2020 ANNUAL REPORT

Rising to the challenge of the new normal

OMBUDSMAN FOR FINANCIAL SERVICES
OMBUDSMAN PERKHIDMATAN KEWANGAN
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.

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 VISION

To be the trusted and well-respected independent dispute resolution avenue for financial consumers.
**01/ FAIRNESS AND IMPARTIALITY**

In dealing with disputes, OFS shall act fairly and impartially. The Ombudsman must ensure that information provided by Members and eligible complainants is carefully and objectively considered in reaching a well-reasoned decision, while having regard to the law, regulations, standards and/or guidance issued by Bank Negara Malaysia as well as industry best practices.

OFS must ensure that at all times, the Case Manager and Ombudsman handling a dispute have no conflict of interest with any of the disputing parties and provide fair, adequate and intelligible reasons for any decisions given.

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**02/ ACCOUNTABILITY**

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

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**03/ ACCESSIBILITY**

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

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**04/ INDEPENDENCE**

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

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**05/ TRANSPARENCY**

OFS shall publish information on its services and scope of coverage. This would include the types of disputes and awards granted by an Ombudsman, the approach adopted in handling disputes and the manner in which the decisions were made.

In a dispute of material significance, OFS shall also publish relevant information on the reasons for arriving at a particular decision with a view to educate the public and Members. However, the identities of the disputing parties shall remain anonymous, in compliance with any confidentiality and privacy obligations.

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**06/ EFFECTIVENESS**

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

We are approaching the fifth year of the inception of Ombudsman for Financial Services (OFS) since the operationalisation of the Financial Ombudsman Scheme (FOS) in October 2016. During this almost half-decade, we have increased consumers’ awareness of our service in seeking reliefs for certain grievances from our Members through us.

Last year in particular, we saw a significant rise in the number of enquiries and complaints from consumers with many of these related to travel insurance claims, unauthorised transactions and financial scams.

The public was notified of the temporary closure of the office and were informed of ways to contact us through email and social media. It is crucial that we are accessible to consumers under such unavoidable circumstances.

Another aspect of the approach we adopted during the pandemic is the use of digital technologies. This was intensified. Engagement sessions with our stakeholders, mediation sessions with the disputing parties, the annual general meeting, the Board, and some committee meetings were conducted virtually.

Following what we have done previously, we collaborated with our counterparts, the Securities Industry Dispute Resolution Center (SIDREC) and Singapore’s Financial Industry Disputes Resolution Centre Ltd (FIDReC) in organising a public webinar to create awareness of the functions of the different alternative dispute resolution (ADR) bodies within the South East Asian region. In the light of the travel restrictions due to the pandemic, the International Network of Financial Services Ombudsman Schemes (INFO Network) conference jointly hosted by OFS and SIDREC which was scheduled in September 2020 has been postponed.

I acknowledge the multitude of challenges faced by our staff during the MCO and for this, I truly appreciate their resilience,
preservation, tolerance, and dedication in continuing to perform their duties without jeopardising the quality of our services. On behalf of the Board, I thank them for the support and devotion to their work.

A very special tribute to Datuk Dr Marimuthu Nadason, Mr Ong Chong Hye and Encik Mohd Radzuan Ab Halim, who retired from the Board on 21 August 2020. They served on the Board as Non-Executive Independent Directors for the past 16 years. My appreciation to Mr Jeremy Lee and also to Mr David Tan who resigned as Non-Executive Independent Directors on 31 August 2020 and 10 December 2020 respectively. They stepped down from the Board as they are attached to organisations that give rise to a conflict of interest with that of OFS.

They have contributed immensely to the success of the organisation and I wish them all the very best in their future endeavours.

I would also like to extend a warm welcome to the newly appointed Non-Executive Independent Directors, Dato’ Dr Paul Selvaraj and Ms Sujatha Sekhar Naik. I am confident that their wealth of experience and wisdom will bring value to OFS.

We are still in the midst of a global pandemic, but we look ahead with continued optimism. Having learned from experience, we are more prepared to deal with challenges we are now facing while embracing the new normal of physical distancing, extensive use of digital means of communicating, remote working culture albeit maintaining our commitment to providing a fair, effective, and efficient dispute resolution to consumers and financial service providers.

On behalf of the Board, I sincerely thank our Members, the Regulator, and stakeholders for their continued support.

Finally, keep safe and all the best for the year 2021.

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen
Chairman
CEO’s Report

We are stepping into another year as the operator of the Financial Ombudsman Scheme (FOS). Looking back, 2020 has been a challenging and transformative year for the Ombudsman for Financial Services (OFS). The unprecedented COVID-19 pandemic impacted our operations and prompted us to redesign our business strategies and adapt to new practices in dealing with our work.

Notwithstanding the challenges, every effort was made to continue providing our trademark of effective, independent, impartial, and accessible alternative dispute resolution service to financial consumers and financial service providers.

Among the measures taken to circumvent the pandemic, our staff transitioned to working from home following the temporary closure of our office after the announcement of the Movement Control Order (MCO) by the authorities. To support our remote operations, we leveraged digital technologies to enable staff to continue operating with minimal disruptions. Leveraging digital technologies opened up a variety of creative avenues to communicate and collaborate with all parties involved. Face-to-face mediation sessions with the disputing parties were transformed into virtual meetings. Constant interaction with staff kept them motivated and engaged in their work.

We ensured that the public had several easily accessible options to contact us. We provided avenues such as our website, social media pages, virtual meetings, and direct calls to facilitate a seamless continuation of our services.

The safety and well-being of our staff have always been our top priority and, as such, precautions were taken to minimise the risk of exposure to the virus. Upon easing of the MCO, we implemented rotational work arrangements and reduced operating hours to keep our staff safe.

We adhered to the recommended Standard Operating Procedure (SOP) by the Ministry of Health; amongst others, maintaining personal hygiene, physical distancing, wearing of masks, measurement of temperature and regular disinfection of workspace.

Although the pandemic was unprecedented and presented great challenges, we managed to work within the SOPs, using all available resources, including digital technologies, virtual communication, and networking, to continue providing the best of services to our consumers and Members.

2020 PERFORMANCE

Complaints and enquiries
Since the operationalisation of the FOS in 2016, our workload has been growing at a steady pace. Last year, we attended to 12,017 enquiries and complaints from the public, the highest volume handled in the past four years of our operations. As the restrictions due to the pandemic prevented us from attending to walk-in complaints, the bulk of the enquiries and complaints were received through email.
Out of the 12,017 enquiries and complaints handled, 7,340 were new complaints from financial consumers, a significant increase of 67% compared to 2019 (4,385). Out of the 7,340 new enquiries received, 1,285 were registered as eligible disputes. The rest were out of scope mainly consisting of general enquiries on product features, issues on underwriting and moratorium of loan repayment.

**Disputes handled and disposed**

The number of disputes registered have shown a steady increase since 2016. We handled a total of 1,721 cases comprising 1,285 newly registered cases and 436 brought forward from 2019.

About 60% of the newly registered cases were against the conventional insurance and takaful sector, followed by banking and Islamic banking at 38% and payment systems at 2%.

We registered a considerable number of travel insurance claims for trip cancellation and curtailment arising from border closures worldwide due to the COVID-19 pandemic.

We also saw a significant rise in the number of disputes involving financial scams, especially during the lockdown period. This could be attributed to the increase in e-commerce and internet banking activities during the MCO. Additionally, people who had been affected financially by the pandemic were likely to be more susceptible to scams. We have shared the various modus operandi that fraudsters would use to trick consumers as well as the steps to avoid being scammed through articles published on our website and social media pages. We were also featured on a cover story by The Edge Malaysia, entitled ‘Consumers more vulnerable to scams during the pandemic’ last year. We will continue to spread awareness of financial scams as part of our consumer financial education campaign.

We aim to resolve disputes amicably through negotiation, mediation, and conciliation. To this end, a total of 966 cases were disposed, of which 37% were settled amicably through a mutual settlement between the financial services providers and complainants. To this, we thank the financial services providers for being amenable to resolving the disputes amicably.

The rest of the disputes were disposed through written recommendations by Case Managers (26%) and adjudication by the Ombudsmen (20%). About 17% of the disputes were closed because they were withdrawn by complainants.

In terms of timeliness, 57% of cases were resolved within six months of registration and 76% were outstanding less than six months. We are fully committed to improving the turnaround time of the dispute resolution process.

**Financial management**

OFS’ operations are funded through levies and case fees received from our Members. The case fees collected go towards reducing the budget requirement and the annual levy is shared equally among the Licensed and Prescribed Members.

The revenue for 2020 was recorded at RM7,295,600, comprising levies of RM5,544,000 and case fees of RM1,751,600.

The overall operating expenses for the year was RM7,188,474, a marginal reduction of 3.7% as compared to RM7,465,724 last year. We continue to adopt prudent financial management in ensuring financial sustainability.

**Stakeholder engagements**

Given the movement restrictions imposed by the authorities due to the pandemic, almost all on-ground community events have been postponed or cancelled. Our public awareness campaigns have predominantly shifted to the use of digital platforms.

We regularly published informative contents for our followers on the official social media pages. As part of our public awareness drive, we also promoted OFS’ services via digital and streaming platforms reaching an audience totalling to almost one million countrywide. We have succeeded in penetrating the underserved communities from rural areas in East Malaysia and the East Coast region virtually.

As in the previous years, we continued to hold engagement sessions with our Members and the industry associations to discuss emerging issues and highlight our major observations based on the disputes handled.
In collaboration with the Securities Industry Dispute Resolution Center (SIDREC) and Singapore’s Financial Industry Disputes Resolution Centre Ltd (FIDReC), a public webinar entitled, ‘Independent, Impartial, and Effective Dispute Resolution Made Possible’ was held on 27 November 2020 to raise awareness of the functions of the three alternative dispute resolution bodies within the region.

Due to the pandemic, the International Network of Financial Services Ombudsman Schemes (INFO Network) conference, co-hosted by OFS and SIDREC and scheduled to be held in Kuala Lumpur in September last year, has been postponed.

We are committed to providing the best service to both consumers and our stakeholders. Based on the statistics from the Consumer Satisfaction Survey conducted in 2020, the overall rating of our services improved from 68% in 2019 to 73%. We accept the constructive feedback received from the respondents as an opportunity for growth and improvement.

**Capacity building**
As we embrace the use of technology and recognise the evolution of financial products, it is important to increase the knowledge and competencies of staff through upskilling and re-skilling. On this, a number of workshops, webinars and information sharing sessions were conducted to increase the skill set of our staff.

**APPRECIATION**
I am indeed grateful to the Board of Directors for their immense guidance and support during these challenging times.

My sincere appreciation to our former Independent Directors; Datuk Marimuthu Nadason, Mr Ong Chong Hye, Encik Mohd Radzuan Ab Halim and Mr Jeremy Lee for their invaluable contribution to OFS’ success all these years. I wish to also thank Mr David Tan See Dip for his contribution during his short tenure as Independent Director.

I welcome our new members of the Board, Dato’ Dr Paul Selvaraj and Ms Sujatha Sekhar Naik who joined us in September last year.

My gratitude to Bank Negara Malaysia, the industry associations, our Members and other collaborative partners for their continuous support and cooperation throughout the year.

Finally, my deepest appreciation to my colleagues at OFS for their unwavering commitment, diligence, and perseverance in carrying out their duties both efficiently and effectively and, continuing to provide an impartial dispute resolution service to the financial consumers and financial service providers despite the constraints.

**PROGRESSING AHEAD**

Amid the challenges encountered last year, the pandemic has taught us to be adaptable and resilient. It has also propelled us to be more digital-savvy and it has also given us an opportunity to explore alternate and workable approaches in providing our services away and apart from the traditional work environment.

We continue to further accelerate digitalisation in OFS’ operations. On this, we have embarked on the development of a new portal and a new complaint management system to automate and streamline our current work process to improve efficiency in handling complaints and managing disputes.

The battle of COVID-19 is far from over and learning from the experience, we are better prepared and equipped to deal with the new normal and adapt to the realities of remote working, virtual communication and digitalisation.

Working within the constraints and confines of this new normal resulting from the pandemic, we remain committed and dedicated to providing the highest grade of services to consumers and our Members. Our hallmark has always been, and will continue to be; fair, impartial and effective dispute resolution.

**Marina Baharuddin**
Chief Executive Officer
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 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 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 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 the Public Bank Group of companies, director of Cagamas Holdings Bhd, and Chairman of the Association of Hire Purchase Companies of Malaysia. In addition to this, he is also a member of the Steering Committee and the Service Provider Consultative Group of the National Payments Advisory Council, and Council Member of Association of Banks in Malaysia. He was a member of the Economic Action Council from 2019-2020.

Tan Sri Tay graduated from Henley Business School, UK with an MBA and attended the Advanced Management Program at Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management; Fellow of the Chartered Banker of the Asian Institute of Chartered Bankers, Fellow of the Chartered Banker Institute (CBI), Scotland; and Fellow of the CPA Australia and 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 and Chief Executive Officer 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. Dato’ Dr. Paul is currently the Chief Editor of RINGGIT, a monthly bulletin focusing on financial education. He is also 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.
DATIN VERONICA SELVANAYAGY

Datin Veronica was appointed as a Non-Executive Non-Independent Director in October 2011. Prior to joining the insurance industry, Datin Veronica was in legal practice for six years, handling both litigation and conveyancing matters. She is currently Head of the legal team of AIA Malaysia as well as General Counsel and Exco member of AIA Malaysia overseeing the legal, company secretarial, investigation, corporate governance, corporate security, business continuity and occupational safety functions for AIA Bhd, AIA Public Takaful, AIA Health Services Sdn Bhd and AIA Pension Asset Management Sdn Bhd. She was called to the Bar in 1991.

Datin Veronica has more than 20 years’ experience and expertise in the local insurance industry which includes corporate mergers and acquisitions, joint ventures, and general consultation. She also had legal responsibility for the AIA entities in India, Sri Lanka and Indonesia.

She is a member of the Disciplinary Committee, Malaysian Financial Planning Council (MFPC); and also a member of the Administration and Finance Committee, Life Insurance Association Malaysia (LIAM). She is currently the Chairperson of LIAM, Persatuan Insuran Am Malaysia (PIAM) and Malaysian Takaful Association (MTA) Joint Task Force for the Personal Data Protection Act (PDPA) and Competition Act.

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 Persatuan Insuran Am Malaysia (PIAM), Chairman of the Malaysian Insurance Institute and Director of the Financial Services Professional Board (FSPB).

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.

MS KALPANA SAMBASIVAMURTHY

Ms Kalpana was appointed as a Non-Executive Non-Independent Director in July 2018. She is currently Executive Director of the Association of Banks in Malaysia (ABM). Ms Kalpana holds an LL.B. (Hons) degree from the University of the West of England, Bristol and a Master’s degree in International Relations from the University of Nottingham.

She spent a decade in legal practice and thereafter moved into the corporate arena. She has more than 18 years’ experience advising on complex mergers and acquisitions, banking matters and general corporate matters.
MS 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. She is the Managing Partner and Principal Consultant of SSN Consult Plt. 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.

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. She is currently a member of the Board of Governors of the Malaysian Institute of Corporate Governance (MICG) and an Associate Director with RAA Capital Partners Sdn Bhd.

MR DAVID TAN SEE DIP

Mr David Tan See Dip was appointed as a Non-Executive Independent Director of OFS in September 2020. He resigned from the OFS’ Board in December 2020.

He holds a Bachelor of Commerce and Administration degree from Victoria University of Wellington, New Zealand. He is also qualified as a chartered accountant, chartered company secretary and certified insurance practitioner. In addition, he was a member of the Chartered Accountants Australia & New Zealand, Institute of Chartered Secretaries and Administrators, Malaysia Institute of Accountants, and a Senior Associate of The Australia and New Zealand Institute of Insurance and Finance until his retirement.

Mr Tan retired from the insurance industry after having worked 40 years in the finance and insurance industry. Started his career as an auditor, then an accountant and various other roles as an underwriter, broker and advisor and culminating his working career as a CEO of an insurance company in Malaysia.

He has also served as a Management Committee member of Persatuan Insurans Am Malaysia and was on the Board of Trustees of MySalam and is currently an Academic Council member of Malaysia Insurance Institute.
OFS conveys its sincere appreciation to Datuk Dr Marimuthu Nadason, Mr Ong Chong Hye and Encik Mohd Radzuan Ab Halim who retired from OFS in August 2020 after serving on the Board as Non-Executive Independent Directors for almost 16 years.

We would also like to express our heartfelt gratitude to Mr Jeremy Lee Eng Huat who stepped down from the Board in August 2020. Mr Jeremy served as Chief Executive Officer of OFS from 2012 to 2017 before returning to Bank Negara Malaysia.

He was appointed as Non-Executive Independent Director of OFS in March 2018. We wish to also thank Mr David Tan See Dip who served on OFS’ Board from September 2020 until December 2020.

We are grateful for all the hard work and invaluable services these directors have contributed to OFS over the years. Their dedication, experience, and passion have steered OFS towards an effective alternative dispute resolution body. We wish them well in their future endeavours.
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.
OFS’ Operations

OFS’ DISPUTE RESOLUTION APPROACH

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

At the Case Management stage, our Case Manager will try to resolve the dispute through mediation and, if no settlement is reached, the Case Manager will issue a recommendation. If either party disagrees with the recommendation, they may refer the matter to the Ombudsman for Adjudication.

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.

Each dispute is viewed independently and with impartiality. OFS does not ‘take sides’. All facts and evidence provided by the financial service provider and the complainant are weighed carefully before a fair and reasonable resolution is proposed.

WHAT IS AN OMBUDSMAN?

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

### OFS’ MONETARY JURISDICTION

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

<table>
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<tr>
<th>Description</th>
<th>Monetary Limit</th>
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<tbody>
<tr>
<td>Banking and Islamic banking products and services/insurance and takaful claims</td>
<td>RM250,000</td>
</tr>
<tr>
<td>Motor third party property damage insurance/takaful claims</td>
<td>RM10,000</td>
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<tr>
<td>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</td>
<td>RM25,000</td>
</tr>
</tbody>
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### ELIGIBLE COMPLAINANTS

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:

- Insured persons under group insurance
- Persons covered under group takaful
- Third parties making a claim for property damage under motor insurance/takaful
- Nominees or beneficiaries under a life policy/family takaful certificate or a personal accident policy/personal accident takaful certificate
- Insured persons/covered persons and beneficiaries of the insured persons/covered persons under a group insurance/takaful certificate
- Guarantors of a credit facility
DISPUTES OUTSIDE OFS’ SCOPE

OFS will not consider the following complaints or disputes:

- 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).
- Cases on general pricing, product features, credit or underwriting decisions, or applications to restructure or reschedule a loan or financing which are commercial decisions.
- The actuarial standards, tables, and principles which a Member applies to its long-term insurance/takaful business.
- Any complaints relating to contract of employment or agency matters.
- Complaints referred to court or arbitration.
- Cases brought to OFS after the six-month time limit (from the date of the final decision issued by Members).
- Complaints that are time barred under the Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap.72), or Limitation Ordinance (Sarawak) (Cap.49).
- 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.
- Complaints or disputes on investment performance except in relation to non-disclosure of facts or misrepresentation.
- Complaints on capital market services and products.
- Disputes involving multiple complainants without the consent of the other complainant.
- Complaints involving third party bodily injury and/or death.
- 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.
COMPLAINTS RECEIVED
Letter, Fax, Walk-in, Calls, E-mail

Stage 1 - Case Management
Stage 2 - Adjudication

Is the complaint within OFS’ Scope?

YES

NO
(complaint rejected)

MEDIATION PROCESS
- Negotiation
- Mediation
- Conciliation

within 3 months from receipt of full documents

Did the FSP and Complainant mutually agree to settle?

YES (dispute settled)

Did the FSP and Complainant accept Recommendation?

YES

NO

REGISTER DISPUTES

Did the FSP and Complainant mutually agree to settle?

YES

NO

REG. DISPUTES

COMPLAINTS RECEIVED

Letter, Fax, Walk-in, Calls, E-mail

Stage 1 - Case Management
Stage 2 - Adjudication

Is the complaint within OFS’ Scope?

YES

NO
(complaint rejected)

MEDIATION PROCESS
- Negotiation
- Mediation
- Conciliation

within 3 months from receipt of full documents

Did the FSP and Complainant mutually agree to settle?

YES

NO
Stage 1 - Case Management

Stage 2 - Adjudication

COMPLAINTS RECEIVED
Letter, Fax, Walk-in, Calls, E-mail

Is the complaint within OFS’ Scope?

• Decision is not binding on FSP and complainant
• Complainant may seek other avenues for redress

Did the FSP and Complainant mutually agree to settle?

Did the FSP and Complainant accept Recommendation?

RECOMMENDATION BY CASE MANAGER

REVIEW BY OMBUDSMAN

case proceeds to adjudication

within 14 days from receipt of full documents

Did the Complainant accept or reject the Decision?

ACCEPTS
• Decision is binding on FSP and complainant

REJECTS

FSP

within 30 days

within 30 days

within 30 days

FINAL DECISION

NO

YES
(dispute resolved)

YES
(dispute resolved)

NO
PEOPLE AND ORGANISATION

The Dispute Resolution (DR) Department is the core unit of OFS. The DR department comprises two divisions: Insurance and Takaful and Banking (including Islamic Banking) and Payment Systems. The DR department has 12 Case Managers and six support staff led by their respective Ombudsman.

The majority of our Case Managers are accredited mediators with legal and/or financial backgrounds. Our Case Managers have substantial knowledge and experience in handling various types of financial disputes.

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

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

TEAMWORK
We unleash our potential and achieve exceptional results by working together

HELPFULNESS
We are here to listen and assist you to the best of our ability

RESPECT
We trust, encourage and value one another

INTEGRITY
We do the right thing, in an honest, fair, and responsible way

VITALITY
We are resilient and persistent in facing our challenges

EXCELLENCE
We are committed to excellence with passion and motivation
Capacity building
We are dedicated to helping our staff enhance skills and knowledge as well as productivity. We want to ensure that our staff are focused and consistent in providing quality and effective dispute resolution service.

Various training programmes and workshops are provided to staff to further develop and extend their in-depth product knowledge and expertise in all relevant areas.

In view of the challenges brought about by the COVID-19 pandemic during the year, most of the training sessions have been conducted online.

As virtual meetings and events have become an integral part of the new normal, we also hope to further improve our digital organising skills in keeping up with the changes.

The following were among the training programs conducted in 2020:
- Legal and Practical Guide Doctrine of Legitimate Expectation in Employment by Malaysian Employers Federation (MEF)
- Managing and Handling Probationers by Malaysian Employers Federation (MEF)
- Foundation: Motor Insurance by The Malaysian Insurance Institute (MII)
- Becoming a Professional Thinker by Centre for Asia Leadership
- English Writing Skill by Open Path Education Sdn Bhd
- Effective Time Management by PENTAA Advantage Consultancy Sdn Bhd
- PR Writing Master Class Training by Comfori Sdn Bhd
- Product Knowledge on E-money
ADAPTING TO THE NEW NORMAL

The unprecedented COVID-19 pandemic has altered major aspects of our lives. Our ability to adapt has become more crucial than ever, especially at work. At OFS, we have implemented appropriate measures to ensure the wellbeing of our staff without jeopardising the quality of our service to our consumers and members.

During the Movement Control Order (MCO) announced by the Government in March 2020, we shifted our operations to home-based working. Our staff had full access to office emails and the Complaint Management System (CMS) to carry out their daily tasks remotely. An ‘alternate day’ work schedule was implemented after the easing of the movement restriction under Conditional Movement Control Order (CMCO). Our staff observed SOPs, good personal and workspace hygiene, physical distancing, wearing of masks and temperature screening in the office. All meetings, training and mediation sessions were conducted on the virtual platform.

Having experienced working from home (WFH) for a few months, some staff have found the new routine rather challenging, while others have adapted with increase in productivity while maintaining work-life balance, mental and emotional wellbeing. Here are the experiences shared by some of our staff on WFH:

How IT tools can be utilised effectively during the MCO period

From an IT point of view, we are exceptionally lucky to have Microsoft 365 as well as the enhanced security infrastructure implemented before the pandemic hit us. This played a significant role in the process of enabling OFS’ staff to work from home conveniently.

We have a full set of tools for remote team collaborations in terms of virtual communications and meetings, file sharing, task monitoring etc. These tools are easily accessible through multiple devices such as personal computer or smart devices.

Enhanced security infrastructure has enabled us to access our internal applications such as Complaint Management System (CMS), file server, payroll, leave application system and so on in a secured private tunnel. With this system, we can safely access information stored in our server as though we are working from the office.

Remote working is the future. The remote working environment can greatly benefit an organisation with long-term cost savings in such areas as office space rentals, high utility bills, costs of printing, to name a few.

Nik Abdul Aziz, IT Manager
Working from home vs working at the office

Due to its flexible working hours, it feels less stressful to work at home and I can spend more time with my family. However, it is easy to get distracted when working remotely, and I had to strengthen my self-discipline when coping with the work schedule on my own.

However, I feel that I can manage my time better if I work at the office. I also get ample opportunities to learn from my superior and my team members.

Nor Farah Safura, Clerical Officer, Consumer Engagement and Analysis

I managed to save time and money by working at home. Nevertheless, it was challenging having to read complaint files on the computer screen. I find my home environment is not very conducive for office work. I certainly feel more comfortable having a face-to-face discussion with my teammates and superior whenever I am in doubt. I would certainly prefer to work at the office instead of being confined to my house.

Allison Woo, Executive, Consumer Engagement and Analysis

There is more work-life balance when working from home. I do not have to commute to office daily, which is time and cost saving. I think working at home is more flexible because it allows more freedom to manage your hours. I can spend more time with my children during the MCO. Having said that, working at the office provides better learning opportunities and helps me maintain meaningful interaction with my colleagues. Therefore, there are pros and cons to working from home.

Since I have to spend most of my time at home, I allocate sufficient time to exercise regularly to sustain my physical and mental health. I also talk to my friends and family whenever I feel down.

See Hui Choo, Clerical Officer, Dispute Resolution

Constraints of working from home and how I overcame them

Initially, I did not have any specific workspace at home, and this prompted me to obtain a proper work desk for a conducive working environment. I also faced the constraint of not being able to discuss the cases face-to-face. However, I was able to communicate with the FSPs and complainants via e-mails and virtual meetings. Among other challenges of working at home were the occasional distractions including the internet outage that lasted for days and the increasing utility bills.

Given the flexible working hours, my productivity remained the same as I successfully stayed focused despite the distractions while working from home.

Nehrman, Case Manager, Dispute Resolution

Working from home is the future

I prepared a to-do-list to ensure that I prioritise my urgent tasks and they are completed on time. The flexible work schedule gives me the freedom to carry out work matters any time of the day efficiently. I could also spend more time with my family with this arrangement.

In my opinion, remote working is cost effective, helps us cultivate self-discipline, focus and be more creative in solving problems.

Mohd Zuhairi Jabil, Senior Executive, Corporate Communication
1. Board Audit Committee
2. Board Nomination and Remuneration Committee
3. Board Dispute Resolution Oversight Committee
**OFS’ 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 at 31 December 2020, OFS has a total membership of 213 (2019: 208). The list of Members is as listed on page 85.

<table>
<thead>
<tr>
<th>Member Category</th>
<th>31 December 2019</th>
<th>31 December 2020</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licensed and Prescribed Institutions</td>
<td>99</td>
<td>99</td>
<td>0%</td>
</tr>
<tr>
<td>Approved Institutions</td>
<td>109</td>
<td>114</td>
<td>4.6%</td>
</tr>
<tr>
<td>Total</td>
<td>208</td>
<td>213</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
FUNDING AND EXPENSES OF OFS

OFS is a non-profit organisation and incorporated as a company limited by guarantee. Our funding structure consists of annual levies and/or case fees imposed on our Members. The annual levy charged is based on OFS’ annual budget requirement, which is shared equally among the Licensed Members and the Prescribed Institutions. The case fees paid reflect the number of disputes registered against the Members.

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**OFS’ CASE FEE**

**LICENSED AND PRESCRIBED INSTITUTIONS**

RM1,500 per case

**APPROVED INSTITUTIONS**

Case Management Stage: RM100 per case

Adjudication Stage: RM500 per case

---

**OFS’ REVENUE AND OPERATING EXPENDITURE**

<table>
<thead>
<tr>
<th></th>
<th>2019 (RM)</th>
<th>2020 (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Fees</td>
<td>1,546,500</td>
<td>1,751,600</td>
</tr>
<tr>
<td>Levy</td>
<td>6,270,000</td>
<td>5,544,000</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>7,816,500</td>
<td>7,295,600</td>
</tr>
<tr>
<td>Operating Expenditure</td>
<td>7,465,724</td>
<td>7,188,474</td>
</tr>
</tbody>
</table>
STAKEHOLDER ENGAGEMENTS

Member engagements
Regular engagements with the financial service providers (FSP) are essential in sharing our performance, observations as well as to address the concerns raised by our Members. We hope our insights on the disputes handled have helped the FSPs in managing and handling the complaints effectively.

To observe the physical distancing requirement by the Government of Malaysia, we shifted our face-to-face annual engagement sessions with our Members to the virtual platform. This included the 15th Annual and Extraordinary General Meetings which were broadcasted virtually from the OFS’ office.

We also successfully shared our inaugural bi-annual performance report with our Members in December 2020. We are aiming to publish quarterly performance reports from 2021 onwards upon the launching of OFS’ Complaint Management System and Member portal.

The following were among the engagement sessions conducted in 2020:

- OFS Annual General meeting and Extraordinary General meeting
- Dialogue session with members of Life Insurance Association of Malaysia (LIAM)
- Dialogue session with members of Persatuan Insuran Am Malaysia (PIAM)
- Dialogue session with members of Malaysia Takaful Association (MTA)
- 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)
- Other ad-hoc meetings and discussions with Members, agencies, and associations
Consumer engagements
In line with OFS’ guiding principle of accessibility, we provide wider access to the public who may require our assistance regardless of their location. Consumers can reach us via various communication channels such as telephone, fax, email, postal as well as social media pages. Recently, we have been actively engaging with the public through Facebook.

Public awareness
Public awareness of OFS’ functions is key. Due to constraints and limitations imposed by the current circumstances, we have put on hold our customary, on-ground community outreach events in 2020.

However, public awareness campaigns have predominantly shifted to digital platforms such as, social media and webinars.

OFS website and social media
Our website contains all the pertinent information about OFS’ services. These include the type of complaints that we accept and matters which are not within our jurisdiction, terms and conditions under the Financial Ombudsman Scheme, how we resolve a dispute, types of eligible complainants, case studies, past annual reports, and online complaint form. We also regularly update our website with latest news, articles, and case studies. Last year, a total of 176,166 people accessed our website.

We have been keeping our social media followers and the public updated by regularly sharing content on our official social media pages (Facebook, LinkedIn, Twitter, and Instagram). We have uploaded the latest news, infographics on scam alerts and articles on insurance and the types of disputes that we have handled. We have also embarked on advertising on Facebook and YouTube. We are pleased to announce that our efforts have paid off, and we have been able to reach close to a million people from all over the country.
Public awareness activities in 2020

- Print media features – Article on DR, MII & the EDGE
- InvestSmart Fest in 2020 Virtual exhibition – successfully garnered nearly 650 total booth visits and 464 unique visits by the cyber attendees cumulatively during the three-day event
- Panelist in the high-level Malaysian Finance 2020 meeting at the virtual conference organised by the KSI Strategic Institute for Asia Pacific
- Public webinar: Independent, Impartial and Effective Dispute Resolution Made Possible in collaboration with SIDREC & FIDREC
CONSUMER SATISFACTION SURVEY 2019 – 2020

We recently concluded our third edition of OFS Consumer Satisfaction Survey 2019 - 2020. The survey was carried out to assess the satisfaction level of our complainants for disputes resolved between 1 June 2019 and 30 June 2020.

Out of 780 questionnaires sent, we received 230 (28%) responses; 152 responses were from complainants from the Insurance and Takaful sector, and 78 responses from the Banking (inc. Islamic banking) and Payment Systems sector.

About 73% of the respondents were satisfied with the overall services provided by OFS (a significant increase from the 68% of the previous year’s rating). The longer-than-expected turnaround time in resolving disputes was brought up by some complainants. We understand these concerns and assure our complainants that any extra time taken was only to ensure a fair and just resolution to their disputes. As always, we will continue to uphold our principles to provide the best service to our consumers and stakeholders.

Survey analysis

<table>
<thead>
<tr>
<th>Category</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance and Takaful</td>
<td>152</td>
</tr>
<tr>
<td>Banking, Islamic banking and Payment systems</td>
<td>78</td>
</tr>
<tr>
<td>Total</td>
<td>230</td>
</tr>
</tbody>
</table>

80% of those surveyed agree that it is easy to contact OFS
75% respondents were satisfied with the knowledge and competency of our people
84% were VERY SATISFIED with the courtesy and politeness of our people

73% respondents were satisfied with the efficiency in handling their complaints (investigation/mediation)
69% respondents were satisfied with the time we took to resolve their complaints

Are you satisfied with our explanation of the recommendation/decision given?
70% Yes!

Are you satisfied with the overall services provided by OFS?
73% Yes!
OFS’ Performance

**OVERALL PERFORMANCE AT A GLANCE**

<table>
<thead>
<tr>
<th>Cases registered in 2020:</th>
<th>9% disputes registered were related to COVID-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,340 new enquiries/complaints received (2019: 4,385)</td>
<td>1,285 disputes registered (2019: 1,047)</td>
</tr>
<tr>
<td>60% Conventional Insurance &amp; Takaful</td>
<td>38% Banking</td>
</tr>
<tr>
<td>38%</td>
<td>2% Payment Systems</td>
</tr>
<tr>
<td>67%</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Cases registered in 2020:**

- 78% disputes resolved at case management stage
- 966 disputes resolved/disposed amounting to RM36.8 million (2019: 944)
- 37% of disputes resolved through amicable settlement amounting to RM10.7 million
- 22% disputes resolved at adjudication stage
- 57% disputes resolved within six months from registration date
- 77% disputes are outstanding six months and below as at 31 December 2020

**213 members** as at 31 December 2020 (2019: 208 members)

**64% of members** had no disputes lodged against them
A total of 12,017 enquiries and complaints were attended to by our frontline officers. Out of the total volume handled, 7,340 were new enquiries and complaints. This is significantly higher compared to 4,385 in 2019.

The trend shows that the number of over-the-counter complaints has declined, with the year 2020 recording the lowest number. The decline in the number of walk-in complainants was impacted by the movement control order (MCO) imposed by the government. For safety reasons, consumers were advised to reach us through telephone or email.

Enquiries and complaints relating to banking rose sharply in 2020, surpassing the number of insurance and takaful complaints by almost double. Payment systems also showed a steady increase since 2018.

Complaints are vetted for eligibility (to ensure they fall within the scope of disputable issues) and sufficiency of information/evidence. Based on our client charter, an eligible dispute will be registered within a week from the date of receipt of complete information from the eligible complainant. In 2020, the average time taken to register a dispute was 31 days, an improvement from 47 days in 2019.
From the 7,340 new enquiries and complaints received in 2020, only 18% were registered as eligible disputes and the rest were outside of OFS’ scope. Among the matters that had been excluded were general enquiries on financial product features and pricing, loan moratorium, underwriting decisions, and applications for loan restructuring. We rejected complaints with insufficient documentation or information required for dispute registration.

Since the operationalisation of OFS in October 2016, a total of 4,802 cases were registered. In 2020, OFS handled 1,721 cases comprising 1,285 newly registered cases and 436 outstanding cases from 2019.

Last year, the banking sector displayed a growth of 56% in cases registered. These were predominantly issues related to credit/debit card and internet banking. The majority of registered cases were for monetary amounts lower than RM50,000. A total of 51 registered disputes were for amounts exceeding OFS’ monetary jurisdiction. These cases were registered with the agreement of complainants and FSPs.
Analysis of disputes registered across Members

**Table 4: Distribution of disputes received among Members**

<table>
<thead>
<tr>
<th>MEMBER TYPE</th>
<th>NO. OF MEMBERS</th>
<th>MEMBERS WITH DISPUTES</th>
<th>NO. OF DISPUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-money Issuers</td>
<td>48</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Financial Advisers and Islamic Financial Advisers</td>
<td>33</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>26</td>
<td>13</td>
<td>446</td>
</tr>
<tr>
<td>Insurance and Takaful Brokers</td>
<td>26</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>General Insurance</td>
<td>21</td>
<td>20</td>
<td>344</td>
</tr>
<tr>
<td>Islamic Banks</td>
<td>17</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>Takaful Operators</td>
<td>15</td>
<td>14</td>
<td>166</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>14</td>
<td>13</td>
<td>266</td>
</tr>
<tr>
<td>Credit/Charge Card Issuers</td>
<td>5</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>Development and Financial Institutions</td>
<td>6</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Approved Insurance Brokers</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Approved Takaful Brokers</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213</strong></td>
<td><strong>76</strong></td>
<td><strong>1,285</strong></td>
</tr>
</tbody>
</table>

The number of FSPs with disputes increased from 74 in 2019 to 76 last year. About 60% of the FSPs had 10 cases or fewer in 2020 (2019: 58%). The majority of disputes were filed against commercial banks (446 cases), followed by general insurance (345 cases) and life insurance (264 cases) companies.

The top three disputes registered in 2020 were life/family takaful (25%), followed by card-based payment (23%) and general/takaful non-motor (20%). Disputes on credit and debit cards accelerated sharply from 111 (2019) to 300 (2020) cases as a result of the spike in the cases involving unauthorised transactions arising from scams, online transactions, and lost/stolen cards.
The central region has recorded the highest number of complaints (55%), followed by the states of Johor with 160 cases and Pulau Pinang with 124 cases. The disputes we received were predominantly lodged by individual complainants between the ages of 35 and 64 years.
Of the 966 cases closed in 2020, 697 disputes were from the insurance and takaful sector and 269 disputes were from the banking and payment systems sector. As of December 2020, 755 cases have been carried forward to 2021.

In 2020, 37% cases were resolved by mutual settlement between complainants and the FSPs consisting of 207 insurance and takaful disputes and 146 banking and payment systems disputes.

A total of 454 recommendations were issued by Case Managers of which:
- 64 were accepted by complainants and FSPs
- 176 were closed due to no response received on the recommendations
- 5 were rejected by complainants but not referred to the Ombudsmen
- 209 were rejected by either FSPs or complainants and referred for Adjudication.

The Ombudsmen issued 204 Decisions of which 170 (84%) were in favour of the FSP and 34 (16%) in favour of the complainant.
In terms of efficiency, we closed 547 cases (2019: 680 cases) within six months of the registration date. About 77% had been outstanding six months and below from the registration date (2019: 90%). Measures have been taken to improve the timeline for resolution of cases.
I really appreciate your assistance and happy that it was approved after being rejected a few times. I believe you have done justice to my appeal. Thanks a lot for the sincerity in handling my case and for the effort from your side to stand by a genuine policy holder like me, I valued that a lot, sir.

We will accept the offer. Your help is greatly appreciated. I am sure you and your team put in a lot of effort to reach this point.

Many thanks for your cooperation and assistance! We are very satisfied about the outcome and service. Excellent!

Saya ingin menyatakan penghargaan saya kepada pihak encik kerana menyelesaikan perkara ini, khasnya kos pembaikan kenderaan meliputi jumlah yang besar, ini sungguh membantu saya. Saya berterima kasih dan sungguh menghargai bantuan dan usaha encik.

Pihak insurans telah menyelesaikan bayaran tuntutan saya dah telah kreditkan ke dalam akaun saya semalam. Setinggi penghargaan dan terima kasih atas kerjasama yang sangat baik bagi menyelesaikan tuntutan saya.

We hereby accept the final decision by OFS. We would like to thank all the officers at OFS for doing the best they can on this case.

I would like to take this opportunity to say thank you helping me on the claim. Without OFS, I might not get my claim.

Above all, I am heartfelt and delighted to express my sincere appreciation to OFS.

This problem had been resolved, thank you for your attention and kindness.

Would like to record my sincere thanks and appreciation to the assistance afforded to me by OFS to get this offer. OFS really has a vital role in helping the everyday man on the street who cannot afford legal representation to get what is due to them. Once again thank you for all your good work and help on this matter.
On behalf of my daughter and family, I am heartfelt to express our gratitude and appreciation to you, your esteemed team and management for the professional assistance to resolve the dispute. We express our humble and sincere appreciation for your time, professional energies to enable fairness and the truth to prevail.

I would like to thank everyone involved specifically the OFS for their full engagement in the resolution.

We sincerely appreciate your effort in managing this matter. On behalf of my father and myself, we would like to thank you for all your assistance and guidance offered.

I would like to thank you for your time and patience in helping us mediate our customer’s dispute.

Saya telah menerima cek pada hari ini. Saya ingin mengucapkan ribuan terima kasih pada puan kerana telah banyak membantu saya berkaitan dengan tuntutan insurans ini.

My family wish to thank you for your kind help and assistance in this matter. Much appreciated your prompt replies in resolving our claims. The approval of this claim will hopefully pave a way to financially assist our baby son’s future liver transplantation as well.

I would like to thank you, and everyone involved in helping me to get my claims approved and paid to me. I truly appreciate the prompt assistance from OFS.

We will accept the offer. Your help is greatly appreciated. I am sure you and your team put in a lot of effort to reach this point.

My sincere appreciation to you and OFS team for mitigating this case and extending such assistance to us.
Sectoral Assessment
Conventional Insurance and Takaful

OMBUDSMAN’S REPORT

The year 2020 was indeed a challenging year as the world was grappling with the health crisis of COVID-19. This has changed the way in which we operate as an office and has required us to change how we do what we do. In terms of how we work, we moved quickly to establish working from home arrangements which has enabled most staff to be working from home most of the time in a manner that is both productive and safe.

Despite operating under unprecedented circumstances, we witnessed a slight increase in the number of disputes registered compared to the previous year. A key trend that has emerged as a result of the COVID-19 pandemic was a surge in the travel insurance disputes. 15% of the new disputes registered under insurance and takaful in 2020 were travel claims related to the COVID-19 pandemic. Most of these disputes related to travel cancellation and travel curtailment. Based on the disputes handled, we observed that most travel insurance policies do not provide coverage for pandemic peril.

Another trend that emerged was a notable decrease in the total number of motor cases registered. This could be attributed to the significant reduction in traffic movement nationwide during the Movement Control Order (MCO) that was in force, resulting in a lower number of motor claims.

Generally, it is still a matter of concern that many policyholders are not equipped with the knowledge and understanding of the scope of policy benefits and coverage. Whilst the policyholders are reminded to read and understand the policy benefits and coverage, the FSPs are also reminded of their duty to make clear the salient policy terms and conditions to the policyholders.

Despite the challenging year, we managed to resolve 697 disputes, compared to 673 in 2019. In this respect, I would like to thank my dispute resolution team members for their commitment and hard work throughout the year. A sincere appreciation to our members for their cooperation and their dedication in resolving the disputes amidst the challenges of the pandemic.
CONVENTIONAL INSURANCE AND TAKAFUL PERFORMANCE AT A GLANCE

1,058 total disputes handled (2019: 725)  
775 new disputes registered & 283 disputes brought forward from 2019  
697 disputes resolved/disposed

Cases registered in 2020:

79% Conventional Insurance  
21% Takaful

15% new disputes registered were travel claims related to COVID-19

77% disputes resolved at case management stage

61% disputes resolved within six months from registration date

23% disputes resolved at adjudication stage

30% disputes resolved through amicable settlement amounting to RM7.9million

87% disputes are outstanding six months and below as at 31 December 2020
In 2020, we handled a total of 852 disputes comprising 609 newly registered cases and 243 outstanding cases from 2019. About 57% were registered against licensed general insurance companies with claim amount totalling RM11.7 million and 43% were against the life insurance companies with claim amount of RM9.6 million.

As in previous years, most of the disputes entailed life insurance-related complaints, with an increase of 17% (264) compared to 225 cases in 2019. The disputes were mainly on medical and hospitalisation claims. As for general non-motor disputes, 174 disputes were registered, an increase compared to 145 in 2019. Travel insurance claims contributed considerably to the rise in the number of disputes.

In contrast, motor own damage disputes recorded a reduction by 34% in 2020 (2019: 143 cases) due to the lower road traffic accidents arising from fewer cars on the road amid the travel restriction.
Table A1: The nature of disputes by product types

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Nature of Disputes</th>
</tr>
</thead>
</table>
| LIFE/MEDICAL INSURANCE              | • non-conformance with policy terms and conditions  
                                 | • non-disclosure/misrepresentation in the proposal form.                         |
| TRAVEL INSURANCE                    | • compensation for travel cancellation and travel curtailment  
                                 | • applicability of the exclusion clause                                          |
| MOTOR INSURANCE                     | • failure to take reasonable precautions in safeguarding the vehicles  
                                 | • breach of policy terms and conditions such as late notification of claim       |
| MOTOR THIRD PARTY PROPERTY DAMAGE (TPPD) | • compensation for loss of use of the vehicle while it is being repaired  
                                             | • cost of repair                                                                |

Table A2: Monetary range for disputes registered under conventional insurance

<table>
<thead>
<tr>
<th>MONETARY RANGE</th>
<th>NO OF DISPUTES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM5,000 and below</td>
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</table>

Conventional insurance disputes largely consist of small claims within RM 5,000 (41%). A considerable number of disputes were between RM10,000 and RM100,000, and 1% exceeded monetary limit of RM 250,000 with the highest claim amount of RM436,506.21. These disputes were registered after the FSPs consented to OFS handling the claims.
As at 31 December 2020, a total of 560 disputes were disposed under conventional insurance sector with 74% resolved at Case Management stage. We resolved a total of 177 cases through mutual settlement. Some FSPs reviewed their claims based on the investigations by the Case Managers. In instances where settlement could not be achieved, a recommendation was issued on how the dispute should be resolved.

We issued 307 recommendations in total, 34 of which were accepted by the complainants and 130 cases were closed either due to no response after the recommendation is issued or were withdrawn by the complainants. A total of 143 disputes were referred to the Ombudsman for Adjudication. The Ombudsman upheld the FSPs’ decision in 124 disputes and 15 disputes were decided in favour of the complainants, taking into consideration the principle of ‘fair and reasonable’ as well as relevant applicable case laws and guidelines. Four disputes were resolved by way of settlement after the FSPs agreed with the Ombudsman’s advice and observations on the case.
EFFICIENCY IN RESOLVING DISPUTES

We successfully resolved 340 (61%) conventional insurance cases within six months of the registration date. Some disputes took longer to resolve because of the delay in obtaining supporting documents such as medical or adjuster’s report.

As at 31 December 2020, 292 disputes remain outstanding, 248 cases are within six months and 44 cases have exceeded the time frame. Our team continues to monitor the outstanding cases closely to ensure that they are resolved promptly, efficiently, and fairly.

KEY INSIGHTS AND OBSERVATIONS ON CONVENTIONAL INSURANCE DISPUTES

LIFE AND GENERAL MEDICAL INSURANCE

There is generally an upward trend in the number of Life and General Medical insurance claims, with 316 new disputes received (Life: 264 cases; Medical: 52 cases) compared to 276 in 2019. Most of the disputes received were in relation to medical and hospitalisation claims, followed by critical illness/dread disease claims and death claims.

A majority of disputes related to medical and hospitalisation claims were rejected or excluded for the following reasons:

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

Disputes related to mis-selling of life insurance product, showed an improved trend compared to last year (2020: 12 cases; 2019: 24 cases). This is due to the improvement on the quality of advisory services by intermediaries at the point of sale, which includes bringing the attention of consumers to product features and the 15-day ‘free-look’ period.

We disposed 277 cases under this category, with 207 (75%) disposed at the Case Management and 70 cases at the Adjudication stage. A total of 88 cases (32%) were resolved through settlement, which included review of the decision by the FSPs after observations made by OFS.
Observations and our approach to resolving disputes

**Policyholders lack awareness and understanding of the policy terms and conditions**

The growing number of disputes on medical and hospitalisation claims continues to be an area of concern. It is noted that most policyholders are not equipped with knowledge and understanding of the scope of the policy benefits and coverage. We also observed a rising trend on disputes involving claims for reimbursement of treatment which fall under the provision of medically necessary, customary, and reasonable charges.

Many policyholders were under the impression that if a procedure is suggested by the attending physician, the claim will be payable. In handling such disputes, we will investigate the policyholders’ condition at the time of admission/treatment and the standard treatment which is normally administered for such condition to ascertain whether the treatment is medically necessary.

Another area of concern is the medical fees incurred for treatment sought within Malaysia or abroad. In handling such disputes, we will request the FSPs to provide samples of charges incurred for the same treatment at local private hospitals to evaluate whether the charges are reasonable and customary. There were also instances whereby policyholders were treated with the latest technology/procedures by hospitals and claims for such procedures were rejected by the FSP.

It is without a doubt that medical technology advancement will benefit society by providing and improving access to better health care. In assessing such claims, the benefits payable must be in accordance with the policy provision of whether it is medically necessary, and charges are reasonable and customary which among others, the use of the medical technology must be consistent and accepted as standard practice in Malaysia.

For example, the use of Biobot Monalisa robotic assisted surgery, which is less invasive than the conventional treatment, is not considered standard medical procedure used to treat prostate disorders, as its purpose is only to perform biopsy with no therapeutic effect. The extraction of tissue sample could still be done using the endoscopic method, i.e., the conventional procedure, as it provides the same effectiveness and outcome.

It is also common that most policyholders are unaware of the terms and conditions that are required to be fulfilled before they are deemed to be eligible for the critical illness claim. Once they are diagnosed with any of the critical illness listed in the policy, they immediately assume that coverage will be provided without realising the need to meet the requirement specified in the policy.

For example, if a policyholder was diagnosed with a stroke, certain criteria must be fulfilled before being eligible to claim. This includes the evidence that the cerebrovascular accident or incident producing neurological sequelae of a permanent nature must have lasted for not less than six months and must be supported by changes seen in CT scan or MRI and certified by a neurologist. If the stroke does not last for six months or if there is no CT scan or MRI available, the benefit will not be payable.

**Safeguarding the interest of the policyholder**

Another important area is in relation to non-disclosure or misrepresentation of material facts. The number of disputes under this category had reduced significantly to 38 disputes in 2020. This could be attributed to the FSP’s compliance to the conditions set out under Schedule 9 of the FSA 2013 which requires them to incorporate specific questions in the application form for consumer insurance contracts. This in turn prevents the policyholder from making any misrepresentation when answering the questions in the application forms.

However, there was a growing number of disputes whereby the policyholder did not disclose material facts during reinstatement or upgrading of their policy as they believed that such disclosure was not necessary. The FSPs should always ensure that their agents provide proper and accurate advice to the policyholders.

We observed that many policyholders rely heavily on the intermediary or agent at the point of sales and service. While it is obligatory for the agent to clearly explain the terms and conditions and benefits under the policy, the policyholder is also equally responsible in reading and understanding
the policy documents before signing. FSPs and their agents and intermediaries must educate their policyholders and create awareness on the importance of understanding the policy terms.

We also noticed that policyholders often misunderstood the policy document as some of the wording used is difficult to comprehend. For this reason, policyholders are encouraged to contact the FSPs or their intermediaries to have better understanding on the coverage provided before undergoing treatments. Additionally, FSP should write the policy document using clear and simple language to ensure the information on the product and its coverage are easily understood.

**Proper repudiation letter**

In recent years, we observed that FSPs do not explain the reasons for repudiating a claim in their communication with the policyholder. In most instances, some of the issues raised by the policyholders were not properly addressed and the FSP’s response to their appeal is brief.

We are of the view that by addressing the issues raised and explaining the basis for repudiating the claim, the policyholders may understand the reasons and not refer the matter to OFS.

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**CASE STUDY I**

**MEDICAL REIMBURSEMENT CLAIM**

**Background**

The insured, a 2-year-old toddler, was admitted to the hospital due to lung infection with Bronchospasm. His medical claim was granted cover by the FSP but the PCR33 test amounting to RM702.00 was not payable on the grounds that the test was conducted for purposes of investigation only and does not meet the policy definition of ‘medically necessary’.

**Investigation and findings**

1. Medical evidence was adduced to show the following:
   a) The insured was admitted in the normal ward and remained there for the entire admission.
   b) Both the conventional and PCR 33 tests were performed on the first day of admission. The result of the conventional test was obtained a few hours earlier than the PCR 33 test.
   c) The conventional lab test result detected the presence of *Mycoplasma Pneumonia IgM* while the PCR 33 test result showed negative finding on the same pathogen.
   d) While the PCR 33 test result detected the presence of *Rhinovirus and Staphylococcus Aureus*, there were no changes in his medication throughout the admission.

2. There is no indication in the medical report that the insured was in an emergency/critical condition (e.g., respiratory distress requiring ventilator support or ICU admission) to warrant the PCR 33 test to be performed.

3. In accordance with the current and standard medical practice in Malaysia, the conventional test should be performed first and, if there are no findings, even if the blood test showed significant infection, only then should the PCR 33 test be administered.

Based on the above, OFS was of the view that the PCR 33 test was investigative in nature and therefore does not meet the policy definition of ‘medically necessary’.

**Recommendation**

OFS’ recommendation was issued in favour of the FSP.
MOTOR

There was a notable decrease in the total number of motor (conventional) disputes by 33.5%, from 143 cases in 2019 compared to 95 cases in 2020. This could be attributed to the significant reduction in road traffic movement nationwide during the Movement Control Order (MCO) period resulting in a lower number of motor accident claims.

The primary cause for complaints was rejection of claims, due to the insured’s failure to take reasonable precaution to safeguard the vehicle from loss or damage (16 cases) and delay in notification of claims to the insurer (12 cases). The secondary cause for complaints was on the amount offered by insurer(s) for settlement of claims. These disputes typically related to issues on the basis of settlement/cost of repair (7 cases) and market value (7 cases).

Repudiation of claims related to failure to take reasonable precaution formed the highest number of disputes for the year 2020. We observed that most consumers are unaware that, notwithstanding the coverage provided under a motor policy, the policyholders also have an obligation to exercise due care and prevent loss/damage to the vehicle. A failure to do so may lead to rejection of the claim.

We disposed 100 cases under the motor category, of which 80 cases were disposed at Case Management stage and 20 at the Adjudication stage. We resolved 42 cases (42%) through settlement, which included a review of the decision by the FSPs after OFS’ observations.

Observations and our approach to resolving disputes

Importance of understanding the policy terms and conditions
The quintessence of any contract, whether an insurance policy or not, is its terms and conditions, including its exclusion clauses. Therefore, it is a matter of concern that many consumers do not know or understand what is stipulated in their policy documents, in particular the General Exceptions contained therein.

For example, policy holders are unaware that after an accident, they should not continue to drive the vehicle to prevent any further damage to the vehicle, as the insurer would not compensate for the additional damage. Another common occurrence is where policy holders drive through flood waters causing the vehicle engine to break down, not being aware that this also falls under the General Exceptions of the policy.

Thorough investigation of claims
Merely relying on the General Exceptions in the policy document to exclude liability without proper investigation might lead to an unfavourable result and unfairness to the insured. In a particular case which came before OFS, the insurer refused to investigate further even after being requested by OFS to do so, without citing any valid reason. OFS invoked adverse inference under Para 24 and 26 of our Terms of Reference (TOR) against the insurer, in that the evidence that could have been obtained would have been unfavourable to the insurer.

Basis of Settlement/Cost of Repairs
Another common dispute concerns the basis of settlement of the damage to the vehicle. Policy holders have a general misunderstanding that when their vehicle is damaged in an accident, they have the right to determine how they are to be compensated, i.e., whether their vehicle is to be...
repaired or whether they should be compensated with cash on the basis that the vehicle should be declared ‘total loss’.

However, it is clear from the terms and conditions stipulated in the policy, that the option as to how to settle the claim is entirely at the discretion of the insurer.

We also observed that there were occasions whereby the insured disputed with the estimated cost of repairs prepared by the Independent Loss Adjuster. Their concern was that the quality of repair and the safety of the vehicle would be compromised if the estimated cost to repair was too low (in their opinion).

To address these concerns, the vehicle would usually be sent to Puspakom to assess its roadworthiness (Para 6.6 BNM Guidelines on Claims Settlement Practices). Further, if there are any repairs to be made to the structural parts of the said vehicle, approval must first be obtained from the Road Transport Department (RTD) as per the RTD guidelines, and the vehicle later sent to Puspakom for verification on its roadworthiness. Therefore, the insured’s concerns may be unfounded.

**Market Value**

Another common dispute is regarding the market value of a vehicle when a claim is made for theft of the vehicle or when the vehicle is declared ‘total loss’. As per Bank Negara Malaysia’s (BNM) Guidelines on the Market Value of Motor Vehicles, insurers and their agents are required to advise consumers accordingly on the sum insured during the pre-contractual stage or upon renewal of motor insurance, based on the ISM Automobile Business Intelligence System (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.

However, we observed that in most instances, the insurer/agent did not refer to the ISM-ABI system or any other credible database to determine the market value of the vehicle or even if they did, they did not use the same reference database to determine the market value at the time the claim arose. This is a cause for concern. We hope that FSPs will abide by the circular issued by BNM in April 2020 addressing this issue. One such dispute is reflected in Case Study III.

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**CASE STUDY II**

**REPUDIATION OF CLAIM DUE TO FAILURE TO DISPLAY TRADE PLATES ON THE VEHICLE**

**Background**

The insured’s own damage claim was rejected by the insurer on the grounds that at the time of the accident the trade plates were not displayed on the said vehicle.

**Investigation and findings**

1. According to the insurer, their liability under the trade plate policy is subject to the motor trade plate being displayed on the vehicle at the material time of the accident. Rule 21(7) of the Motor Vehicles (Registration and Licensing) Rules 1959 require a motor trade plate to be fixed in the front and at the back of the motor vehicle while it is in use. This requirement is not in dispute.

2. To substantiate their allegation, the insurer relied on the following:
   a) the custodian did not mention in his first police report that the said vehicle had trade plates on them. His explanation that he was not aware of the need to mention it in the police report was not acceptable and was deemed evidence that trade plates were not hung on the said vehicle.
   b) the accident scene photograph (which is the only photograph available) is evidence that the trade plates were not hung on the subject vehicle. However, we observed that the photo is not clear and there are no other photos to corroborate it.
   c) the impact was in the front and therefore it was impossible for both the front and rear trade plates to
drop due to the accident. However, we observed from the loss adjuster’s report, that the vehicle was recommended as ‘total loss’ because of the extent of the damages and it was deemed ‘not impossible’ that both the trade plates could have dropped off due to the accident.

3. The custodian subsequently made two further police reports clarifying that there were trade plates hanging on the vehicle at the time of the accident and that he had taken and kept them with him after they had fallen off as a result of the accident. The insurer claimed that these police reports were an afterthought.

4. The statements of the custodian and other witnesses, e.g., the police officers at the scene of the accident were not recorded to ascertain the facts.

5. The insurer provided OFS with a legal opinion which reaffirmed the insurer’s position. However, the legal opinion did not address whether the insurer had sufficient credible evidence to prove the allegation and hence discharge their burden of proof.

**Recommendation**

The recommendation was in favour of the insured for the following reasons:

a) There is no dispute that the insured had a trade plate policy with the insurer and that there were actual trade plates.

b) The burden of proof in any case is always on the person who asserts a particular fact. The Latin maxim ‘semper necessitas probandi incumbit ei qui agit’ essentially means ‘he who asserts must prove’. This is a basic rule of evidence and reference was also made to s. 103 of the Evidence Act 1950. Thus, the insurer must prove on a balance of probability (see Sinaiyah & Sons Sdn Bhd v Damai Setia Sdn Bhd [2015] 7 CLJ 584) that the trade plates were not hanging on the said vehicle at the time of the accident.

c) There is no rule/legal requirement that the custodian is required to write in the police report that the trade plates were displayed on the vehicle during the accident. Thus, the failure to mention it in the first police report is not evidence that there were no trade plates hanging on the said vehicle at the material time. The custodian was just lodging a traffic accident report.

d) The fact that the custodian made the two further police reports is not an afterthought as he did not know that the insurer required him to mention the trade plates in the first police report. He was merely clarifying this fact.

e) The insurer also relied on the sole accident scene photograph as evidence that the trade plates were not hanging on the said vehicle at the time of the accident. However, we noted that the photograph was not clear and there were no other accident scene photographs or videos to corroborate this.

f) It is not unreasonable for the driver to keep the trade plates safely after the accident as they had fallen off due to impact.

g) Further, there was no evidence from the people at the accident scene, e.g., the police officers or the tow truck operator or other witnesses, which could confirm whether the trade plates were affixed on the said vehicle at the time of the accident. Even the custodian’s statement was not recorded.

h) The insurer had failed to discharge his burden of proof that the trade plates were not hanging on the said vehicle at the time of the accident.

The insurer accepted the recommendation and paid the claim.
CASE STUDY III

DISPUTE ON MARKET VALUE

Background
The insured made a claim for the loss of his vehicle. The sum insured was for RM55,000 but the insurer offered only RM35,900 as full compensation.

Investigation and findings
1. The initial offer of RM31,200 for the loss was based on the ISM valuation, but it was rejected by the insured. The insured claimed that the sum insured was for RM55,000 as was proposed by the authorised agent. The insurer then revised the offer to RM35,900 but the offer was again rejected by the insured.

2. It was observed that the ISM Valuation stated that the market value of the said vehicle at the time of purchase of the policy was only RM33,000 and not RM55,000 as recommended by the agent.

Settlement
The agent was in breach of BNM’s Guideline and by virtue of Section 129, Schedule 9, Part 2 (12) of the Financial Services Act 2013, the conduct/negligence of the agent is imputed to the insurer.

The insurer revised their offer to RM40,000 and this was accepted by the insured.

GENERAL NON-MOTOR

In 2020, OFS recorded 174 general non-motor insurance cases (2019 :145 cases): predominantly travel insurance claims (133 cases). Travel claims relating to the global travel disruption caused by the COVID-19 outbreak contributed to 59% (78 cases) of the cases lodged. The issues were mainly on travel cancellation, followed by travel curtailment and travel delay/others.

Observations and our approach to resolving disputes
Most insurers exclude coverage for pandemics. Policies that include pandemics are subject to strict limits, terms, and conditions of coverage. This involves the underwriting decision of the insurer and thus falls under the commercial decision of the insurer. The COVID-19 pandemic is unprecedented, and it had substantially impacted the travel industry. We hope this experience will help FSPs to deal better with similar situations in future.

The general trend that we observed is that consumers still lack understanding on the policy coverage limits, exclusions, terms, and conditions and have the notion that travel insurance will cover all circumstances. In our opinion, insurers need to make more effort to ensure that consumers have a better understanding of the overall policy coverage to reduce future disputes.
Other general non motor disputes were related to insurance claims involving policies such as Houseowner/Householder, All risks, Contractor’s all risk, Extended warranty, Fire, Public liability, Mobile phone protection, Mobile plant & equipment, and Personal accident. Most of these disputes were caused by a lack of proper understanding of the policy coverage terms and incomplete investigations by the insurers prior to repudiation of claim.

We disposed 148 cases under this category, 101 (68%) were disposed at Case Management stage and 47 cases at the Adjudication stage. About 20% (29 cases) were resolved through settlement which included review of the decision by the FSPs after observations made by OFS.

CASE STUDY IV

TRAVEL INSURANCE – LOSS OF MONEY DUE TO THEFT

Background
This dispute concerns a claim for loss of money due to theft during the insured’s overseas trip. The insurer had initially repudiated the claim for loss of money on the basis that the insured did not take reasonable precautions to safeguard his money.

The insured had appealed against the repudiation and upon review of the claim, the insurer offered RM1,000 as compensation. However, the insured rejected this offer and referred the matter to OFS.

Investigation and findings
The following findings were noted:

1. Policy definition of ‘theft’:
   ‘Theft means a permanent loss of belongings where the belongings are taken from a pocket, bag or purse at any place where the general public has free access to. Such act shall comprise the elements of stealth and surprise.’

2. The insured made a police report upon becoming aware of the loss of money from his bag.

3. The passport stamps indicated that he had immediately returned to Malaysia after he had made a police report on the theft.

4. The insured was able to provide a bank statement to reconcile with the ATM withdrawal slips as proof that he did withdraw money for the scheduled trip.

5. The independent loss adjuster enquiries revealed that there was no evidence of fraud on the part of the insured.

6. Based on the above OFS had requested the insurer to review their decision.

Settlement
The insurer revised their decision and increased their offer, which was accepted by the insured.
CASE STUDY V

TRAVEL CANCELLATION – COVID-19

Background
This claim involved a travel cancellation for a trip to Japan which was scheduled from 1 March 2020 to 8 March 2020. The insurer repudiated the claim on the basis that the cancellation by the insured was done before the declaration of COVID-19 pandemic by the World Health Organisation (WHO). The insured was dissatisfied with the insurer’s decision and referred the matter to OFS.

Investigation and findings
The following findings were noted:

1. The policy was purchased on 12 January 2020.
2. On 27 February 2020, a Travel Advisory was issued by Malaysian Authorities advising its citizens to avoid unnecessary travel to Japan.
3. On 1 March 2020, the WHO announced that the coronavirus had affected countries such as the Republic of Korea, Japan, and Italy.
4. The insured cancelled their trip on 2 March 2020.

OFS highlighted to the insurer that the insured cancelled their trip following the travel advisory issued by the Malaysian government in addition to WHO’s announcement on the worsening coronavirus situation in Japan.

Settlement
The insurer revised their decision based on the travel advisory issued by the Malaysian government and made an offer which was subsequently accepted by the insured.
CONVENTIONAL TPPD

Motor - Third-Party Property Damage (TPPD)

There was a significant decline in disputes registered under this category with only 24 new cases compared to 51 cases in 2019. We received 17 cases involving claims on the loss of use of vehicle, and the remaining varied from disputes on the amount for the cost of repairs, imposition of betterment charges, documentation fees and breach of terms and conditions of the policy.

We resolved 35 cases in 2020, with 29 (82%) disposed at Case Management stage and six cases at the Adjudication stage. About 51% (18 cases) were resolved through settlement which included review of the decision by the FSPs after observations made by OFS.

As in previous years, the common disputes under this category include claims for loss of use of vehicle, deductions for betterment and cost of repairs under Knock-for-Knock Agreement (KFK).

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.

The issue was on the number of days the claimants were deprived of the use of their vehicles compared to the actual number of days required to repair the vehicle (assessed repair time) recommended by the registered loss adjuster. Claimants often assume that they would be compensated for the entire duration they were deprived of the use of the vehicle.

The FSPs’ assessment for amount offered under CART is based on the Bank Negara Malaysia’s (BNM) ‘Guideline on Claims Settlement Practices (Consolidated)’. Under this Guideline, the compensation for unforeseen delay is seven days. FSPs are therefore encouraged to exercise their discretion to grant the additional number of days for unforeseen delays such as the time taken to repair the vehicle.

Deductions for betterment

Most of the complainants were not aware of the imposition of betterment charges if new franchise parts were used on vehicles which are more than five years. The charges imposed are in accordance with the scale stipulated in the motor policy and BNM’s Guideline. Where betterment is applicable, the claimant should be given the option of using non-franchise parts and/or second-hand parts to avoid betterment charges.

Most complainants accepted our rationale for the betterment deduction that is based on the principle of indemnity.

Cost of repairs under the KFK Agreement

The disputes under this category were on the recommended cost of repairs by the registered loss adjuster appointed by the claimants compared to the FSPs’ offers for cost of repair, arising from the mandate by the claimant’s insurers under the KFK agreement. The KFK agreement is an agreement between insurance companies when both companies’ policyholders incur losses in the same motor vehicle accident, whereby each insurer pays for the damage sustained by its own policyholder regardless of who is responsible.

We observed that FSPs’ offer for the cost of repair was based on the mandate obtained from the claimant’s insurers. Reference was not made to the recommendation of the registered loss adjuster appointed by the third-party claimants. FSPs referred to the KFK Agreement as the basis for maintaining their offer.

It is best practice that FSPs resolve any dispute on the cost of repair with the registered loss adjuster appointed by the claimant prior to making an offer of settlement.
Background
The third-party claimant had made a claim against the insurer for Compensation for Assessed Repair Time (CART) and documentation charges. Insurer’s offer was 14 days x RM30.00 per day as scheduled under CART and documentation charges. However, the third-party claimant wanted the insurance company to pay 82 days at the rate of RM30.00 per day based on the time taken to repair the vehicle.

Investigation and findings
The following findings were noted:

1. Under the Guidelines on Claims Settlement Practices issued by Bank Negara Malaysia (BNM), 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 subject to insurer’s discretion to apply an additional seven (7) days’ grace period for unforeseen delays.

2. The insurer’s offer was based on the recommendation of the third-party insurer’s in-house adjuster (which was seven (7) days for the estimated period of repair). The insurer had exercised their discretion and offered an additional seven (7) days bringing the total repair period to 14 days.

3. In line with the above Guidelines provided by BNM, the insurer was advised to obtain confirmation from an independent loss adjuster on the estimated repair period.

4. The independent loss adjuster had recommended seven (7) days, which was similar to the recommendation made by the third-party insurer’s in-house adjuster.

5. The engine capacity of the third-party claimant’s vehicle was 1496 cc. Therefore, under the scale of CART in the BNM Guidelines, the insurer was liable to pay RM30.00 per day.

6. We observed that the insurer had applied their discretion by granting a maximum of 7 days’ grace period for unforeseen delay and the insurer’s offer for CART was in accordance with the above-mentioned BNM Guideline.

Settlement
Following the above observations, the third-party claimant accepted the insurer’s offer of RM30.00 for 14 days and the dispute was settled amicably between the parties.
We handled a total of 206 takaful disputes in 2020. Newly registered disputes increased by 51%. Out of the 166 disputes registered, 64% were against the general takaful operators with claim amount totalling RM3.07 million and 36% against family takaful operators with claim amount of RM5.79 million.

General takaful recorded the highest number of disputes, with 79 cases (2019: 22 cases). The disputes were largely related to trip cancellation and trip curtailment arising from the COVID-19 pandemic. Family takaful recorded 59 disputes involving medical and hospitalisation claims. Motor takaful disputes recorded 22 cases in 2020, a reduction of 33%.
Table A1: The nature of disputes by product types

| TAKAFUL FAMILY | • non fulfilment 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 | • compensation for travel cancellation and travel curtailment  
|                | • applicability of exclusion clause |
| TAKAFUL MOTOR | • breach of policy terms and conditions and/or applicability of exclusion clause  
|                | • failure to take reasonable precautions in safeguarding the vehicles |
| TAKAFUL THIRD PARTY | • compensation for loss of use of vehicle while it is being repaired  
| PROPERTY DAMAGE (TPPD) | • cost of repair |

Table A2: Monetary range for disputes registered under takaful

<table>
<thead>
<tr>
<th>MONETARY RANGE</th>
<th>NO OF DISPUTES</th>
<th>PERCENTAGE</th>
</tr>
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<tbody>
<tr>
<td>RM5,000 and below</td>
<td>57</td>
<td>34%</td>
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<tr>
<td>RM5,001 to RM10,000</td>
<td>23</td>
<td>14%</td>
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<td>14%</td>
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<td>RM25,001 to RM50,000</td>
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<td>RM100,001 to RM250,000</td>
<td>27</td>
<td>16%</td>
</tr>
<tr>
<td>Above RM250,000</td>
<td>6</td>
<td>4%</td>
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About 34% of the disputes registered were of small claims within RM 5,000. We registered six disputes exceeding OFS’ monetary limit of RM 250,000, with the consent of the FSPs.
We closed 137 disputes under the takaful sector last year with 90% of the disputes disposed at the Case Management stage. We have successfully resolved 30 cases by way of amicable settlement between the parties involved.

The Case Managers issued 38 recommendations to parties who were unable to reach a settlement. The parties that did not accept our recommendations referred their dispute to the Ombudsman. The remaining cases were closed because we did not receive any response from the complainants after 30 days of issuance of recommendation and some complainants did not wish to pursue their disputes further. The Ombudsman upheld 11 decisions made by the FSPs and revised two at the Adjudication stage.
EFFICIENCY IN RESOLVING DISPUTES

We managed to close 88 (64%) takaful cases within six months from the registration date. In general, some cases took longer than six months to resolve because of the delay in obtaining supporting documents, such as medical or adjusters report.

As at 31 December 2020, 69 takaful cases remain outstanding, of which 65 cases are within six months and four cases have exceeded six months. We are closely monitoring the outstanding cases to ensure prompt resolution of cases.

KEY INSIGHTS AND OBSERVATIONS ON TAKAFUL DISPUTES

FAMILY TAKAFUL

There was an increase of 34% with 59 new disputes under this category (2019: 44 cases). Most of these disputes involved medical and hospitalisation claims, followed by group total and permanent disability and death claims. Generally, these claims are rejected or excluded for the following reasons:

- non-fulfilment of the certificate definitions
- non-disclosure/misrepresentation of material facts in the takaful application/renewal form
- applicability of the certificate exclusion clause

We disposed 55 cases, with 13 cases (23.6%) settled amicably between the parties. About 84% of cases were disposed at Case Management stage and nine cases at the Adjudication stage. We issued 16 recommendations, of which, nine were referred to the Ombudsman. The Ombudsman adjudicated seven cases by upholding the FSPs’ decision and two cases were adjudicated in favour of the complainants.
Observations and our approach to resolving disputes

*Lack of understanding of the certificate terms and conditions*

It was observed that the claimants’ level of understanding of the terms and conditions of the certificate continues to be an area of concern, particularly, in understanding the scope of the coverage and limitation provided in the certificate. This is despite the fact that the takaful operator had provided the claimants with the sales illustration and product disclosure sheets containing essential information about the product. Both the sales illustration and product disclosure sheets are provided to ensure that the claimants are informed of the pertinent features of the product and the scope of the certificate coverage.

It is interesting to note that claimants tend to assume that the certificate covers all aspects of misfortune regardless of the circumstances of the incident. The claimants are generally not aware that the coverage or benefits provided are subject to the terms and conditions stipulated in the certificate document. Once the documents are signed and agreed upon by the claimants, they are bound by the terms and conditions stipulated in the certificate document.

Whilst the FSPs are required to provide their certificate holder with the necessary material information about product features, it is also the obligation and responsibility of the claimants to read and understand the terms and conditions of the certificate to avoid misunderstanding or confusion on the scope and limitation of the certificate coverage.

On the other hand, we acknowledge that the claimant, being a layperson, may find it difficult to fully comprehend or understand the clauses stipulated in the certificate. The claimants may interpret and read the clauses incorrectly or out of context of the wordings. In this instance, we encourage the claimants to contact the customer services department/unit of the takaful operators to seek advice on matters related to the scope and limitation of the certificate, particularly ‘what is covered’ and ‘what is not covered’ by the certificate. This also helps the claimants better understand the terms and conditions, the limits and excess applicable, and the exclusions in the certificate documents.

**CASE STUDY I**

**MEDICAL CLAIM – REIMBURSEMENT FOR TUITION FEES**

**Background**

The participant’s reimbursement claim for tuition fees was repudiated by the takaful operator on the grounds that his condition did not fulfill the certificate requirement for reimbursement of tuition fees (ROTF).

The participant in his appeal letter contended that he was admitted in hospital on few occasions and therefore, his claim ought to be paid based on his medical condition and the certificate requirement.

**Investigation and findings**

The following findings were noted:

i) The medical report indicated that the participant was admitted in hospital on a few occasions due to ‘right leg cellulitis and chronic discharging at mid shin’.

ii) The clause in the certificate states: ‘Benefit Description’

2. Reimbursement of Tuition Fees

a) In the event of prolonged disability, defined as a covered medical condition which renders the covered member being confined to the hospital continuously for a period of not less than fourteen (14) days, which actually prevents the covered member from attending to his academic session at his registered college/university and as a direct result of this non-attendance, the covered member has to repeat his academic session in a new semester…’
iii) The medical evidence revealed that the participant was admitted in hospital on the following dates:

- 4 June 2018 - 11 June 2018 (7 days)
- 5 October 2018 - 9 October 2018 (4 days)
- 25 November 2018 - 1 December 2018 (6 days)

iv) It was not a disputed fact that the participant was admitted in hospital at different intervals, but the certificate requires admission at hospital ‘continuously’ for at least 14 days.

**Recommendation**

Based on the facts and circumstances of the case, OFS highlighted to the participant that it was clear from the evidence adduced that his condition does not fulfil the certificate requirement for ROTF.

The participant contended that he was not aware of the requirement stated in the certificate. He further stated that he had thought that once he was admitted to the hospital, he would be eligible for reimbursement of tuition fee. Further explanation was provided by OFS and finally, he accepted the decision and withdrew the case.

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**MOTOR TAKAFUL**

The number of motor takaful disputes lodged in 2020 dropped to 22 (2019: 33). The decline could have been due to the significant reduction in traffic movement nationwide during the Movement Control Order (MCO) period resulting in lower number of motor claims.

Nature of most common disputes handled under motor takaful category:
- failure to take reasonable precaution to safeguard the vehicle
- non-possession /expired driving license
- convulsion of nature (flood)

**Chart A11: Common takaful motor disputes**

<table>
<thead>
<tr>
<th>Nature of Dispute</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convulsion of nature (flood)</td>
<td>2</td>
</tr>
<tr>
<td>No/expired driving license/GDL</td>
<td>2</td>
</tr>
<tr>
<td>No reasonable precaution</td>
<td>5</td>
</tr>
</tbody>
</table>

We closed 25 cases at Case Management stage with five cases settled amicably between the parties. We issued nine recommendations and two were referred to the Ombudsman for Adjudication. The Ombudsman upheld FSPs decision in one case and the other one was resolved amicably.
Observations and our approach to resolving disputes

*Lack of knowledge on certificate terms and conditions*

Similar to family takaful, we observed that lack of knowledge or understanding of the certificate terms and conditions still prevails amongst the consumers, both local and foreign.

A standard motor certificate will not cover loss or damage arising from an act of nature, such as flood, storm or landslide. However, with an additional contribution payment (premium) it will extend to cover flood, landslide, landslip, and/or storm. It is interesting to note that many claimants were not aware of areas of coverage that are offered with an additional payment.

We wish to emphasise that it is the claimant’s primary duty to read and understand the terms and conditions of the certificate. The certificate is published on the takaful operators’ website and the issue of non-availability of certificate document does not arise. As such, claimants are expected to possess all information relating to their certificate prior to any incident which may lead to a potential claim.

**Background**

The participant submitted an own damage claim for cost of repair of his vehicle. However, the claim was repudiated on the ground that the vehicle was damaged due to flood, which is an exclusion under the certificate.

The participant in his appeal letter contended that he was not advised on the terms and conditions of the certificate. He was not satisfied with the explanation provided by the takaful operator and insisted that due to the unpredictable weather in Malaysia, the certificate should have covered the damages.

**Investigation and findings**

The following findings were noted:

1. The participant was a professional expatriate who worked with a private institution of higher learning.

2. The loss adjuster’s report revealed the following facts:
   - The damages to the participant’s vehicle were confined to the lower parts of the engine. There was no obvious damage to the outer body of the insured vehicle.
   - The participant was driving downhill towards a tunnel when a wave of water gushed out from the tunnel causing a flash flood. Hence, he was unable to escape from the water/flood.
   - The area was prone to flooding.
   - The participant had misjudged the depth of the water level and had driven into the flood.
3. The ‘Private Car Policy/Certificate’ states as follows:

‘1b: What is not covered
The events which are not covered are the exceptions listed below:

We will not pay for the following losses

(vi) Convulsion of nature
Any loss or damage to your car caused by flood, typhoon, hurricane, storm, tempest, volcanic eruption, earthquake, landslide, landslip, subsidence or sinking of the soil/earth or other convulsion of nature.’

4. The certificate coverage did not extend to cover flooding as there was no additional flood cover stated in the Schedule. There was no evidence adduced to indicate that the participant had paid additional contribution to cover flood.

Recommendation
Based on the facts and circumstances, we explained to the participant why the claim was repudiated. The participant accepted OFS’ clarification and did not wish to pursue the matter further.

We received 79 disputes under takaful general non-motor in 2020 (2019: 22 cases) in relation to different types of certificate as presented in the above chart. Travel insurance certificate recorded a substantial surge with 59 cases (2019: 5 cases), 35 cases were related to the COVID-19 outbreak with the majority on travel cancellation (27 cases) followed by travel curtailment (8 cases).

We disposed 46 cases under this category, 43 (93%) were disposed at the Case Management stage and the remaining at the Adjudication stage. Five cases were settled amicably between the parties. We issued 12 recommendations and three cases were referred for Adjudication. The Ombudsman upheld the FSPs’ decision on the three cases.
Observations and our approach to resolving disputes

Lack of understanding on certificate terms and conditions
Based on the disputes handled, claimants were generally not aware of the coverage, limits, terms, conditions, and exclusions of the travel certificate. Claimants are reminded to read and understand the terms and conditions before purchasing a travel certificate and consult the FSP or their intermediary should there be a need for clarification. This can help prevent disputes and create a better understanding of the coverage purchased. Likewise, the FSPs and/or their intermediaries should also explain the certificate terms and conditions clearly to their customers.

Proper investigations of the claim
FSPs process the claims based on information provided by the claimant on the claim form and/or simple notice. However, we noticed that there is a lack of further communication or probing before a final decision is made. There were instances where FSPs revised their earlier decision after OFS highlighted certain gaps in their investigation and these could have been avoided if thorough investigation were carried out before the decision was first made.

CASE STUDY III

HOUSEOWNER TAKAFUL - COMPENSATION FOR DAMAGE DUE TO BURSTING OF WATER PIPE

Background
The participant had made a claim against the takaful operator regarding water damage to the risk premise due to bursting of water pipe. The takaful operator had repudiated the claim on the grounds that the risk premise was left unoccupied, which falls under the exclusion of the bursting or overflowing of domestic water tanks, apparatus or pipes peril in the Houseowner takaful certificate which excludes destruction or damage occurring while the private dwelling house was left unoccupied.

Investigation and findings
The following findings were noted:

1. The risk premise was tenanted at the material time of loss based on the tenancy agreement for a term of two years.

2. The loss adjuster’s report revealed the following salient facts:
   a) it is not unreasonable for the tenant who had travelled abroad for a period of 21 days not to inform the claimant the duration the premise would be unoccupied.

b) the participant had no control over the tenant being away for the said duration.

c) duration the premises must not be left unoccupied is subjective as the certificate remains silent on the duration period.

Based on the above, OFS opined that the risk premise is deemed occupied at the material time of loss as reported in the adjuster report since the tenant’s belongings were in one of the rooms of the risk premise. In addition, there is no clear definition in the certificate on the duration for the risk premise not to be left unoccupied.

Settlement
The takaful operator agreed to review their decision and the participant accepted the their offer.
MOTOR - TAKAFUL THIRD-PARTY PROPERTY DAMAGE (TPPD)

Disputes registered under this category declined in 2020 with only six new cases registered. Three of these claims were on the cost of repairs to vehicle and the remaining were on the loss of use of vehicle and breach of terms and conditions of the certificate.

We closed 11 disputes and seven were resolved through settlement. For the remaining cases, we did not receive any response from complainants on our enquiries (3 cases) and after issuing recommendation (1 case). No cases were referred for Adjudication last year under this category.

The recurrent disputes under takaful TPPD were claims for cost of repairs under Knock-for-Knock (KFK) Agreement and loss of use of vehicle.

Observations and our approach to resolving disputes

**Cost of repairs under the KFK Agreement**

The disputes under this category were on the recommended cost of repairs by the registered loss adjuster appointed by the claimant as compared to the FSPs’ offers for cost of repair, arising from the mandate by the claimants’ insurers under the KFK agreement. The KFK agreement is an agreement between insurance companies whereby third-party claims are involved.

We observed that FSPs’ offer for the cost of repair was based on the mandate obtained from the claimants’ insurers. Reference was not made to the recommendations of the registered loss adjuster appointed by the third-party claimants. FSPs referred to the KFK Agreement as the basis for maintaining their offer.

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

**Loss of use of vehicle**

The disputes under this category were related to Compensation for Assessed Repair Time (CART) which is compensation for the loss of use of vehicle while it is being repaired.

The issues were on the actual number of days the claimants were deprived of the use of their vehicles as compared to the number of days for assessed repair time recommended by the registered loss adjuster.

The FSPs’ assessment for amount offered under CART is based on the Bank Negara Malaysia’s (BNM) ‘Guideline on Claims Settlement Practices (Consolidated)’. Under this Guideline, the compensation for unforeseen delay is seven (7) days. FSPs are encouraged to exercise their discretion to grant additional number of days for unforeseen delays.
CASE STUDY IV

COST OF REPAIRS UNDER THE KNOCK-FOR-KNOCK AGREEMENT (KFK)

Background
The third party claimant had made a claim against the takaful operator for cost of repairs based on the recommendation of the loss adjusters appointed by him. However, the takaful operator had offered a lower sum based on the assessment of the in-house adjuster of the third-party claimant’s own insurer under the KFK agreement.

Investigation and findings
The following findings were noted:

1. The takaful operator had stated that the KFK agreement was applicable, i.e. the mandate to pay for the cost of repairs had to come from the third-party claimant’s own insurer who had in this instance offered a lower sum to the third-party claimant.

2. The takaful operator had disregarded the recommendation by the loss adjuster appointed by the claimant.

3. The BNM Guidelines on Claims Settlement Practices states that: ‘Any dispute with the adjuster’s final report should be resolved with the said adjuster before making an offer of settlement to the claimant.’

4. In this regard, if the takaful operator was not agreeable to the recommendation of the adjuster appointed by the third-party claimant, the takaful operator should resolve the matter with the adjusters before making the offer of settlement.

5. In this case, the dispute between the third-party claimant and the takaful operator is not on liability but on quantum, particularly on the cost of repairs. Clause 3.4.1(b) of PART A of the above-mentioned Guidelines clearly states, ‘Where there is no dispute as to liability, accept the recommendation made in the adjuster’s report’.

6. The takaful operator also did not provide the details of the approval for the cost of repairs. Clause 3.4.2 of PART B of the above-mentioned Guidelines states, ‘The letter of approval should explain the basis used in arriving at the settlement amount, including details of discrepancies for any inconsistencies between the adjuster’s recommendation and the takaful operator’s estimate.’

7. During the mediation session, the third-party claimant was able to provide proof of payment on the cost of repairs from the repairer.

Settlement
The takaful operator revised the offer and the third-party claimant accepted their new offer.
Almost one year after the outbreak of COVID-19, it has become apparent that it has brought changes to people from all walks of life around the world. Adapting to a new norm such as putting on face masks at public places and practising social distancing, has forced everyone to adapt to the changes in the way we live.

At OFS, the dispute team had to adjust and embrace changes in how we handled the disputes. In addition to adapting to the work-from-home culture, the face-to-face mediation sessions have since been replaced with alternative methods such as online sessions, telephone and video calls, exchange of emails and letters, to provide guidance and assist the parties involved towards resolution of disputes. Our team is equipped with the necessary technology to enable us to work remotely in a technologically secure and effective manner.

In 2020, the disputes received increased from 322 cases in 2019 to 510 cases. The increase was contributed largely by the number of disputes received in relation to internet banking and card-based payment such as credit and debit cards (54% in 2019; 78% in 2020).

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of cases received</td>
<td>73</td>
<td>153</td>
<td>385</td>
</tr>
<tr>
<td>Percentage</td>
<td>75%</td>
<td>88%</td>
<td>97%</td>
</tr>
</tbody>
</table>

The unauthorised transactions were mainly disputes arising from scams and unauthorised online transactions. Scammers and fraudsters are targeting the elderly, who might be less aware of potential scams and therefore more vulnerable to them.

Based on the disputes handled, we observed that the scammers are becoming increasingly more sophisticated with their tactics and mostly targeting the vulnerable and unsuspecting members of the public. New types of scams, such as fake profiles being set up on social media, and e-wallet prizes scam, attempt to trick the victims into sharing their...
bank details, including One Time Password (OTP) and Transaction Authorisation Code (TAC) through text or telephone or online forms. There are consumers who claimed that they were tricked into installing apps from untrusted sources, which enabled fraudsters to access their mobile phone for information.

We often remind consumers to safeguard their credit/debit card details and not to share OTPs or TACs received from the banks with anyone. We observed that people are still falling prey to online scams despite various campaigns to raise awareness on this matter. Other factors such as vulnerable consumers, human behaviour, online real-time payment, mental fragility, and quick financial remedy, contributed to the increase of financial frauds and scams.

In 2020, our team resolved 269 cases (2019: 271 cases) with 394 cases outstanding as of 31 December 2020 (2019:153 cases). The surge in disputes lodged in 2020 has caused a setback in resolving the cases within the timeframe.

I am proud of the dedication my entire team exhibited last year with the considerable surge in the caseload while adapting to the challenges of working remotely. They were fully committed in doing everything it took to continue to assist the consumers and the FSPs.
In 2020, the total disputes registered under banking and payment systems soared considerably by 58% to 510 cases (2019: 322 cases). This was largely contributed by the surge in disputes related to card-based electronic payment. Similarly, disputes relating to internet banking increased due to the rise of financial scams. About 87% of the new disputes were against licensed commercial banks totalling around RM6.5 million due to its large retail banking customer base.
Table B1: The nature of disputes by product types

<table>
<thead>
<tr>
<th>Product Types</th>
<th>Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARD-BASED ELECTRONIC PAYMENT SYSTEMS</td>
<td>• Lost/stolen cards • Alleged unauthorised online transactions • Issues relating to chargeback • Unauthorised cash advances</td>
</tr>
<tr>
<td>ELECTRONIC TERMINALS</td>
<td>• Non/short dispensation of cash from Automated Teller Machines • Alleged shortage of cash accepted by the Cash Deposit Machine/Coin Collection Machine</td>
</tr>
<tr>
<td>OPERATIONAL ISSUES</td>
<td>• Alleged mis-selling of insurance products by the financial service provider</td>
</tr>
<tr>
<td>INTERNET BANKING</td>
<td>• Transfer of funds arising from phone scams and ‘phishing’ • Transfer of money into wrong account by mistake</td>
</tr>
<tr>
<td>LOAN ADVANCES/ISLAMIC FINANCING</td>
<td>• Interest rate unreasonably/wrongly charged • Wrong computation of instalment amount • Dispute on method of interest/ profit computation</td>
</tr>
<tr>
<td>E-MONEY</td>
<td>• Disputes relating to stored value by participants of approved designated payment instrument issuer (non-FSP) due to alleged unauthorised transactions</td>
</tr>
</tbody>
</table>

Table B2: Monetary range for disputes registered

<table>
<thead>
<tr>
<th>MONETARY RANGE</th>
<th>NO OF DISPUTES</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM5,000 and below</td>
<td>174</td>
<td>34</td>
</tr>
<tr>
<td>RM5,001 to RM10,000</td>
<td>142</td>
<td>28</td>
</tr>
<tr>
<td>RM10,001 to RM25,000</td>
<td>132</td>
<td>26</td>
</tr>
<tr>
<td>RM25,001 to RM50,000</td>
<td>43</td>
<td>8</td>
</tr>
<tr>
<td>RM50,001 to RM100,000</td>
<td>13</td>
<td>3</td>
</tr>
<tr>
<td>RM100,001 to 250,000</td>
<td>6</td>
<td>1</td>
</tr>
</tbody>
</table>

Around 88% (448 cases) of disputes registered with the monetary value of RM25,000 and below.

There were 37 cases with disputed amount exceeding monetary limit of RM25,000. These disputes were related to unauthorised use of credit cards (30 cases), internet banking (5 cases) and unauthorised use of cheques (2 cases).
The total number of banking and payment systems cases resolved in 2020 was 269. Of these, 217 cases (81%) were resolved at the Case Management stage and 52 disputes (19%) were resolved at the Adjudication Stage.

In 2020, 146 cases were settled amicably, 57 were closed after recommendations were issued, and 52 disputes were Adjudicated. The remaining 14 cases were withdrawn or closed due to no response from the complainants.
EFFICIENCY IN RESOLVING DISPUTES

Of the 269 cases resolved in 2020, 44% were closed within six months from registration date. The cases that were closed after six months were attributed to the time taken to obtain further clarification and documents and to arrive at a settlement.

Out of the 394 outstanding cases as at 31 December 2020, 263 (67%) fall within six months from the registration date and the remaining exceeded the 6-month timeframe. Robust efforts have been taken to ensure expeditious disposal of cases.

KEY INSIGHTS AND OBSERVATIONS ON BANKING AND PAYMENT SYSTEMS DISPUTES

CARD-BASED ELECTRONIC PAYMENT

A total of 300 cases were registered under the card-based category between January and December 2020, an increase of 170% compared to 2019 (111 cases).

We resolved 140 cases, 47% of which were settled. About 14% were closed due to no response after the issuance of recommendation and 10% of disputes were closed with recommendation accepted by both parties.

Observations and our approach to resolving disputes

*Disputes relating to online transactions*

There is an increasing trend in the number of disputes on online transactions relating to scams during the COVID-19 pandemic. This may be attributed to the increase in online banking and e-commerce activities.

About 44.5% (159 cases) of disputes received and handled related to online transactions where consumers were deceived into revealing their banking credentials to third parties through scams (e.g., Facebook, phones, email, SMS, advertisement etc). In some instances, consumers were guided into performing transactions including changing their registered mobile numbers to the fraudster’s number at the Automated Teller Machine (ATM) which enabled the One Time Password (OTP) to be routed to the fraudster’s mobile number. The fraudster would then perform the unauthorised transactions without
the knowledge of the cardholder. Consumers are reminded to be more vigilant of telephone scams or calls from unknown sources which may lead to their banking credentials being used for unauthorised online transactions.

Based on our findings, the alleged unauthorised transactions were performed with the cardholders’ credit or debit card and card verification value (CVV) number. With the correct input of card details and CVV, the OTPs would be sent by the bank to the cardholders’ registered mobile number to complete the online transactions. Most cases were related to online purchases of tokens, games, software or credit uploads and e-wallet top up. In such instances, the chargeback performed by the bank to recover the money was unsuccessful as there is no chargeback rights for transactions performed under the 3D secure platform, which requires authentication through OTPs.

Twenty-six (7.2%) cases, valued at RM233,870.91, were mutually settled during the mediation, whereas 14 (3.9%) cases were referred to the Ombudsman. The total amount claimed under online transactions was valued at RM1,944,493.33.

Unauthorised Transactions (lost and stolen card)

About 15% of disputes under the card-based electronic payment category was related to lost and stolen credit cards, a reduction compared to 30% in 2019.

Most credit card transactions performed locally were completed with the card and Personal Identification Number (PIN). In most instances, we found that the unauthorised transactions occurred when the card and PIN were compromised.

In certain cases, the cardholder had left their credit card unattended, and this enabled the thief to access the card and PIN without the cardholder’s knowledge.

In determining the liability for disputes involving lost and stolen credit cards, the following factors were considered.

- whether the complainant had contacted the bank as soon as reasonably practicable to block the card
- whether the bank had taken reasonable steps to temporarily block the complainant’s credit card when the alleged transactions were alerted in their system

We note that there was a decline in the number of stolen credit cards cases, and this was attributed to the travel restrictions brought about by the COVID-19 pandemic.

Around 5% (18 cases) of lost/stolen credit card cases were resolved through mutual settlement (valued at RM138,707.84) with parties involved agreed with the findings of the Case Manager during the mediation session. The remaining cases, amounting to RM202,589.93, were adjudicated by the Ombudsman.
CASE STUDY I

ONLINE TRANSACTION - CREDIT CARD

Background
On 10 July 2019, Mrs. X (the supplementary cardholder) wanted to pay for medicine at a pharmacy when she realised her supplementary credit card was declined. She informed her husband, who is the principal cardholder of the incident. Mr. X contacted the bank and was informed that his principal credit card’s limit had been fully utilised. They were informed there were about 75 online transactions charged to the principal credit card. Mr. X denied performing the transactions and immediately requested the bank to block the card. A dispute was filed on the 75 transactions amounting to RM85,240.59 performed between 24 June 2019 and 8 July 2019.

Investigations and findings
All the transactions were performed under the 3D secure platform. The One Time Password (OTP) and SMS alerts were sent to Mr. X’s phone number registered with the bank. The bank blocked the credit card on 10 July 2019 at 5.50 pm. By the time the card was blocked, all transactions were successfully completed with the authentication of OTP.

The bank performed a retrieval request/chargeback from the merchant for a refund but was unsuccessful as all transactions were validly transacted under the 3D secure platform. It was discovered during the mediation that the shipping address of the recipient was Mr. X’s other house address, which was occupied by his son.

Settlement
Mr. X agreed to be liable for the transactions and to pay the amount by way of instalments.

Unauthorised transactions (card compromised)
We handled 130 cases (36.4%) related to unauthorised transactions where the complainants’ cards were compromised. The complainants alleged that their credit cards were in their possession and they did not lose their cards when the alleged unauthorised transactions took place. Based on our findings, the details of the complainants’ cards were compromised, which enabled the fraudsters to perform the disputed transactions without their knowledge.

During investigation and the reading of the Visa/Master card transaction reports, we found that the physical cards were presented at the merchants’ counters (face-to-face transactions). In such instances, chargeback is not possible as the genuine card was presented at the merchant’s terminal. We found that in most cases, the unauthorised transactions were performed by persons known to the cardholders. As such, cardholders should be vigilant and safeguard their cards and PINs.

We settled 27 cases valued at RM339,790.09 at the mediation while 20 cases were referred for Adjudication. The remaining were closed due to no response from the complainants.
CREDIT CARD SCAM

Background
On 25 August 2019 at about 12.10pm, Ms. Z received a message through her Facebook messenger purportedly from her Facebook friend, Ms. R requesting for her mobile phone number which Ms. Z accordingly gave. Thereafter, she received an advertisement from Ms. R regarding a ‘Lazada Campaign’ to win money in which she was requested to provide all her credit card details. Ms. Z did not realise that it was a scam, and she revealed the details of all her credit cards including her Bank Y credit card. Thereafter, she received several text messages from Bank Y as well as her other banks’ credit cards on the multiple transactions performed on the cards.

Ms. Z immediately contacted Ms. R on the said matter. Ms. R stated that her Facebook account had been hacked and she did not request for Ms. Z’s mobile phone number or details of the credit cards.

On realising that she had been scammed, Ms. Z immediately contacted the respective banks to block her credit cards. Ms. Z lodged a police report on the same day and thereafter, filed an official dispute with the bank on 26 August 2019 on the unauthorised transactions amounting to RM3,022.38.

Bank Y rejected Ms. Z’s claim because the said transactions were performed online under a 3D secure platform through authentication of One Time Passwords (OTP) that were sent to Ms. Z’s mobile number registered with the bank.

Investigations and findings
The credit card transactions 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 Verification Value (CVC) number. Under the 3D secure platform, online transactions are approved upon authentication of the OTP which is an added layer of security against fraudulent transactions. In addition to the input of the credit card details, a transaction under a 3D secure platform could not be completed or approved by the bank without the input of the OTP. According to Bank Y’s record, the text messages containing the OTPs for the above transactions were successfully sent to Ms. Z’s number registered therewith. These transactions were subsequently approved upon positive verification of the OTPs by Bank Y.

Ms. Z was also alerted of each successful transaction through text messages. This was consistent with Ms. Z’s statement in her police report that she had received text messages from the bank on the above transactions.

Based on the chronology, an inference can be drawn that the text messages containing the OTPs were successfully sent to Ms. Z’s mobile number and she had revealed the OTPs to the fraudster together with the credit card details. This enabled the fraudster to perform the above transactions.

Bank Y blocked the card upon receiving Ms. Z’s report on 25 August 2019 at 2.01pm, by that time the alleged unauthorised transactions had already been approved and completed. Under the card scheme rules, there are no chargeback rights for fraudulent transactions that were authenticated under a 3D secure platform. The alleged transactions were identified as discount e-vouchers purchased by the fraudster and the products were successfully delivered to the recipient.
CASE STUDY II (cont’d)

Adjudication
The Ombudsman upheld Bank Y’s decision and held that the online transactions amounting to RM3,022.38 were transacted through Ms. Z’s credit card details and the verification of the OTPs that were sent to Ms. Z’s mobile number registered with the bank. These transactions were completed upon the successful input of the OTP at the merchant’s website. As such, although Ms. Z had reported the unauthorised transactions to Bank Y upon receiving the text message alerts, the bank would not have been able to stop or cancel the transactions.

Cardholders should be more vigilant before furnishing their credit card particulars to third parties to avoid any unauthorised transactions performed by the third parties. A duty is imposed on the cardholders to ensure the safety of their credit card and the banking credentials. Cardholders are responsible for any unauthorised transactions that occur whilst the cards are in their possession.

Cash advance
Only 5 (1.4%) cases were received and handled under this category, with the claim amount valued at RM78,010.79. We found that consumers’ Personal Identification Number (PIN), which were associated with their identity card number, birth date, handphone numbers or a combination of their spouse’s identity card number, were easily deciphered by the fraudsters. We also found that some complainants kept and stored their PIN in their wallet or mobile and this led to their PIN being compromised. In such instances, the complainants are liable for the money withdrawn through the Automated Teller Machine (ATM).

We note that nearly all credit cardholders do not utilise the cash advance facility. Therefore, it is recommended that cardholders are given an option to opt out of the cash advance facility.
Background
Mr. Y is the holder of two Bank B Visa credit cards with a combined credit limit of RM200,000. Mr. Y’s credit cards were stolen while he was on holiday in Spain. On 30 April 2019 at about 10.00 pm to 11.00 pm (Spanish time), Mr. Y was having dinner with friends at the outdoor terrace of a restaurant. Mr. Y alleged that he had kept his bag containing his personal belongings and 24 credit cards on the table under the watchful eyes of his friends whilst he visited the restroom.

Upon returning to the dinner table, he discovered that the bag was stolen. He immediately returned to the hotel and searched for the contact number of the respective banks to report loss of the cards. At the same time, Mr. Y had also sought the assistance of his personal assistant to inform the respective banks to block all his cards including Bank B.

In the interim, Mr. Y received multiple Short Message Service (SMS) alerts for several cash advances performed using his credit cards at ATMs in Spain. A series of nine cash advances were transacted through the Master card totalling RM25,683 and four cash advances through his Visa card totalling RM16,663. Mr. Y lodged a police report in Spain on 1 May 2019 and filed a dispute with the bank on 2 May 2019. He lodged a second police report in Malaysia on 31 May 2019 upon his return.

Bank B managed to perform a full recovery for all the cash advance transactions performed with the Visa card amounting to RM16,663 and a partial recovery for the cash advances performed through the Master card amounting to RM11,904. Mr. Y was held liable for the balance sum of RM13,779 on the grounds that the withdrawals were performed at an ATM with valid Personal Identification Number (PIN). Mr. Y contends that he did not divulge the PIN to anyone nor recorded it anywhere for reference.

Investigations and findings
All the cash advances were made at ATMs in Spain through Mr. Y’s valid Europay, Mastercard and Visa (EMV) card and with correct PIN entered. Based on Bank B’s investigation, the first cash advance transaction was performed at 5.45 am. Thereafter, several cash advances were performed, and the bank’s authoriser had attempted to contact Mr. Y at 6.15 am but the line was busy. SMS alerts were sent to Mr. Y’s mobile number registered with the bank after each cash advance transaction was performed. Bank B was only able to block Mr. Y’s credit cards at 6.32 am when Mr. Y’s assistant contacted the bank to report the stolen credit cards.

Recommendation
The Case Manager upheld Bank B’s decision on the grounds that all the cash advances were made through Mr. Y’s credit cards and a valid PIN which was only known to Mr. Y. Thus, Mr. Y is liable for the balance sum of RM13,779.
INTERNET BANKING
A total of 98 (19%) disputes related to internet banking were registered in 2020, an increase compared to 63 cases in 2019.

These disputes are mainly related to transactions arising from scams and unauthorised online transactions. Transaction Authorisation Code (TAC) scams are common where the fraudsters log onto the victim’s internet banking account via illegal means, and then contact the victim on the pretext that they had wrongly registered the victim’s handphone number with the bank and allege that TAC meant for the fraudster was sent to the victim’s handphone.

Other types of internet scams are e-wallet and lucky draw scams where the victims received calls or text messages notifying them that they had won a prize. The fraudsters also leveraged on the government incentive e-wallets to entice victims to redeem the e-wallet value by clicking on the link in the message and to provide their banking credentials.

Fraudsters also targeted mobile banking users by tricking them into revealing their banking credentials and the TAC to transfer money to a third-party account and/or to top-up their e-wallet accounts. Most mobile banking applications require only one OTP (One Time Password) to bind the device to the apps and subsequent fund transfers or payments can be performed without the requirement of an OTP. Post-notification transaction alerts would be sent to the new device instead of the victim’s registered mobile number and the victims were unaware of the subsequent fund transfers from their account.

In 2020, 16 Internet banking cases were mutually settled during mediation at the value of RM48,092.29.

Background
Mr. D received telephone calls from a stranger requesting for the Transaction Authorisation Code (TAC) on the pretext that Mr. D’s mobile number was wrongly entered during his internet banking registration. Believing the story, Mr. D forwarded the TAC to the stranger. Thereafter, Mr. D checked his account and discovered that RM6,000 was transferred out of his savings account. He immediately contacted Bank E to report the scam and lodged a police report.

Mr. D contended that he did not reveal his banking credentials such as his username and password to the third party. Bank E rejected his claim on the grounds that the online fund transfers were made through a valid username, password and TAC.

Investigations and findings
The bank’s record showed that five disputed internet fund transfers totaling RM6,000 were transacted minutes apart on 1 March 2020. The registration for e-wallet account in the internet banking account was done with the verification of the TAC. Mr. D had revealed to the perpetrator the TAC that was sent to his mobile number.

The subsequent five fund transfers were successfully made into another e-wallet account without the need for TAC authentication. The fund transfers were made on 1 February 2020 at about 5.00pm. Upon realisation of the scam, Mr. D immediately contacted the bank. The funds were withdrawn at about 6.30pm. Bank E initiated the recovery action by contacting the beneficiary bank on 3 March 2020, two days after Mr. D alerted Bank E of the scam.
**Recommendation**

The loss was apportioned between the parties on the following grounds:

1. There was a delay in Bank E’s attempt to recover the funds. Had Bank E acted on the complaint and initiated the fund recovery process immediately, it is likely that they would have recovered at least part of the money transferred.

2. The five fund transfers to the e-wallet account were done without the need for TAC. The verification of TAC was only required on registration of e-wallet as ‘favourite’ in the internet banking account. We were of the view that the TAC verification is compulsory for fund transfers because it provides an additional layer of security to protect against fraud. The loss could have been mitigated had Bank E adopted a more robust process in relation to fund transfer to e-wallet accounts with the requirement of TAC authentication.

3. On the other hand, Mr. D had also contributed to the loss by revealing the TAC to a third party.

**DISPUTES RELATING TO ELECTRONIC TERMINALS**

**Dispensation of cash**

There has been a decline in the number of cases relating to cash dispensation. We received a total of 10 cases relating to non-dispensation of cash valued at RM6,400.

The recurring issue of non-dispensation of cash involved cash not taken as the customer failed to wait for the cash to be dispensed. The FSPs had furnished their closed-circuit camera (CCTV) recordings which shows that the customer had left the ATM immediately after retrieving their debit card and the dispensed cash was subsequently taken by a third party. The FSPs attempts to trace the third party to recover the cash were unsuccessful.

All the cases were mutually settled between the FSPs and the complainant.

**Unauthorised ATM withdrawals**

The common disputes received are related to unauthorised ATM withdrawals arising from lost/ stolen cards with the card and Personal Identification Number (PIN) being compromised. The complainants’ contention is that the FSPs had failed to provide a safe and secure system to protect their money deposited in their accounts. The losses resulting from unauthorised transactions could have been minimised had the FSPs put in place a robust tracking mechanism to detect suspicious withdrawals. Meanwhile, consumers are urged to be more vigilant in safeguarding their card and the confidentiality of their PIN.

**Cash Deposit Machines**

The typical complaint received is with regards to unaccounted cash that was allegedly deposited into the Cash Deposit Machine (CDM). In most instances, there were no irregularities in the records of the CDM Electronic Journals and no excess cash was found during the cash balancing. Consumers are therefore advised to count the notes before inserting them into the CDM.
DISPUTES ON LOAN ADVANCES AND ISLAMIC FINANCING

About 40% of disputes related to excessive or unreasonable interest charged, leading to high loan principal outstanding with extended loan tenure. The remaining 60% related to a variety of disputes ranging from lost/misplaced titles by FSPs, non-refund of excessive fire insurance premiums levied by FSPs, and unreasonable penalty interest imposed on borrowers relating to outstanding fire insurance premium which was debited into loan account 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 enhancement to their respective administration process to better serve their consumers in line with OFS’ observations.

There were 19 cases that were resolved through mutual settlement between the parties valued at RM327,959.10. Three cases were resolved after issuance of the recommendation and three were referred to Ombudsman for Adjudication.

CASE STUDY V

PENALTY INTEREST IMPOSED ON LOAN ACCOUNT OWING TO UNSETTLED FIRE INSURANCE PREMIUM BEING CLASSIFIED AS ARREARS

**Background**

Mr. G and Ms. H were granted the Flexi Home Loan facility by the bank to part finance their purchase of a property. They claimed that the bank had in April 2018 debited the loan account with RM490.76 being fire insurance premium taken on behalf of the Borrowers.

Mr. G and Ms. H averred that in the absence of proper notification, the fire insurance premium was left unpaid and was subsequently classified as arrears. As a result, the bank had revised their prescribed interest rate from 4.35% p.a. to 7.85% p.a. with monthly instalment amount increased to RM3,117 from RM2,005. Notwithstanding the abovementioned, the bank had also demanded that Mr. G and Ms. H settle the outstanding amount of RM15,157.85 accumulated since August 2018.

Mr. G and Ms. H contended that they had not defaulted in their monthly instalments and the bank had taken punitive measures to impose penalty interest rate on their loan account through no fault of theirs. They wanted the bank to refund the late interest charges and sought full waiver of RM15,157.85.

**Investigation and findings**

The loan was fully disbursed on 19 February 2016 and the first instalment amount was RM2,005. The Flexi Home Loan account was two months in arrears of RM4,010 as of 1 May 2019. Mr. G and Ms. H had made partial payments of RM 2,005 each on 3 April 2017 and 22 April 2018. With a sum of RM490.76 being fire insurance premium debited to the loan account on 20 April 2018, the account had remained in arrears.
The bank had on several occasions sent reminders and notification to Mr. G and Ms. H regarding their short payments through the bank’s collection calls, reminder notices and SMS but the shortfall of payment remained unpaid. Effective 25 June 2018, the bank revised their interest rate to default rate and the monthly instalment had been revised upward on 1 July 2018.

Mr. G and Ms. H claimed they were not properly informed as they were field workers on strict working conditions and could not receive incoming calls or SMS during working hours.

**Settlement**

The Case Manager examined Mr. G and Ms. H’s loan statements and noted that they had been making regular monthly repayment of RM2,005 – RM2,100 to service the loan account without being aware of the fire insurance premium being debited into the loan account due to their hectic work schedule. During mediation session, the bank was advised to consider Mr. G and Ms. H’s plight as well as their commitment in serving the monthly instalments.

The bank reviewed the case matter and agreed to offer the following goodwill settlement to resolve the dispute:

a) Mr. G and Ms. H were to pay RM6,157.85 only into their loan account to settle the arrears

b) The bank agreed to grant an interest waiver of RM9,000

c) The bank had reinstated the original contractual interest rate of the loan to the prevailing BLR minus 2.40% pa. since 4 May 2020

The dispute was amicably resolved.

In 2020, we received a total of 49 cases on operational issues, out of which 59% were disputes on mis-selling and misrepresentation of financial products to customers. It was observed that based on the disputes handled at OFS, there are two general types of mis-selling:

- Providing customers with misleading information about a financial product. This can involve omitting key features about a product or providing information that makes the product appear to be something it is not (i.e., misrepresentation).
- Recommending a financial product that is unsuitable for the customers based on the customer’s financial situation, such as risk tolerance.

The common disputes handled involve the following issues:

i) The consumer went to the bank to open or renew their fixed deposit account but were enticed into purchasing an insurance policy.

ii) Financial products, such as investment-linked insurance policies, were marketed with a promise of high returns compared to fixed deposits. In most instances, the consumer was not aware that their ‘invested amount’ includes payment of premium.

iii) The bank’s sales staff did not highlight the risk of the investment, rather focusing on the highest past performance of the product.

iv) The insurance investment link was sold as a one-time investment product and consumers were not informed of the regular payment in premium.
The consumer only became aware of the regular premium when they received the notification from the insurance company for subsequent payment or when the money in their account was debited for insurance premium.

v) The bank’s sales representative failed to explain the benefits of the policy clearly and accurately. For example, the effect of termination of policy prior to maturity period, the total term of premium payment for receiving such high returns and the policyholder’s 15 days’ free-look period.

vi) The consumer did not understand the consequences of not continuing the policy until the end of the full premium paying term. Some complainants are not aware that they will not receive their principal amount upon early termination of the policies.

In dealing with disputes relating to mis-selling of financial product, we investigate each circumstance and decide if the FSPs had acted unfairly when they sold the product based on the information provided by both parties. It is important to know what transpired during the sale process and the early stage of the policy commencement which led to the complaint. The initial burden of proof is on the complainant to show that the said misrepresentation influenced him/her into making the decision to purchase the said policy.

The common issues that arise in dispute on mis-selling include whether there was misrepresentation by the bank’s financial consultant/sales staff in respect to the feature of the policy which led to mis-selling of the product to the complainant. We assess whether the sales process and the documents are in line with the minimum requirements under respective Bank Negara Malaysia Guidelines.

FSPs are required to comply with the product-specific disclosure requirements which includes clear and concise disclosure of information at the initial sales presentations to assess the suitability of the financial products for the consumer. The information on products must be presented in a clear and reasonably understandable format.

In most instances, we observed that the FSPs have complied with the requirement of concise disclosure in their sales documents. On the contrary, when the complainant approached the sales staff upon noticing the discrepancies between the information provided during sales and the policy contract, there were instances where the sales staff had given ambiguous information and failed to inform the complainant of his/her statutory right under the 15 days free look period.

The purpose of a free-look period for insurance policies is to provide time for the owner to review the actual policy to consider the product from their own perspective. Thus, if an owner wants to return the policy after reviewing the contract, he/she may do so for a full refund of all money given to the insurance company. This is the statutory right of the policy/certificate owner. In assisting the customers, the sales staff has the duty to disclose to the customer of his rights under Section 128 of the Financial Services Act 2013 which allows him to return the policies/certificates within 15 days after delivery of the policies/certificates.

In deciding on disputes relating to mis-selling, if we found there was a misrepresentation by the sales staff which led to the purchase of the policy, we informed the FSPs to put the complainant back to the position he/she would have been in if the FSPs had not erred during the sales presentation. This may include paying the complainant for the financial loss suffered and putting things right in the way it was presented to the complainant during sales.

The consumers were also reminded to read all the sales documents, in particular the Product Disclosure Sheet to understand the basic features of the policy. Upon receiving the policy document, the complainant should take their time to review the policy document and should the financial product not suit their financial appetite, the complainant may return the policy to the FSP for a full refund of all monies paid.

Thirty out of the 66 cases that were handled were closed in 2020. About 77% (23 cases), were resolved through mutual settlement at the case management stage. Two recommendations that were issued by Case Managers were accepted by the parties and one was closed due to no response from the complainant.

The remaining four cases were referred for Adjudication. Out of these, the Ombudsman upheld the FSP’s decision for one case and revised the FSPs’ decision for three cases, valued at RM64,402.66.
CASE STUDY VI

MIS-SELLING OF INSURANCE PRODUCT BY BANK

Background
Ms. N went to Bank P on 26 August 2014 to open a fixed deposit account. At the bank, she was attended to by an assistant sales manager who proposed an investment scheme which requires a one-time payment of RM20,000. Ms. N was told that she would receive interest of RM500 every six (6) months for five (5) years and the plan was not based on market value.

Ms. N claimed that during the sales presentation, she was informed that upon completion of the five (5) years, either the insurance company or the bank would return the principal amount of RM20,000. The sales process was conducted in Tamil in the presence of another bank officer, Mr. V.

The complainant agreed to take up the investment scheme as proposed by the assistant sales manager and invested RM20,000 and the policy came into force on 17 September 2014.

After receiving the policy document, the complainant contacted the assistant sales manager to seek explanation on the policy’s maturity date printed as 17 September 2022, an eight-year term instead of five-year as proposed during the sales presentation.

On 23 October 2019, upon completion of the five-year term, the complainant contacted the assistant sales manager to withdraw her investment of RM20,000. However, the assistant sales manager informed Ms. N that the principal returns would be less as the investment plan was for five (5) years plus an additional two (2) years.

Ms. N requested to withdraw her investment of RM20,000 based on the representation by the assistant sales manager. The FSP rejected her claim on the grounds that the insurance coverage has been provided since the policy commencement date and semi-annual coupon pay-out totalling RM5,000 had been duly paid to the account holder from year 2015 to 2019.

Investigation and findings
i) On 25 October 2019, the insurer met Ms. N, the bank officer, Mr. V and the assistant sales manager to discuss the complaint. During the meeting, Mr. V who was present during the sales presentation confirmed that the said assistant sales manager had informed Ms. N that the plan was for five years.

ii) He further confirmed that Ms. N’s intention was to place her monies in fixed deposit, and she had informed the assistant sales manager that she was not interested to purchase any unit trusts or plans that were based on market rate.

iii) Upon receiving the policy document, Ms. N contacted the bank’s assistant sales manager to seek explanation on the policy maturity date.

iv) According to Ms. N, she was told by the sales manager that there was nothing to worry about and that she could get her money back in full at the end of the five-year term i.e., in September 2019. Furthermore, Ms. N was informed that the monies could be withdrawn after five (5) years subject to the surrender value depending on the market rate.

v) It is an irresistible inference that the assistant sales manager had knowledge of the fact that Ms. N took up the policy because she believed that it was for a five-
year term and she wanted to withdraw the investment amount of RM20,000 at the end of the five-year term.

vi) It was the assistant sales manager’s duty to disclose to Ms. N her statutory rights under Section 128 of the Financial Services Act 2013 which allowed her to return the policy within 15 days after such delivery. Ms. N could have received full refund of her money (RM20,000) at that point in time.

vii) This was as specified in the BNM Guidelines on Product Transparency and Disclosure (Paragraph 9.3.1 c) on the duty of disclosure on the part of the FSP which continued during the term of the contract. Thus, upon a specific request from the assured/policyholder, the FSP should provide relevant and reasonable information when requested by the customer during the term of the contract.

viii) The assistant sales manager would be under a duty to disclose to Ms. N all facts known to her that are material, in particular the product features. Failure to do so, constituted a breach of its duty of utmost good faith.

ix) Reference was made to Paragraph 12, Schedule 9 of section 129 of the Financial Services Act 2013 which provides that the statement made, or act done by an agent for the purpose of the formation or variation of the contract of insurance, shall be deemed to be made by the insurer itself, notwithstanding the fact that the statement was misleading, false, or deceptive. If the agent is authorised to solicit or negotiate a contract of insurance on behalf of the insurance company, it is sufficient to bind the insurance company.

x) By virtue of Paragraph 12, Schedule 9 of section 129 of the FSA 2013, the FSP is bound by the statement made and act done by the assistant sales manager.

**Adjudication**

The Ombudsman held that misrepresentation by the assistant sales manager of the bank was undoubtedly proven. As such, the bank is liable for the acts of its sales officer. There was no meeting of the mind when the contract was entered.

The FSP was bound by the statement made and act done by the assistant sales manager. Thus, on the principle of ‘fair and reasonable’ the Decision was made in favour of Ms. N.
# List of Members

**Members of OFS as at 31 December 2020**

## 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 (formerly known as Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad)
20. OCBC Bank (Malaysia) Berhad
21. Public Bank Berhad
22. RHB Bank Berhad
23. Standard Chartered Bank Malaysia Berhad
24. Sumitomo Mitsui Banking Corporation Malaysia Berhad
25. The Bank of Nova Scotia Berhad
26. United Overseas Bank (Malaysia) Berhad

## Islamic Banks

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 (formerly known as Asian Finance 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

## Development Financial Institutions

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

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<tr>
<td>98.</td>
<td>Zurich General Takaful Malaysia Berhad</td>
</tr>
<tr>
<td>99.</td>
<td>Zurich Takaful Malaysia Berhad</td>
</tr>
</tbody>
</table>
(formerly known as EPP Solution Sdn. Bhd.) |
(formerly known as AirPay Malaysia Sdn. Bhd.) |
(formerly known as Numoni DFS Sdn. Bhd.) |
(formerly known as MAA Cards Sdn. Bhd.) |
| 135. ScanPay Sdn. Bhd.  
(formerly known as MAA Cards Sdn. Bhd.) |
(formerly known as MAA Cards Sdn. Bhd.) |
(formerly known as MAA Cards Sdn. Bhd.) |
(formerly known as AirPay Malaysia Sdn. Bhd.) |
| 140. SMJ Teratai Sdn. Bhd. |
| 141. TNG Digital Remittance Sdn. Bhd.  
(formerly known as Mobile88.com Sdn. Bhd.) |
| 142. TNG Digital Sdn. Bhd.  
(formerly known as Mobile88.com Sdn. Bhd.) |
(formerly known as Mobile88.com Sdn. Bhd.) |
| 144. U Mobile Services Sdn. Bhd.  
(formerly known as Synergy Cards Sdn. Bhd.) |
(formerly known as Synergy Cards Sdn. Bhd.) |
| 146. WeChat Pay Malaysia Sdn. Bhd.  
(formerly known as Synergy Cards Sdn. Bhd.) |
| 147. XOX Com Sdn. Bhd.  
(formerly known as Synergy Cards Sdn. Bhd.) |

(formerly known as Synergy Cards Sdn. Bhd.) |

(formerly known as Synergy Cards Sdn. Bhd.) |
| 150. Petronas Dagangan Berhad |
## APPROVED INSURANCE AND TAKAFUL BROKERS

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>166.</td>
<td>MP Honan Insurance Brokers (Malaysia) Sdn. Bhd.</td>
</tr>
</tbody>
</table>

## APPROVED FINANCIAL ADVISERS AND ISLAMIC FINANCIAL ADVISERS

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>187.</td>
<td>CC Advisory Sdn. Bhd.</td>
</tr>
<tr>
<td>189.</td>
<td>ECL Advisory Sdn. Bhd.</td>
</tr>
<tr>
<td>191.</td>
<td>FA Advisory Sdn. Bhd.</td>
</tr>
<tr>
<td>194.</td>
<td>FZM Wealth Advisory Sdn. Bhd.</td>
</tr>
<tr>
<td>198.</td>
<td>iFAST Capital Sdn. Bhd.</td>
</tr>
<tr>
<td>201.</td>
<td>ISK Planner Sdn. Bhd.</td>
</tr>
<tr>
<td>208.</td>
<td>Steadfast Advisory (Malaysia) Sdn. Bhd.</td>
</tr>
<tr>
<td>209.</td>
<td>UOB Kay Hian Wealth Advisors Sdn Bhd</td>
</tr>
<tr>
<td>211.</td>
<td>Wealth Vantage Advisory Sdn. Bhd.</td>
</tr>
</tbody>
</table>

## APPROVED INSURANCE BROKER

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
</table>

## APPROVED TAKAFUL BROKER

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
</tr>
</thead>
</table>
REPORTS AND FINANCIAL STATEMENTS
31 DECEMBER 2020

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

2-3 Corporate Information

4-7 Directors’ Report

8 Statement by Directors and Statutory Declaration

9-12 Independent Auditors’ Report

13 Statement of Financial Position

14 Statement of Profit or Loss and Other Comprehensive Income

15 Statement of Changes in Equity

16-17 Statement of Cash Flows

18-40 Notes to the Financial Statements
OMBUDSMAN FOR FINANCIAL SERVICES
(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)

CORPORATE INFORMATION

DIRECTORS
- Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)
- Tan Sri Dato’ Sri Tay Ah Lek (Deputy Chairman)
- Tan Sri Dato’ Sri Zaleha Binti Zahari
- Datin Veronica Selvanayagy A/P S Mudiappu
- Antony Fook Weng Lee
- Kalpana A/P Sambasivamurthy
- Sujatha Sekhar A/P Tan Sri B C Sekhar (appointed on 30 September 2020)
- Dato’ Paul Selvaraj A/L Joseph Thamby (appointed on 30 September 2020)
- Tan See Dip (appointed on 4 September 2020 and resigned on 10 December 2020)
- Prof. Datuk Dr Marimuthu A/L Nadason (retired on 21 August 2020)
- Ong Chong Hye (retired on 21 August 2020)
- Mohd Radzuan Bin Ab Halim (retired on 21 August 2020)
- Lee Eng Huat (resigned on 31 August 2020)

CHIEF EXECUTIVE OFFICER
- Marina Binti Baharuddin (appointed on 1 January 2020)

OMBUDSMAN
- Kalyana Kumar A/L Sockalingam
- Intan Khadiza Binti Mohamad Amin (appointed on 1 January 2020)
- Marina Binti Baharuddin (appointed as CEO on 1 January 2020)

SECRETARIES
- Jasni Bin Abdul Jalil
- Won Swee Hwan (resigned on 1 July 2020)

REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS
- Level 14, Main Block
- Menara Takaful Malaysia
- No. 4, Jalan Sultan Sulaiman
- 50000 Kuala Lumpur
CORPORATE INFORMATION (CONT’D)

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

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services (“OFS”) for the financial year ended 31 December 2020.

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

<table>
<thead>
<tr>
<th>Surplus for the financial year</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>117,566</td>
</tr>
</tbody>
</table>

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
- Kalpana A/P Sambasivamurthy
- Sujatha Sekhar A/P Tan Sri B C Sekhar (appointed on 30 September 2020)
- Dato’ Paul Selvaraj A/L Joseph Thamby (appointed on 30 September 2020)
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- Ong Chong Hye (retired on 21 August 2020)
- Mohd Radzuan Bin Ab Halim (retired on 21 August 2020)
- Lee Eng Huat (resigned on 31 August 2020)
**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 11 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 11 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 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 11 to the Financial Statements.

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

The Auditors, Messrs Grant Thornton Malaysia 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

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

Kuala Lumpur
24 March 2021
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 13 to 40 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 2020 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 2021

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 13 to 40 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 2021

MARINA BINTI BAHARUDDIN

[Stamp]
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF

OMBDUSMAN FOR FINANCIAL SERVICES
(Incorporated in Malaysia as a company limited by guarantee and not having a share capital)
Registration No: 200401025885 (664393 P)

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 2020, 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 13 to 40.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2020, 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.

Kuala Lumpur
24 March 2021
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2020 RM</th>
<th>2019 RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4</td>
<td>354,765</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>5</td>
<td>769,084</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td>1,123,849</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>6</td>
<td>219,395</td>
</tr>
<tr>
<td>Other receivables</td>
<td>7</td>
<td>270,813</td>
</tr>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td></td>
<td>1,671,386</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td></td>
<td>1,245,836</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>3,407,430</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>4,531,279</td>
</tr>
<tr>
<td><strong>MEMBERS’ FUNDS AND LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as at 1 January</td>
<td></td>
<td>3,429,978</td>
</tr>
<tr>
<td>Net surplus for the financial year</td>
<td></td>
<td>117,566</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td></td>
<td>3,547,544</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>8</td>
<td>68,525</td>
</tr>
<tr>
<td>Tax payable</td>
<td></td>
<td>17,600</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>5</td>
<td>897,610</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td></td>
<td>983,735</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>983,735</td>
</tr>
<tr>
<td><strong>Total members’ funds and liabilities</strong></td>
<td></td>
<td>4,531,279</td>
</tr>
</tbody>
</table>

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 2020**

<table>
<thead>
<tr>
<th>NOTE</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>Revenue</td>
<td>9</td>
<td>7,295,600</td>
</tr>
<tr>
<td>Other income</td>
<td>32,000</td>
<td>2,460</td>
</tr>
<tr>
<td>Finance income</td>
<td>37,167</td>
<td>41,905</td>
</tr>
<tr>
<td>Staff costs</td>
<td>10</td>
<td>(5,092,276)</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td>(1,137,470)</td>
</tr>
<tr>
<td>Finance cost</td>
<td></td>
<td>(146,524)</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>(820,896)</td>
</tr>
<tr>
<td>Surplus before tax</td>
<td>11</td>
<td>167,601</td>
</tr>
<tr>
<td>Tax expense</td>
<td>12</td>
<td>(50,035)</td>
</tr>
<tr>
<td>Net surplus/total comprehensive surplus for the financial year</td>
<td>117,566</td>
<td>368,964</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

<table>
<thead>
<tr>
<th>Members' Funds/Total RM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 January 2019</td>
<td>3,061,014</td>
</tr>
<tr>
<td>Total comprehensive surplus for the financial year</td>
<td>368,964</td>
</tr>
<tr>
<td>Balance at 31 December 2019</td>
<td>3,429,978</td>
</tr>
<tr>
<td>Total comprehensive surplus for the financial year</td>
<td>117,566</td>
</tr>
<tr>
<td>Balance at 31 December 2020</td>
<td>3,547,544</td>
</tr>
</tbody>
</table>

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 2020**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus before tax</td>
<td>167,601</td>
<td>395,141</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bad debts written off</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>298,469</td>
<td>293,199</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>839,001</td>
<td>69,917</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(2,000)</td>
<td>(2,460)</td>
</tr>
<tr>
<td>Interest income</td>
<td>(37,167)</td>
<td>(41,905)</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>146,524</td>
<td>16,746</td>
</tr>
<tr>
<td>Surplus before working capital changes</td>
<td>1,412,428</td>
<td>731,638</td>
</tr>
<tr>
<td><strong>Changes in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>165,281</td>
<td>(53,094)</td>
</tr>
<tr>
<td>Payables</td>
<td>(18,930)</td>
<td>15,063</td>
</tr>
<tr>
<td>Net cash generated from operations</td>
<td>1,558,779</td>
<td>693,607</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(58,932)</td>
<td>(32,253)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>1,499,847</td>
<td>661,354</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>2,000</td>
<td>2,460</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(94,550)</td>
<td>(573,813)</td>
</tr>
<tr>
<td>Interest received</td>
<td>37,167</td>
<td>41,905</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(55,383)</td>
<td>(529,448)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid on lease liabilities</td>
<td>(146,524)</td>
<td>(16,746)</td>
</tr>
<tr>
<td>Net lease liabilities</td>
<td>(718,499)</td>
<td>(61,893)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(865,023)</td>
<td>(78,639)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net changes</td>
<td>579,441</td>
<td>53,267</td>
</tr>
<tr>
<td>At beginning of financial year</td>
<td>2,337,781</td>
<td>2,284,514</td>
</tr>
<tr>
<td>At end of financial year</td>
<td>A 2,917,222</td>
<td>2,337,781</td>
</tr>
</tbody>
</table>

NOTE TO THE STATEMENT OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,671,386</td>
<td>1,630,525</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1,245,836</td>
<td>707,256</td>
</tr>
<tr>
<td></td>
<td>2,917,222</td>
<td>2,337,781</td>
</tr>
</tbody>
</table>

The effective interest rates for fixed deposits with a licensed bank range from 1.70% to 3.00% (2019: 2.95% to 3.25%) per annum

B. TOTAL CASH OUTFLOWS FOR LEASES AS A LESSEE

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Included in net cash flow from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment relating to short-term leases</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Payment relating to low-value assets</td>
<td>5</td>
<td>9,600</td>
</tr>
<tr>
<td>Included in net cash flow from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>5</td>
<td>718,499</td>
</tr>
<tr>
<td>Interest paid in relation to lease liabilities</td>
<td>5</td>
<td>146,524</td>
</tr>
<tr>
<td></td>
<td>874,623</td>
<td>903,079</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
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 2021.

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:

<table>
<thead>
<tr>
<th>Amendments to MFRS effective 1 June 2020:--</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to MFRS 16</td>
<td>Covid-19 Related Rent Concessions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effective for the financial period beginning on or after 1 January 2021</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to MFRS 4*, 7, 9, 16 and 139</td>
<td>Interest Rate Benchmark Reform - Phase 2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amendments to MFRSs effective 1 January 2022:--</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to MFRS 3*</td>
<td>Reference to Conceptual Framework</td>
</tr>
<tr>
<td>Amendments to MFRS 116</td>
<td>Property, Plant and Equipment – Proceeds before Intended Use</td>
</tr>
<tr>
<td>Amendments to MFRS 137*</td>
<td>Onerous Contracts – Cost of Fulfilling a Contract</td>
</tr>
<tr>
<td>Annual Improvements to MFRS Standards 2018-2020*</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MFRS and Amendments to MFRSs effective 1 January 2023:--</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MFRS 17 and Amendments to MFRS 17*</td>
<td>Insurance Contracts</td>
</tr>
<tr>
<td>Amendments to MFRS 101</td>
<td>Classification of Liabilities as Current or Non-current</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amendments to MFRS – effective date deferred indefinitely:--</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to MFRS 10 and 128*</td>
<td>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</td>
</tr>
</tbody>
</table>

* Not applicable to the OFS’s operations
2. BASIS OF PREPARATION (CONT’D)

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

The initial application of the accounting standards, interpretations and amendments are not expected to have any material financial impacts to the financial statements of the OFS upon their first adoption, except for:-

Amendments to MFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the MASB issued Covid-19-Related Rent Concessions - amendment to MFRS 16 Leases. The amendments provide relief to lessees from applying MFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor as a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under MFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

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 2020, 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.
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

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 14.1 (a) to the Financial Statements.

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

**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.
2. BASIS OF PREPARATION (CONT’D)

2.6 Significant accounting estimates and judgements (cont’d)

2.6.1 Estimation uncertainty (cont’d)

Impairment of non-financial assets (cont’d)

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.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.1 Property, plant and equipment (cont’d)

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.

3.2 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.

3.2.1 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.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments (cont’d)

3.2.1 Financial assets (cont’d)

Initial recognition and measurement (cont’d)

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.

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.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments (cont’d)

3.2.1 Financial assets (cont’d)

Subsequent measurement (cont’d)

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.

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.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments (cont’d)

3.2.1 Financial assets (cont’d)

Impairment (cont’d)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.2 Financial instruments (cont’d)

3.2.2 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.

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 amortization 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.

3.2.3 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)

3.3 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.

3.4 Cash and cash equivalents

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

3.5 Revenue from contracts with 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)**

3.5 **Revenue from contracts with customers (cont’d)**

3.5.1 **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.

3.6 **Employees benefits**

3.6.1 **Short-term employees benefits**

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

3.6.2 **Defined contribution plans**

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

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

3.7 **Leases**

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.

3.7.1 **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.
3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.7 Leases (cont’d)

3.7.1.1 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 | 2 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 3.3 to the Financial Statements.

3.7.1.2 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 a 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)

3.7 Leases (cont’d)

3.7.1 As lessee (cont’d)

3.7.1.3 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.

3.8 Tax expenses

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

3.8.1 Current tax

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

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

3.8.2 Deferred tax

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>COMPUTERS RM</th>
<th>MOTOR VEHICLES RM</th>
<th>EQUIPMENT RM</th>
<th>FURNITURE AND FITTINGS RM</th>
<th>RENOVATION RM</th>
<th>BOOKS RM</th>
<th>TOTAL RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>581,681</td>
<td>248,163</td>
<td>326,987</td>
<td>685,270</td>
<td>611,178</td>
<td>150,000</td>
<td>2,603,279</td>
</tr>
<tr>
<td>Additions</td>
<td>481,435</td>
<td>82,471</td>
<td>2,487</td>
<td>7,420</td>
<td>-</td>
<td>-</td>
<td>573,813</td>
</tr>
<tr>
<td>Disposal</td>
<td>(50,375)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(50,375)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,012,741</td>
<td>330,634</td>
<td>329,474</td>
<td>692,690</td>
<td>611,178</td>
<td>150,000</td>
<td>3,126,717</td>
</tr>
<tr>
<td>Additions</td>
<td>80,962</td>
<td></td>
<td>10,388</td>
<td>3,200</td>
<td>-</td>
<td>-</td>
<td>94,550</td>
</tr>
<tr>
<td>Disposal</td>
<td>(45,730)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(45,730)</td>
</tr>
<tr>
<td>At 31 December 2020</td>
<td>1,047,973</td>
<td>330,634</td>
<td>339,862</td>
<td>695,890</td>
<td>611,178</td>
<td>150,000</td>
<td>3,175,537</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>COMPUTERS RM</th>
<th>MOTOR VEHICLES RM</th>
<th>EQUIPMENT RM</th>
<th>FURNITURE AND FITTINGS RM</th>
<th>RENOVATION RM</th>
<th>BOOKS RM</th>
<th>TOTAL RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>571,976</td>
<td>99,266</td>
<td>291,916</td>
<td>627,763</td>
<td>584,288</td>
<td>150,000</td>
<td>2,325,209</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>169,866</td>
<td>66,127</td>
<td>12,373</td>
<td>26,833</td>
<td>18,000</td>
<td>-</td>
<td>293,199</td>
</tr>
<tr>
<td>Disposal</td>
<td>(50,375)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(50,375)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>691,467</td>
<td>165,393</td>
<td>304,289</td>
<td>654,596</td>
<td>602,288</td>
<td>150,000</td>
<td>2,568,033</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>185,318</td>
<td>66,127</td>
<td>15,614</td>
<td>22,520</td>
<td>8,890</td>
<td>-</td>
<td>298,469</td>
</tr>
<tr>
<td>Disposal</td>
<td>(45,730)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(45,730)</td>
</tr>
<tr>
<td>At 31 December 2020</td>
<td>831,055</td>
<td>231,520</td>
<td>319,903</td>
<td>677,116</td>
<td>611,178</td>
<td>150,000</td>
<td>2,820,772</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>COMPUTERS RM</th>
<th>MOTOR VEHICLES RM</th>
<th>EQUIPMENT RM</th>
<th>FURNITURE AND FITTINGS RM</th>
<th>RENOVATION RM</th>
<th>BOOKS RM</th>
<th>TOTAL RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net carrying amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2020</td>
<td>216,918</td>
<td>99,114</td>
<td>19,959</td>
<td>18,774</td>
<td>-</td>
<td>-</td>
<td>354,765</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>321,274</td>
<td>165,241</td>
<td>25,185</td>
<td>38,094</td>
<td>8,890</td>
<td>-</td>
<td>558,684</td>
</tr>
</tbody>
</table>
5. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

OFS has lease contracts for premises used in its operations. Leases of premises generally have lease terms 2 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:

<table>
<thead>
<tr>
<th></th>
<th>PREMISES</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Addition</td>
<td>1,678,002</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019/31 December 2020</td>
<td>1,678,002</td>
<td></td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>69,917</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>69,917</td>
<td></td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>839,001</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2020</td>
<td>908,918</td>
<td></td>
</tr>
<tr>
<td><strong>Net carrying amount</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2020</td>
<td>769,084</td>
<td></td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,608,085</td>
<td></td>
</tr>
</tbody>
</table>

**Lease liabilities**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>RM</th>
<th>2019</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 1 year</td>
<td>897,610</td>
<td></td>
<td>797,137</td>
<td></td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- more than 1 year but less than 5 years</td>
<td>-</td>
<td></td>
<td>818,972</td>
<td></td>
</tr>
<tr>
<td></td>
<td>897,610</td>
<td></td>
<td>1,616,109</td>
<td></td>
</tr>
</tbody>
</table>

The lease liabilities bear interest rate of 5% (2019: 5%) per annum.
5. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT’D)**

**Lease liabilities (cont’d)**

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>At 1 January</td>
<td>1,616,109</td>
<td>-</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>1,678,002</td>
</tr>
<tr>
<td>Accretion of interest</td>
<td>146,524</td>
<td>16,746</td>
</tr>
<tr>
<td>Payments</td>
<td>(865,023)</td>
<td>(78,639)</td>
</tr>
<tr>
<td></td>
<td>897,610</td>
<td>1,616,109</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>839,001</td>
<td>69,917</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>146,524</td>
<td>16,746</td>
</tr>
<tr>
<td>Expenses relating to short-term leases</td>
<td>-</td>
<td>814,730</td>
</tr>
<tr>
<td>Expenses relating to low value assets</td>
<td>9,600</td>
<td>9,710</td>
</tr>
</tbody>
</table>

6. **TRADE RECEIVABLES**

OFS’s normal trade credit terms is 30 days (2019: 30 days).

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

7. **OTHER RECEIVABLES**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>Other receivables</td>
<td>23,686</td>
<td>9,374</td>
</tr>
<tr>
<td>Deposits</td>
<td>98,448</td>
<td>98,368</td>
</tr>
<tr>
<td>Prepayments</td>
<td>143,249</td>
<td>154,017</td>
</tr>
<tr>
<td>Goods and Services Tax receivable</td>
<td>5,430</td>
<td>5,430</td>
</tr>
<tr>
<td></td>
<td>270,813</td>
<td>267,189</td>
</tr>
</tbody>
</table>
8. **OTHER PAYABLES**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>68,525</td>
<td>87,455</td>
</tr>
</tbody>
</table>

9. **REVENUE**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy income, revenue recognised over time</td>
<td>5,544,000</td>
<td>6,270,000</td>
</tr>
<tr>
<td>Case fee, revenue recognised at a point in time</td>
<td>1,751,600</td>
<td>1,546,500</td>
</tr>
<tr>
<td></td>
<td>7,295,600</td>
<td>7,816,500</td>
</tr>
</tbody>
</table>

The payment terms are disclosed in Note 6 to the Financial Statements.

10. **STAFF COSTS**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and bonus</td>
<td>4,224,071</td>
<td>3,910,385</td>
</tr>
<tr>
<td>Employees Provident Fund</td>
<td>527,587</td>
<td>497,447</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>31,424</td>
<td>30,380</td>
</tr>
<tr>
<td>Other benefits</td>
<td>309,194</td>
<td>524,294</td>
</tr>
<tr>
<td></td>
<td>5,092,276</td>
<td>4,962,506</td>
</tr>
</tbody>
</table>

11. **SURPLUS BEFORE TAX**

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

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditors’ remuneration</td>
<td>12,500</td>
<td>12,500</td>
</tr>
<tr>
<td>Directors’ emoluments</td>
<td>259,038</td>
<td>124,800</td>
</tr>
<tr>
<td>Indemnity and insurance for Directors</td>
<td>31,543</td>
<td>30,713</td>
</tr>
</tbody>
</table>

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 RM31,543 respectively.
12. TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current year</td>
<td>42,725</td>
<td>28,597</td>
</tr>
<tr>
<td>- Under/(Over) provision in prior year</td>
<td>7,310</td>
<td>(2,420)</td>
</tr>
<tr>
<td></td>
<td>50,035</td>
<td>26,177</td>
</tr>
</tbody>
</table>

Malaysian income tax is calculated at the statutory rate of 24% (2019: 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:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus before tax</td>
<td>167,601</td>
<td>395,141</td>
</tr>
<tr>
<td>At Malaysian statutory tax rate of 24% (2019: 24%)</td>
<td>40,224</td>
<td>94,834</td>
</tr>
<tr>
<td>Tax effect in respect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-allowable expenses</td>
<td>106,995</td>
<td>71,580</td>
</tr>
<tr>
<td>Tax exempted income</td>
<td>(104,494)</td>
<td>(137,817)</td>
</tr>
<tr>
<td>Under/(Over) provision in prior year</td>
<td>7,310</td>
<td>(2,420)</td>
</tr>
<tr>
<td></td>
<td>50,035</td>
<td>26,177</td>
</tr>
</tbody>
</table>

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

13. 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.

14. CAPITAL COMMITMENT

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital expenditure:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised and contracted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible asset</td>
<td>192,072</td>
<td>-</td>
</tr>
</tbody>
</table>
15. FINANCIAL INSTRUMENTS

15.1 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.

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.
15. **FINANCIAL INSTRUMENTS (CONT’D)**

15.1 **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)**

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

<table>
<thead>
<tr>
<th></th>
<th>GROSS CARRYING AMOUNT RM</th>
<th>LOSS ALLOWANCE RM</th>
<th>NET BALANCES RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>133,800</td>
<td>-</td>
<td>133,800</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>40,595</td>
<td>-</td>
<td>40,595</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>25,500</td>
<td>-</td>
<td>25,500</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>16,500</td>
<td>-</td>
<td>16,500</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>3,000</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>219,395</td>
<td>-</td>
<td>219,395</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>228,400</td>
<td>-</td>
<td>228,400</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>64,600</td>
<td>-</td>
<td>64,600</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>13,600</td>
<td>-</td>
<td>13,600</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>9,100</td>
<td>-</td>
<td>9,100</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>72,600</td>
<td>-</td>
<td>72,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>388,300</td>
<td>-</td>
<td>388,300</td>
</tr>
</tbody>
</table>
15. FINANCIAL INSTRUMENTS (CONT’D)

15.1 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)

(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.

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.
15. FINANCIAL INSTRUMENTS (CONT’D)

15.1 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):

(c) Interest rate risk (cont’d)

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:

<table>
<thead>
<tr>
<th>Financial instrument</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,671,386</td>
<td>1,630,525</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>897,610</td>
<td>1,616,109</td>
</tr>
</tbody>
</table>

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.

15.2 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.

15.3 Fair value hierarchy

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

16. 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.
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