
ADDITIONS	80,962	-	10,388	3,200	-	-	94,550
DISPOSAL	(45,730)	-	-	-	-	-	(45,730)
AT 31 DECEMBER 2020	1,047,973	330,634	339,862	695,890	611,178	150,000	3,175,537
ADDITIONS	27,273	-	-	2,320	8,490	-	38,083
DISPOSAL	(84,990)	-	-	-	-	-	(84,990)
AT 31 DECEMBER 2021	990,256	330,634	339,862	698,210	619,668	150,000	3,128,630
ACCUMULATED DEPRECIATION							
AT 1 JANUARY 2020	691,467	165,393	304,289	654,596	602,288	150,000	2,568,033
CHARGE FOR THE FINANCIAL YEAR	185,318	66,127	15,614	22,520	8,890	-	298,469
DISPOSAL	(45,730)	-	-	-	-	-	(45,730)
AT 31 DECEMBER 2020	831,055	231,520	319,903	677,116	611,178	150,000	2,820,772
CHARGE FOR THE FINANCIAL YEAR	194,513	66,125	8,384	4,970	1,699	-	275,691
DISPOSAL	(84,990)	-	-	-	-	-	(84,990)
AT 31 DECEMBER 2021	940,578	297,645	328,287	682,086	612,877	150,000	3,011,473
NET CARRYING AMOUNT							
AT 31 DECEMBER 2021	49,678	32,989	11,575	16,124	6,791	-	117,157
AT 31 DECEMBER 2020	216,918	99,114	19,959	18,774	-	-	354,765

5. INTANGIBLE ASSET

	WEBSITE PORTAL UNDER DEVELOPMENT
	<u>RM</u>
COST	
At 1 January 2020/31 December 2020	-
Addition	192,072
At 31 December 2021	192,072
NET CARRYING AMOUNT	
At 31 December 2021	192,072

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

OFS has lease contracts for premises used in its operations. Leases of premises generally have lease terms 3 years. There are no lease contracts that include extension, termination options and variable lease payments.

Right-of-use assets

Set out below is the carrying amount of right-of-use assets recognised and the movement during the year:

	PREMISES
	<u>RM</u>
COST	
At 1 January 2020/31 December 2020	1,678,002
Addition	2,286,124
Written off	(1,678,002)
At 31 December 2021	2,286,124
ACCUMULATED DEPRECIATION	
At 1 January 2020	69,917
Charge for the financial year	839,001
At 31 December 2020	908,918
Charge for the financial year	832,587
Written off	(1,678,002)
At 31 December 2021	63,503
NET CARRYING AMOUNT	
At 31 December 2021	2,222,621
At 31 December 2020	769,084

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Lease liabilities

	2021	2020
	<u>RM</u>	<u>RM</u>
<u>Current</u>		
- less than 1 year	693,198	897,610
<u>Non-current</u>		
- more than 1 year but less than 5 years	1,538,550	-
	2,231,748	897,610

The lease liabilities bear interest rate of 5% (2020: 5%) per annum.

Set out below is the carrying amount of lease liabilities and the movement during the year:

	2021	2020
	<u>RM</u>	<u>RM</u>
At 1 January	897,610	1,616,109
Addition	2,286,124	-
Accretion of interest	64,826	146,524
Payments	(1,016,812)	(865,023)
At 31 December	2,231,748	897,610

The following are the amounts recognised in profit or loss:-

	2021	2020
	<u>RM</u>	<u>RM</u>
Depreciation of right-of-use assets	832,587	839,001
Interest expense on lease liabilities	64,826	146,524
Expenses relating to low value assets	9,600	9,600

7. TRADE RECEIVABLES

OFS's normal trade credit terms is 30 days (2020: 30 days).

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

8. OTHER RECEIVABLES

	2021	2020
	<u>RM</u>	<u>RM</u>
Other receivables	22,791	23,686
Deposits	98,848	98,448
Prepayments	134,559	143,249
Goods and services tax receivable	5,430	5,430
	261,628	270,813

9. OTHER PAYABLES

	2021	2020
	<u>RM</u>	<u>RM</u>
Accruals	281,538	68,525

10. REVENUE

	2021	2020
	<u>RM</u>	<u>RM</u>
Levy income, revenue recognised over time	5,544,000	5,544,000
Case fee, revenue recognised at a point in time	1,678,500	1,751,600
	7,222,500	7,295,600

The credit terms are disclosed in Note 7 to the Financial Statements.

11. STAFF COSTS

	2021	2020
	<u>RM</u>	<u>RM</u>
Salaries, wages and bonus	4,327,391	4,224,071
Employees Provident Fund	581,146	527,587
Social security contributions	32,501	31,424
Other benefits	291,827	309,194
	5,232,865	5,092,276

12. SURPLUS BEFORE TAX

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

	2021	2020
	<u>RM</u>	<u>RM</u>
Auditors' remuneration	12,500	12,500
Directors' emoluments	135,600	259,038
Indemnity and insurance for Directors	32,760	31,543

The amount of indemnity coverage and insurance premium paid for Directors and officers of the Company during the financial year was RM7,500,000 and RM32,760 respectively.

13. TAX (INCOME)/EXPENSE

	2021	2020
	<u>RM</u>	<u>RM</u>
Current tax:		
- Current year	120	42,725
- (Over)/Underprovision in prior year	(12,572)	7,310
	(12,452)	50,035

Malaysian income tax is calculated at the statutory rate of 24% (2020: 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 OFS is as follows:

	2021	2020
	<u>RM</u>	<u>RM</u>
Surplus before tax	65,645	167,601
At Malaysian statutory tax rate of 24% (2020: 24%)	15,755	40,224
Tax effect in respect of:		
Non-allowable expenses	88,294	106,995
Tax exempted income	(103,929)	(104,494)
(Over)/Underprovision in prior year	(12,572)	7,310
	(12,452)	50,035

The levy income is tax exempted under Income Tax (Exemption) (No.19) Order 2005. The case fee is tax exempted under 127(3A), Income Tax (ACP) 1967 for five years from 2021 until 2025.

14. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

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

15. CAPITAL COMMITMENT

	2021	2020
	<u>RM</u>	<u>RM</u>
CAPITAL EXPENDITURE:		
<u>Authorised and contracted for:-</u>		
Intangible asset	-	192,072

16. FINANCIAL INSTRUMENTS

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

16. FINANCIAL INSTRUMENTS (CONT'D)

16.1 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)

OFS is exposed to credit risk in the following areas:

(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 OFS's trade receivables using a provision matrix:

	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET BALANCES
	<u>RM</u>	<u>RM</u>	<u>RM</u>
2021			
Not past due	177,500	-	177,500
Past due 1-30 days	49,500	-	49,500
Past due 31-60 days	37,595	-	37,595
Past due 61-90 days	39,000	-	39,000
Past due more than 90 days	7,500	-	7,500
	311,095	-	311,095

16. FINANCIAL INSTRUMENTS (CONT'D)

16.1 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)

OFS is exposed to credit risk in the following areas (cont'd):

(i) Receivables (cont'd)

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

	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET BALANCES
	RM	RM	RM
2020			
Not past due	133,800	-	133,800
Past due 1-30 days	40,595	-	40,595
Past due 31-60 days	25,500	-	25,500
Past due 61-90 days	16,500	-	16,500
Past due more than 90 days	3,000	-	3,000
	219,395	-	219,395

(ii) Other receivables

The maximum exposure to credit risk is represented by its carrying amounts in the statement of financial position.

(iii) 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 arising 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.

16. FINANCIAL INSTRUMENTS (CONT'D)

16.1 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 summary of the maturity profile of OFS's financial liabilities based on contractual undiscounted repayment obligation is as follow:-

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	← MATURITY →	
			WITHIN 1 YEAR	BETWEEN 1 TO 2 YEARS
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
2021				
Other payables	281,538	281,538	281,538	-
Lease liabilities	2,231,748	2,560,320	877,824	1,682,496
	2,513,286	2,841,858	1,159,362	1,682,496

In prior year, 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:-

	2021	2020
	<u>RM</u>	<u>RM</u>
FIXED RATE INSTRUMENTS:		
<u>Financial asset</u>		
Fixed deposits with a licensed bank	1,060,753	1,671,386
<u>Financial liability</u>		
Lease liabilities	2,231,748	897,610

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.

16. FINANCIAL INSTRUMENTS (CONT'D)

16.2 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/or insignificant impact of discounting.

16.3 Fair value hierarchy

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

17. FUND MANAGEMENT

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

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

Total fund managed is the Members' Funds as shown in the Statement of Financial Position.

Ombudsman for Financial Services

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