Remaining Relevant in Changing Times

2022 ANNUAL REPORT
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31 DECEMBER 2022
I am pleased to share the Annual Report of the Ombudsman for Financial Services (OFS), which highlights our activities and demonstrates our steady progress throughout 2022.

OFS recorded an overall increase in caseloads in both enquiries and complaints, as well as eligible disputes. As we are aware, financial scams have been on the rise leading to significant financial losses for the victims. OFS has not been spared from dealing with the ever-increasing number of such cases involving financial scams. There were some successes where complainants were able to recover their money, albeit, at times, partially. We have also worked closely with financial service providers to improve measures and safeguards in a bid to reduce the incidence of scams. We have continued to spread awareness and educate the public on ways to protect themselves from scammers. We are mandated to resolve financial disputes objectively, fairly, and reasonably in all circumstances of a complaint.

The history of alternative dispute resolution for financial services began with the establishment of the Insurance Mediation Bureau in 1992. The amalgamation of IMB and the Banking Mediation Bureau led to the establishment of the Financial Mediation Bureau. The latter was transformed into the operator of the Financial Ombudsman Scheme in 2016. Over the past three decades, we have successfully resolved 37,752 cases.

The journey through the years has certainly not been an easy one, nonetheless, one that has been both satisfying and gratifying. We are thankful and extremely glad that we have been able to contribute to the improvement in the market conduct of the financial industry. We have been fortunate to have a dedicated and passionate team in achieving this mandate.

“Over the past three decades, we have successfully resolved 37,752 cases.”
It is heartening to note that the decisions of our Ombudsmen have been deemed sound. However, for the first time in history, a decision made by our Ombudsman was challenged through a Judicial Review proceeding by one of our members. It is worth noting that both the High Court and the Court of Appeal confirmed that our Ombudsman’s decision was reasonable and accurate based on the relevant legal principles.

On 11 January 2023, I was notified by the Bank Negara Malaysia and the Securities Commission Malaysia of the consolidation of the OFS and the Securities Industry Dispute Resolution Center (SIDREC). I was requested to Chair the Merger Steering Committee and for OFS to lead in the establishment of the Integrated Dispute Resolution Scheme (IDRS). A Merger Steering Committee and three sub-committees were formed to develop proposals for legal and governance, manpower and finance, as well as the Terms of Reference and dispute resolution scheme of the IDRS. We will keep members updated on any further development.

Establishing the IDRS will be another milestone for the OFS in providing alternative dispute resolution for the financial markets. We are looking forward to an exciting journey ahead.

In September 2023, OFS and SIDREC will co-host the International Network of Financial Services Ombudsman Schemes Members Conference in Kuala Lumpur. We eagerly anticipate welcoming the delegates to Malaysia. My best wishes for a successful conference.

ACKNOWLEDGEMENT

Firstly, kudos to all our staff for their dedication and commitment; they have worked tirelessly in resolving the increased disputes last year.

I would like to express my appreciation to our members who generously shared their insights, suggestions, and advice to help enhance our services during this period.

My sincere thanks to the members of the Board for their unwavering support and contribution during the year. A warm welcome to Puan Ratna Sha’erah Kamaludin, the newly appointed Non-Executive Non-Independent Director of OFS. I am confident that her experience and wisdom will bring value to OFS.

On behalf of the Board, my gratitude to Bank Negara Malaysia, industry associations and all stakeholders for their support.

With the important events lines up, we eagerly anticipate a fruitful year ahead.

TAN SRI DATUK SERI (DR) FOONG CHENG YUEN
Chairman
The preceding year, 2022, has been incredibly eventful, marked by numerous developments and accomplishments on various fronts. In retrospect, these events have been both a challenge and a learning experience for our OFS team.

During the course of the year, we addressed and responded to a total of 14,133 enquiries and complaints submitted by the public. Out of the total caseload, 5,909 were newly received for the year, primarily through electronic channels.

In 2022, there was a notable rise in the eligible disputes, totalling 1,394, showing an increase from the 1,156 cases recorded in the previous year. In terms of the trend observed in eligible disputes received, the number of cases related to banking, Islamic banking and payment systems exceeded those associated with insurance and takaful. The rise in the number of eligible disputes in the banking sector can be attributed to the growing prevalence of financial scams.

Of the total disputes, we successfully resolved 1,108, with 723 at the Case Management stage and 385 at Adjudication Stage.

In terms of resolution methods, around 24% of the disputes were resolved through mutual settlement between complainants and the financial institutions involved. Compared to 2021, there has been an increase in the number of disputes referred to the Ombudsmen for Adjudication, with approximately 34% of cases closed based on their final decisions. Additionally, around 28% of cases were resolved through recommendations made by Case Managers.

A small number of complainants chose to withdraw their complaints after agreeing with our findings. The remaining cases were closed due to non-responsive complainants who failed to provide further information or respond to our queries.

“During the course of the year, we addressed and responded to a total of 14,133 enquiries and complaints.”
We are happy to note that almost half, approximately 48%, of the disputes were resolved within six months from the date of case registration. As we had foreseen, when the reporting year ended, there were 1,011 cases pending resolution. These have been carried forward to 2023, awaiting further information and details from the complainants.

To effectively handle the growing number of eligible disputes, we implemented several strategies aimed at enhancing the timeline for case resolution. These initiatives encompass augmenting our staff capacity and re-distributing cases. Throughout this endeavour, our commitment lies in ensuring that the parties involved in the disputes receive an impartial and fair resolution.

We continue to welcome and employ new tools and technologies in our work. In fact, the role of technological advancements proved to be pivotal in our operations. We embraced innovative technologies, including automation and data analytics, to streamline our process and enhance overall efficiency. Notably, in 2022, we introduced the enhanced Core Complaint Management System, which automated our core dispute resolution process and complaint services.

As a further insight, our role extends beyond assisting individuals and small/medium businesses in resolving conflicts with their financial services providers. We also actively identify systemic issues that can potentially enhance member institutions’ processes and customer experiences. To accomplish this, we regularly communicate our findings and observations, engaging in meaningful discussions with key stakeholders such as member institutions, industry associations and regulators. These exchanges allow us to provide valuable guidance and insights.

We take great pride in acknowledging that our efforts consistently yield positive outcomes for both the financial consumers and the financial industry.

In general, we observed commendable practices by financial service providers in managing internal complaints, contributing to an overall systemic improvement. Our member institutions have demonstrated a willingness to accept our viewpoints and suggestions, leading to fairer outcomes and an enhanced customer experience across the board. We publish case studies and decisions made by the Ombudsmen on our website and social media platforms. This gives consumers and member institutions insights into our investigation methods and perspectives on the disputes we handle.

We take great pride in acknowledging that our efforts consistently yield positive outcomes for financial consumers and the financial industry. It is truly gratifying to receive positive feedback from both complainants and member institutions, affirming that we are ticking all the right boxes, so to speak. Such accomplishments would not be possible without our staff’s unwavering commitment and dedication.

The capacity and well-being of our staff is an integral aspect of our organisation. To prioritise this, we have implemented a hybrid work environment that allows our team to work with optimal effectiveness and efficiency.
This approach fosters a healthier work-life balance, especially given the mounting workload. Additionally, we have undertaken various initiatives to enhance the capabilities of our officers, ensuring that they possess the necessary skills and tools to handle disputes with the evolving landscape of financial products and services.

We have organised workshops, training programs, and knowledge-sharing sessions to bolster the knowledge and skills of our staff, empowering them to stay abreast of the latest trends and rapid developments within the industry. These initiatives are crucial in supporting our staff’s professional growth and enabling them to deliver high-quality services.

Throughout the previous year, we actively pursued and formed strategic partnerships and collaborations to enhance our reach and impact. These valuable collaborations have enabled us to tap into new avenues and expand our geographical coverage. We engaged in numerous public outreaches across online and physical platforms. Our awareness and advertisement campaigns reached approximately 2 million individuals nationwide, an increase from 1.65 million in 2021. We will continually raise awareness of OFS’ services to the public through the various channels that are available to us.

We also participated in public and media engagements, including interviews, panel sessions, presentations, exhibitions and webinars. Notable activities included the ‘My Money & Me 2022 Virtual Forum’ organised by the Malaysian Financial Planning Council (MFPC), an interview at Astro AEC news channel and participation in the financial literacy month organised by the Financial Education Network (FEN).

Furthermore, we have collaborated with the Federation of Malaysian Consumers Associations (FOMCA) and the Communications & Multimedia Consumer Forum of Malaysia (CFM) in raising awareness of financial scams. This collaboration showcases our steadfast dedication to combating fraudulent activities and safeguarding consumers from scams.

Through our success in resolving disputes over the years, the Ombudsman for Financial Services (OFS) has emerged as a benchmark for various government agencies and units, including the Unit Integriti dan Ombudsman Sarawak and the Public Complaints Bureau. These esteemed organisations seek to learn from our expertise and potentially adopt our approach to dispute resolution. Our work has garnered recognition and serves as a source of inspiration for these organisations, highlighting the effectiveness and value of our practices.

Our operations are sustained through the financial contributions of our member institutions via annual levies and case fees. In terms of our financial performance, the total revenue for the year amounted to RM7.47 million, with RM5.54 million from levies and RM1.92 million from case fees. In line with responsible financial management, our operating expenses for the year amount to RM7.51 million, representing a slight increase from RM7.17 million in 2021.
In this regard, we will actively engage and seek input from member institutions to ensure their perspectives are considered.

ACKNOWLEDGEMENT

First and foremost, I extend my heartfelt gratitude to the Board of Directors for their unwavering support and invaluable guidance throughout the year. Additionally, a warm welcome to Ratna Sha’erah Kamaludin, who joined the OFS Board as Non-Executive Non-Independent Director in September 2022. We do not doubt that her expertise and valuable contributions will strengthen and add value to our Board.

I am immensely grateful to BNM, the industry and consumer associations, OFS members and other strategic allies for their continuous support and collaboration throughout 2022. Their continuous cooperation has been instrumental in our success.

Last but certainly not least, my deepest appreciation to every member of the OFS staff. Their exceptional teamwork and collective effort in facing the challenges and managing the significant workload of the past year have been truly commendable. Their constant dedication, professionalism, and positive spirit have made a remarkable difference to our achievements.

As we enter the new era characterised by rapid transformations in the financial landscape, our steadfast commitment endures in delivering impartial and efficient dispute resolution services to consumers while striving to foster continual improvement within our country’s financial ecosystem.

MARINA BAHARUDDIN
Chief Executive Officer
2022 AT A GLANCE

5,909 new enquiries/complaints received

1,394 eligible disputes registered

1,108 disputes closed amounting to RM37 mil [2021: 1,186 cases]

24% of disputes resolved through amicable settlement amounting to RM10 mil

65% Banking, Islamic Banking & Payment Systems [2021: 53%]

35% Insurance & Takaful [2021: 47%]

65% of complainants were SATISFIED with our overall services

5,909 new enquiries/complaints received

1,394 eligible disputes registered [2021: 1,156] ↑ 21%

1,108 disputes closed amounting to RM37 mil [2021: 1,186 cases]

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65% Banking, Islamic Banking & Payment Systems [2021: 53%]

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141,000 people visited OFS’ website as of 31 December 2022

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65% of complainants were SATISFIED with our overall services

141,000 people visited OFS’ website as of 31 December 2022

221 members as of 31 December 2022 (2021: 216 members)

66% of OFS members had no disputes lodged against them

69% disputes are pending six months and below as of 31 December 2022
THE SCREENING OF COMPLAINTS

In 2022, we attended to 14,133 enquiries and complaints, a gradual increase since the operationalisation of the Financial Ombudsman Scheme in 2016. From the overall complaints handled, we received 5,909 new complaints. In comparison to last year, the number of new enquiries dipped by 9%.

As the movement restrictions were lifted early last year, we also began to receive complaints through walk-ins, though consumers still preferred to file their complaints online. Besides these channels, a considerable number of enquiries and complaints were received through phone calls.

SCREENING OF NEW COMPLAINTS

The screening of complaints is undertaken by our Consumer Engagement and Analysis (CEA) team to assess and establish whether the complaints referred to us are within our jurisdiction.

A large number of complaints (76%) received in 2022 were not registered, as the issues raised by complainants were not within OFS’ jurisdiction or the complaints lacked the necessary information and documents to proceed further.

Before complainants approach OFS, they must try to resolve the matter with their respective financial institutions. For complaints we receive without the financial service providers having an opportunity to assess them, we usually redirect them to their service providers before we intervene. A handful of cases were settled informally at the screening stage; thus, these cases did not need to be directed further for investigation and mediation.
Below are among the enquiries and complaints which we exclude as they are outside our purview:

- General enquiries on individual bank accounts or insurance policies or requests for statements, cancellation of services or refund of premiums.
- Complaints related to product features or pricing, charges imposed by banks, rejection of loan application, underwriting issues and restructuring of loan/financing.
- Complaints related to service delays, complaints against non-members such as airline companies, foreign investment firms, and commercial merchants, and service issues involving motor workshops.
- Disputes that exceeded the approved monetary or time limit, third-party bodily injury/death claims, indirect financial loss and capital market claims.

"We advise consumers to approach the appropriate agencies for assistance with matters beyond our scope."

Below are among the factors that affected our efficiency at the screening stage:

- Submission of complaints with insufficient information and documents.
  - Our officers had to probe for further clarification and relevant documents from the parties to a dispute before the case could be formally registered, which defers the overall process.
  - Non-response or delay in response from complainants to the documents or clarification requested despite numerous follow-ups made by OFS.

- Submission of complaints without an outcome from the financial service provider
  - Complaints were submitted to OFS before their financial service provider issued a final decision, which added to the waiting time for case processing.

We saw more complaints and enquiries received against the banking and payment systems sector as opposed to the insurance sector due to the rise in cases involving financial scams. In 2022, the average duration taken to register a new dispute was 46.5 days (2021: 62 days). We are glad to see progress in the time taken to register eligible disputes, and steps have been taken to improve the timeline.
In 2022, 24% of the new complaints submitted to OFS were accepted as eligible disputes. We investigated 2,119 disputes comprising 1,394 newly registered and 725 brought-forward cases from 2021.

Last year, we saw a surge in cases, an increase of 21% compared to the previous year. Despite the rise in the cases, we successfully closed 52% (1,108 cases) of the total cases handled, leaving 1,011 pending, carried forward to 2023.

As in 2021, disputes against the banking and payments systems sector continued to be the bulk of complaints received.

There were 720 disputes lodged against commercial banks in 2022, an increase of 35% compared to 2021. This represents 52% of the cases received in 2022, followed by general insurance (16%) and life insurance (12%) companies.
The highest number of disputes was related to internet banking, a substantial jump from 130 cases in 2021 to 530 cases in 2022. The bulk of these complaints was caused by the influx of issues relating to financial scams. Life insurance/family takaful claims recorded 207 cases, a declining trend over the past few years.

In 2022, 76% (1,063) of the disputes referred to OFS were of monetary value RM25,000 and below. Our Terms of Reference (TOR) allows us to handle disputes exceeding the tiered monetary limit if the parties involved, namely, OFS, the eligible complainant, and the financial service provider agree to refer such disputes. The monetary award may exceed the limit set.
We closed 1,108 of the 2,119 total cases handled last year. This encompasses 606 banking, Islamic banking, payment systems cases and 502 insurance/takaful cases. Seven hundred and twenty-three cases were resolved at the Case Management stage and 385 at the Adjudication stage, with 24% of the disputes resolved amicably between complainants and the FSPs.

Where a settlement could not be achieved between the disputing parties, our case managers would issue a recommendation based on the evidence and circumstances of the dispute.

Our case managers issued 690 Recommendations, of which:

- Accepted by the disputing parties: 88
- Rejected either by the complainants or FSPs and referred for Adjudication: 385
- Closed because the complainants did not respond to the recommendations: 204
- Rejected by the complainants but not referred to the Ombudsman: 13

Our Ombudsmen issued 379 Decisions at the Adjudication stage. About 92% (349) were decided in favour of the FSPs, while the rest were made in favour of the complainants. A total of 158 cases were closed because the complainants did not respond to our queries, and some chose not to pursue their dispute to the Adjudication stage.

We closed 530 cases within six months of registration (2021: 507). The turnaround time for the resolution of cases is measured from the case registration date until the closure date. The key factor contributing to the slowdown in our investigation and decision-making process is the need for additional documents and evidence from the disputing parties to support their contentions.

As of 31 December 2022, there were 1,011 cases still pending resolution; those were carried forward to 2023. About 69% of those cases are six months old and are expected to be resolved within the first quarter of 2023.

All outstanding cases are closely monitored to ensure prompt resolution. We continue to work towards further enhancing our timeliness and efficiency in providing the swiftest delivery of dispute resolution to our complainants and members.
# DISTRIBUTION OF ELIGIBLE DISPUTES ACROSS OFS MEMBERS

<table>
<thead>
<tr>
<th>Member Type</th>
<th>No. of members</th>
<th>Members with disputes</th>
<th>Cases Lodged</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-money Issuers</td>
<td>48</td>
<td>3</td>
<td>72</td>
</tr>
<tr>
<td>Financial Advisers and Islamic Financial Advisers</td>
<td>41</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Insurance and Takaful Brokers</td>
<td>24</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>26</td>
<td>13</td>
<td>720</td>
</tr>
<tr>
<td>General Insurers</td>
<td>21</td>
<td>19</td>
<td>224</td>
</tr>
<tr>
<td>Islamic Banks</td>
<td>17</td>
<td>11</td>
<td>97</td>
</tr>
<tr>
<td>Family Takaful Operators</td>
<td>11</td>
<td>9</td>
<td>39</td>
</tr>
<tr>
<td>General Takaful Operators</td>
<td>4</td>
<td>3</td>
<td>63</td>
</tr>
<tr>
<td>Life Insurers</td>
<td>14</td>
<td>14</td>
<td>168</td>
</tr>
<tr>
<td>Development Financial Institutions</td>
<td>6</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Card Issuers</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Insurance Brokers</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Takaful Brokers</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>221</strong></td>
<td><strong>76</strong></td>
<td><strong>1,394</strong></td>
</tr>
</tbody>
</table>

In 2022, 34% (76) of members used our services with cases filed against them, while 66% (221) had no cases against them. About 24% had only ten cases or fewer, while 9% of the members had more than 40 cases filed against them last year.
In 2022, consumers from the central region lodged the most disputes (794), followed by the states of Johor (147) and Pulau Pinang (107). These were primarily lodged by individual complainants between the ages of 25 and 64.
WHY WE DO WHAT WE DO

Kes-kes insurans yang saya ada telah diberi keputusan positif oleh OFS. Saya harap lebih ramai orang akan menggunakan OFS untuk membantu dengan pertikaian mereka.

I’ll take this opportunity to say thank you to OFS and the people who had involved in this matter with all the hard work. A special thanks to the senior case manager who handled the case in a very professional manner with a lot of fair and reasonable viewpoints in the Adjudication which have made me learn so much.

Overall, the service provided by OFS is truly efficient and settled without any delay. I don’t have any suggestion, but I would like to express my gratitude for handling my dispute with much diligence.

I wish I can send a bouquet of flowers to OFS team at the OFS office as a sign of my highest appreciation to you all. You are our strength and voice & ensuring the rakyat are treated fairly. I am literate and was able to justify in writing with the help of OFS. Imagine how about our elderly/less fortunate. Who unable to voice out and defend for themselves? OFS is their only hope. Thank you!

Thank you all for your help with my insurance claim. You have been very helpful and understanding.

I highly appreciated your assistance on this claim.

Most sincere thanks for your very professional approach to the whole matter.

Thank you very much for your help!! It is really the best news to end 2022 for me, and it is a real relief to recover my money as justice is upheld finally. I would like to express my highest gratitude and appreciation again on your help along the way, best wishes to you in the future.

Thank you so much for helping on my hospitalisation claim. Really appreciate it.

I am very happy with the case manager who handled my case. She’s very professional, polite and patience with me throughout the two years of my case. Many thanks to her.

Saya amat bersyukur dan amat berterima kasih kepada pihak OFS yang telah menerima aduan dan mengambil tindakan terhadap kes saya ini. Jasa pihak tuan dan puan tak dapat saya lupakan.
The case managers are good and helpful in following up on the disputes. The insurer rejected my claim submission 3 times and thank you to OFS who assisted on the case.

I had TWO unauthorised transactions involving 5 figures. I had sleepless night; I couldn’t focus and loss of appetite. To combat my problem, I researched for help, and I carefully studied OFS’ website and submitted all required documents to OFS. Within the stated timeframe, my case was efficiently solved. I am forever grateful to my Case Manager. Thank you very much from the bottom of my heart. Thank you, OFS.

Thank you, OFS, for helping to sort out my problem with a defective ATM. Money was dispensed but before I could take the money, the machine took it back again. I quickly emailed OFS and reported the matter. It was resolved when OFS contacted the bank, and my money was credited back into my account a week later. Thumbs up!

Overall is very good, especially my Case Manager, she a very helpful person and she gave me some guidance on my case.

If anyone were to approach and ask me about the OFS, I would strongly recommend that it is a good and effective alternative dispute resolution center that will review and deliberate banking disputes in a fair and reasonable manner.

The dispute was solved very quick. The Case Manager updated the progress on a regular basis and explained the status very clearly.

I would like to express sincere thanks to the OFS for handling my dispute. It was indeed a huge relief to receive the kind offer and not be made liable for the disputed amount. Once again, a very big thank to OFS for having an officer who diligently carried out his duties for OFS and hope many more cases coming up could be handled by OFS officers with passion.

OFS Case Manager was very professional in handling our dispute with the bank. The bank was slow to respond, and she continuously followed up. After nearly a year, she reverted with news that the bank was willing to compromise on the dispute. Overall, the outcome and decision are acceptable to us. Something we felt would not have been achieved without OFS and Puan Case Manager’s follow up with the bank. Thank you for the assistance and helping to look after the consumers.

OFS’ Case Manager was very efficient and courteous dealing with my case. I will strongly recommend everyone to seek your assistance whenever required.

We would like to record our appreciation and special thanks to the Case Manager from OFS for professionally mediating and finally able to resolve the dispute amicably.

Totally great service from OFS officers. No improvements needed as your service is excellent to the public.
BANKING, ISLAMIC BANKING & PAYMENT SYSTEMS

2022 PERFORMANCE AT A GLANCE

1,434 disputes handled [2021: 1,009]
900 eligible disputes registered
534 disputes brought forward from 2021
606 disputes closed
23% of disputes resolved through amicable settlement

58% disputes resolved at CASE MANAGEMENT STAGE
42% disputes resolved at ADJUDICATION STAGE

23% disputes resolved within six months from the registration date
36% disputes are pending six months and below as of 31 December 2022
Over the last two decades, the financial services sector has undergone a remarkable technological transformation, paving the way for the inevitable shift towards digital banking in the evolution of the financial industry. Consequently, the adoption of internet banking has surged, offering significant benefits of expediency and accessibility to consumers. Managing accounts, settling bills, and conducting various financial transactions from the comfort of their homes or on the go has become preferred choices, leading to a notable rise in online banking usage throughout 2022.

However, amidst the advantages, online banking also presents challenges that warrant attention from both users and financial institutions. Unauthorised transactions and fraudulent activities have exhibited an upward trend, persisting into 2022.

The number of banking disputes registered at OFS last year was 900, an increase from 615 in 2021. The disputes involving unauthorised transactions via online banking and card-based payments significantly contributed to the hike (20% in 2021 and 46% in 2022). The rising number implies the need for enhanced vigilance in dealing with unauthorised transactions conducted through cards or internet banking.

The investigation conducted by OFS has uncovered the tactics employed by scammers, utilising social engineering, phishing schemes, and bogus websites to defraud financial consumers. The rapid evolution of scamming methods is of grave concern, with fraudsters gaining access to consumers’ banking credentials and One-Time Passwords (OTP) through dubious applications masquerading as trusted entities.

Particularly vulnerable to financial scammers are individuals such as the elderly, susceptible to emotional appeals and high-pressure tactics, as well as those with limited financial literacy. Educating such individuals on scamming modus operandi becomes imperative to protect their finances and discourage disclosing sensitive financial information.

Banks play a pivotal role in safeguarding customer accounts and preventing fraud, relying on automated fraud detection systems equipped with advanced algorithms and machine learning techniques to identify unusual or potentially fraudulent transactions. Customer needs are also taken into consideration, with the design of online banking systems prioritising clear and informative post-transaction alerts, especially for new device or user activities, including additional details like the device’s manufacturer and model number.

While financial institutions work towards enhancing online banking safety, customers must also actively protect their personal and financial information. Staying vigilant, reporting suspicious activities, using strong passwords, and refraining from disclosing sensitive information over the phone or email are essential to prevent fraud.

Collaboration between banks and customers is vital in ensuring online banking security.

When disputes involving scams arise, the Ombudsman plays a crucial role in impartially considering all facts and circumstances to arrive at equitable decisions. Assessing the bank’s fraud identification and prevention procedures and the actions and behaviours of the user leading up to the fraudulent activity contributes to fair and reasonable outcomes that account for the bank’s and the consumer’s interests.

Even with safeguards and security measures in place, scams are on the rise, highlighting the intricate nature of financial fraud. Combating this challenge necessitates a multi-faceted approach involving advanced technology, responsible financial institutions, and heightened consumer awareness. In this ongoing process, OFS remains the trusted institution for fair and efficient dispute resolution, playing a crucial role in addressing these issues as efforts to combat fraud persist.

OMBUDSMAN’S REPORT
by PUAN INTAN KHADIZA
The number of disputes under banking, Islamic banking and payment systems has steadily risen since 2020. In 2022, we saw a surge of 46% to 900 cases (2021: 615).

Internet banking disputes surpassed card-based electronic payment as the highest number of disputes lodged last year, with 530 cases (2021:130). Disputes under card-based electronic payment dipped by approximately 50% to 191 cases compared to 2021 (383). This could be attributed to the shift in consumer preference for other modes of payment, such as the internet or mobile banking. Disputes related to e-money were also on an upward curve, with a significant surge from a mere 17 cases in 2021 to 72 in 2022 due to the growing e-wallet scams.

About 80% of the disputes were filed against licensed commercial banks with claim amount totalling RM16.5 million, followed by Islamic banks with RM2.9 million.

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>NATURE OF DISPUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTERNET BANKING</strong></td>
<td>★ Unauthorised online transactions arising from scams</td>
</tr>
<tr>
<td></td>
<td>★ Transfer of money into the wrong account by mistake</td>
</tr>
<tr>
<td><strong>CARD-BASED ELECTRONIC PAYMENT</strong></td>
<td>★ Unauthorised online transactions arising from scams</td>
</tr>
<tr>
<td></td>
<td>★ Issues relating to chargeback</td>
</tr>
<tr>
<td></td>
<td>★ Unauthorised cash advances</td>
</tr>
<tr>
<td></td>
<td>★ Lost/stolen cards</td>
</tr>
<tr>
<td><strong>E-MONEY</strong></td>
<td>★ Unauthorised transactions arising from scams</td>
</tr>
<tr>
<td><strong>OPERATIONAL ISSUES</strong></td>
<td>★ Mis-selling of insurance products marketed as savings</td>
</tr>
<tr>
<td></td>
<td>★ Remittance and counter/teller services</td>
</tr>
<tr>
<td><strong>LOAN ADVANCE/ ISLAMIC FINANCING</strong></td>
<td>★ Non-receipt of notification letter on imposition of punitive interest rate</td>
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<td>★ Tiered rate not adjusted according to the offer letter due to system limitation</td>
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<td>★ Unfair terms and conditions</td>
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<td>★ Backdated interest debited to a loan account</td>
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<tr>
<td><strong>ELECTRONIC TERMINALS</strong></td>
<td>★ Non/short dispensation of cash from ATM</td>
</tr>
<tr>
<td></td>
<td>★ Shortage of cash accepted by the CDM/CRM</td>
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From 1 January until 31 December 2022, we closed 606 cases, with 349 (58%) resolved at the Case Management stage and the remaining decided by our Ombudsman. About 23% of the disputes were resolved through a mutual settlement.

Our case managers issued 428 recommendations, and the Ombudsman adjudicated 257 cases. The Ombudsman upheld the FSP's decision in 234 cases while the rest were revised.
Of the 606 closed cases, 141 (23%) were resolved within six months of registration. At the end of 2022, 828 cases remained pending due to their complexity. About 64% (534) of the pending cases fell within six months of registration.

We strive to improve the efficiency of our closure of cases and ensure that disputes are resolved promptly.

ANALYSIS OF BANKING, ISLAMIC BANKING AND PAYMENT SYSTEMS DISPUTES

UNAUTHORISED TRANSACTIONS DUE TO SCAMS

In 2022, the product with the most disputes was internet banking (530 cases), an exponential increase of 308% compared to 130 cases in 2021. We observed a decrease in card-based disputes last year with 191 cases, a reduction of approximately 50% (2021: 383). Having said that, card-based disputes were still apparent, particularly in online transactions.

Given the advancement of technology, people have become more inclined to utilise alternative payment methods, such as e-money, in their day-to-day transactions. In 2022, 72 e-money disputes were lodged, a drastic rise of 324% from the previous year (2021: 17 cases). The type of disputes under this category were unauthorised e-wallet transactions by way of phishing and phone scams.
Trends, observations, and our approach to resolving disputes

The disputes we received were predominantly unauthorised transactions due to scams via internet/mobile banking, credit/debit cards and/or e-wallet services. The unauthorised transactions were performed through compromised banking credentials such as username, password, One-Time Password (OTP) or Transaction Authorisation Code (TAC).

We found that fraudsters tricked complainants into revealing their banking or card credentials and OTPs/TACs. The unsuspecting victims were surprised when they discovered unauthorised transactions were performed using their internet/mobile banking, debit/credit cards, or e-wallets.

When scammers gain access to the victim’s internet banking facility, other accounts, such as deposit accounts or credit cards, could potentially be unlocked, thus causing more financial losses.

For credit card losses, the banks will perform a chargeback from the merchants. Unfortunately, the chargebacks are often unsuccessful as the transactions are made with merchants operating on a 3D-secured platform that requires OTP authentications.

The common Modus Operandi used by scammers:

**PHISHING SCAM**

Phishing is a notable method employed by scammers through fake SMS or emails, convincing victims to key in their banking credentials in an online form designed akin to the bank’s genuine log-in page, thus, stealing the information revealed by the victims.

The victims were also instructed to download a fake/malicious application on their mobile phones, enabling the OTPs to be routed to the scammer’s phone, thus allowing the scammer to perform the transactions. A common mode is the Bantuan Rakyat scam, in which the scammer leverages the government incentive to entice victims to click the link sent to their mobile phones to claim the alleged incentive.

Most fraudulent online transactions comprised shopping, bogus income prospects, trading, and investments. Fraudsters frequently executed e-wallet top-ups upon obtaining the victims’ internet banking or credit card details. Such transactions do not entail the physical delivery of goods.

**PHONE SCAM**

Phone scams are also known as Macau scam, where fraudsters impersonate law enforcement officers and call the victims claiming that the victims’ credit cards have been misused or they have been involved in illegal activities. The scammer intimidates the victims into cooperating, threatening them with an arrest warrant. The victims feel intimidated and are coerced into disclosing their personal and banking credentials.

**ANDROID PACKAGE KIT (APK) SCAM**

Scammers trick Android phone users into installing a third-party application, and their credentials are usually compromised when they download the APK file containing malware. The information becomes privy and visible to the fraudsters when victims insert the required details in the said file/application.

With the malware successfully installed into the victim’s device, the fraudsters can easily view their banking credentials, including the OTP/TAC received from the bank. A good example is the Cleaning Services Advertisement, also known as Maid Scams and purchases of goods through social media. Others include the purchase of durian and fresh seafood during festivals.
CASE STUDY (1)
Internet banking – Phone/Macau Scam

Yan, a 75-year-old pensioner, received a call allegedly from a telco company. She was told her name was misused to create a bank account. The call was transferred to someone impersonating a police officer to whom Yan revealed her banking and pilgrimage fund account credentials and the TAC number.

Unaware that she fell victim to a scam, Yan believed she was cooperating with the police when sharing the credentials. Later, feeling suspicious, Yan called the bank and blocked her accounts. Two days later, Yan discovered that RM75,000 had been transferred from her pilgrimage fund.

Her bank rejected Yan’s refund claim because her internet banking account and mobile banking application were registered using her valid debit card number, PIN and TAC sent to her phone number registered with the bank. The internet banking user ID, password, and Yan’s identity card number keyed in for the mobile banking app were also valid.

Yan contended that she did not authorise the internet banking account and mobile banking app registration. She only performed banking and pilgrimage fund transactions at the counter or the ATM.

OUR FINDINGS
According to the bank, Yan’s pilgrimage fund account was linked to her bank account via her debit card in 2019. Therefore, the online link between her pilgrimage fund and the bank account was automatically available upon successfully registering her internet and mobile banking account.

The transfers were made from Yan’s pilgrimage fund account in less than ten minutes after a new device was linked to her internet banking account. Yan acknowledged receiving TAC to activate the mobile banking app and disclosing it to the scammer.

Yan never had internet banking or mobile banking facilities before this incident. She was unaware that she had fallen victim to a scam resulting in losing her savings. Findings showed that the transaction pattern did not match Yan’s previous pattern. Additionally, the SMS TAC’s content for the mobile banking app registration did not specify the make and model of the device or a warning about not disclosing the TAC to anyone.

The transaction limit increase and post-transaction notifications performed via the mobile banking app were only sent to the scammer’s device and not to Yan’s mobile number.

OUTCOME
We felt that the bank should have called Yan to verify when multiple large fund transfers were being made soon after the internet banking registration and binding of a new device which could have prevented the scam.

The post-notification alerts on successful transactions via the mobile banking app should have been sent to the customer’s mobile phone number via SMS instead of the newly linked device belonging to the scammer.

Yan, on the other hand, revealed her banking credentials to the scammer. Thus, the case manager recommended that the bank refund a portion of the loss to Yan.
CASE STUDY (2)
Internet banking – Facebook Maid Services Ad Scam

Bob saw an advertisement on Facebook for a low-priced cleaning service. He clicked the link provided in the ad and was directed to a WhatsApp number belonging to the sales representative. The representative sent Bob a link to make a payment bringing him to a payment gateway where he entered his internet banking username and password.

The payment however did not go through, and he abandoned the matter. Later, Bob received several TACs and post-transaction alerts from his bank.

Bob became suspicious and contacted his bank. He was informed that five fund transfers amounting to RM17,000 took place from his savings account to an unknown account. He denied making the transfers and filed a complaint.

The bank rejected the claim stating that Bob admitted to revealing his bank account credentials.

OUR FINDINGS
The bank’s records showed Bob’s internet banking account was successfully accessed through his valid username and password.

On the same day, a request to change the daily transaction limit was made from Bob’s account and was successfully increased from RM5,000 to RM30,000, enabling the fourth and fifth transactions.

The transactions were authenticated and verified with TACs sent to Bob’s mobile phone number registered with the bank. Bob acknowledged receiving the TACs but denied sharing them with anyone.

OUTCOME
The above findings reveal that Bob’s banking credentials, such as username, password, and TAC, were compromised through phishing malware embedded in the fake maid services payment gateway, enabling the disputed transactions.

All the transactions were performed to the same beneficiary account in such a short period, along with a request to increase the daily transaction limit. This should have raised suspicion and necessitated a verification call from the bank.

The Ombudsman was of the view that the bank was responsible for monitoring such online transactions and apportioned the loss equally between Bob and the bank.
CASE STUDY (3)
Internet banking – Phone/Macau Scam

Ricky received a call from someone claiming to be a bank representative informing him that his credit card was used for a transaction even though Ricky does not own any credit card. He then received another call from a man claiming to be from the police station requesting his account information and his debit card PIN to prevent his other accounts from being blocked. He disclosed his banking credentials to the caller.

He later discovered that RM40,000 was transferred from his account to an unknown account.

Ricky filed a complaint to his bank, but his claim was rejected because the online fund transfers were made using a valid username and password with a corresponding security code generated from Ricky’s soft token.

OUR FINDINGS
The bank confirmed that Ricky’s online banking was registered on the same day of the incident. The verification of online banking registration via the bank’s mobile banking app was performed using Ricky’s debit card PIN. This enabled the fraudster to create a username, password, and security question. Upon creating the 6-digit PIN, the soft token was automatically activated on the fraudster’s device. No OTP or activation code was required for the online banking registration. Upon successful activation of the soft token, an SMS alert was sent to Ricky.

The scammer then performed the fund transfer through online banking that was authenticated with a verification code from the soft token on the scammer’s device.

OUTCOME
Ricky never had an online banking facility before this incident. He was unaware of the registration as no OTP or activation code was sent to him following the fraudster’s successful setup of the online banking.

For a fund transfer via internet banking to be successful, it must be accessed using a valid username, password, and a security code generated by the soft token. The fraudster had all this information. On the other hand, the account holder is obliged to keep his debit card details and PIN private.

The Ombudsman apportioned the loss equally between the bank and Ricky for the reasons above.
Simu’s attempt to transfer funds from his online banking account was unsuccessful. Coincidentally, within 30 minutes, he received an SMS from a short code (6XXXX5) informing him to register a safer and faster authentication method that links his smartphone to his online banking account, enabling him to approve transactions using his registered smartphone.

Simu registered it and later discovered three transfers totalling RM12,000 from his account. He reported this to his bank, requested to deactivate his internet banking immediately, and lodged a police report.

The bank rejected Simu’s reimbursement claim since the transactions were done using a valid online banking username, and password, along with the TACs/OTPs, post-transaction SMSes, and push notifications sent to his mobile number registered with the bank and the mobile banking app.

**OUR FINDINGS**
The bank’s investigation revealed that a scammer sent a phishing SMS to Simu from a fake shortcode different from the bank’s legit code. Simu clicked the URL link; it brought him to a fake site mimicking the bank. As opposed to the genuine banking site, he had to key in his username, password, phone number, and identity card number. He unknowingly disclosed his personal and banking credentials to a scammer.

Simu was unaware that the scammer linked another device to his internet and mobile banking accounts, and the funds were transferred upon approval via the digital token on the new device without any OTP/TAC. The bank’s mobile banking did not require OTP for further fund transfers; however, the post-transaction alerts of the fund transfers were sent to the mobile banking inbox.

**OUTCOME**
Based on the following grounds, the case manager recommended apportioning the loss equally between Simu and the bank. The Ombudsman upheld the case manager’s recommendation at the Adjudication stage.

- The SMS containing OTP for secure registration/digital token on a new device should clearly state the phone model name.
- The bank has to notify the account holder via SMS of the secure registration on a new device.
- The bank has to clearly state that a new phone/device has been activated and the old device is deactivated, specify the device names and models. This could have alerted the account holder of the device the OTP intended for, allowed them to take appropriate action, and prevented any unauthorised access.
- The requirement of OTP for initial transactions on a newly linked device and fund transfer to any new third-party account.
- The bank has to send an SMS to the account holder’s mobile number registered with the bank after successful online banking transactions.
- Similarly, Simu, as a consumer, should have been more cautious with his banking and personal credentials.

It is worth mentioning that the recent efforts by OFS have yielded some positive results. In response to our feedback, the bank has improved the content of its SMS. The latest findings showed that the SMS they sent contained the make and model of the device, which alerted the users of the presence of an unauthorised device. The prompt and comprehensive notification from the bank has successfully averted further financial losses.
While at a hair salon, Siti responded to a Facebook message from an individual disguised as her friend offering an e-commerce reward. To redeem the prize, she shared her credit card details and photos of her credit card with the said friend. Subsequently, she received a series of SMS OTPs for online transactions from her bank, which she forwarded to the ‘friend’.

There was a total of fifty-five (55) transactions amounting to RM130,000. She then contacted her bank to stop the transactions and blocked her card. When she called her friend, she discovered that someone had hacked into her friend’s Facebook account and taken control of the Facebook Messenger.

According to Siti, she neither performed nor authorised them. She contended that she was duped into providing the OTPs to a scammer disguised as her friend, and the transactions were performed within a short period between 11 am and 1 pm. She also asserted that the bank should have alerted her when her credit card transactions reached her credit limit.

The bank rejected Siti’s claim stating that the disputed transactions were performed on a 3D-secured platform using OTPs sent to her mobile number registered with the bank.

**OUR FINDINGS**
All the OTP messages specified the transaction amount and the merchant’s name, which would have alerted Siti of the purpose of such OTPs. After each successful transaction, a post-transaction alert was sent to Siti’s registered mobile number indicating the transaction amount.

Siti also admitted to receiving all the SMSes from the bank, including the OTPs, and she voluntarily divulged the OTPs.

**OUTCOME**
The OTPs for the first few transactions should have prompted Siti to stop sharing them. Alternatively, she could have contacted her friend to verify before disclosing the OTPs. Siti, as the cardholder, was responsible for safeguarding her card details and the OTPs.

On the other hand, the bank could have monitored transaction pattern, threshold amount and type of merchant, which warrants a verification call. The bank also allowed the transactions to exceed Siti’s limit without her consent.

Based on the reasons above, the Ombudsman apportioned the loss equally between Siti and the bank.
Mr Bala, a 75-year-old retiree, received a WhatsApp message from a fraudster disguised as his friend convincing him to participate in an investment scheme. To join, he must provide his credit card number, CVV/CVC, and the OTPs on his mobile phone to the fraudster.

The initial transactions performed using Mr Bala’s card triggered the bank’s system for possible fraud, and the transactions were declined. The bank then blocked his card, and an SMS alert was sent to him. The bank's fraud analyst called him for verification of the transactions. Following the call, the bank lifted the block on the card.

Seven more online transactions totalling RM15,000 were performed using his card.

Mr Bala did not suspect anything amiss until he informed his son about the investment scheme later in the afternoon on the same day. He reported the scam to the bank at 5:55 p.m. His card was blocked at 6:00 p.m.

The bank rejected Mr Bala’s claim stating that the online transactions were performed on a 3D-secured platform using OTPs sent to his mobile number registered with the bank.

**OUR FINDINGS**

All the disputed online transactions were performed via the merchant’s 3D-secured website, which required his credit card number, card expiry and CVV/CVC numbers. Mr Bala also admitted to receiving all SMSes and divulging the OTPs to the fraudster. The bank declined and blocked initial transactions with the merchants as they triggered the bank’s system for possible fraud, and an SMS was sent to him for confirmation of the transactions.

In determining the events that led to the unblocking of the card, the call recording between Mr Bala and the bank revealed the following:

- The fraud analyst’s, notably that he was from the bank’s ‘Fraud’ unit, appeared too quick and unclear given that he was interacting with a senior citizen.
- When Mr Bala answered the phone, the fraud analyst asked for confirmation whether the initial transactions were genuine without probing further.

- Mr Bala was not allowed to complete his statements when answering the fraud analyst’s questions about the transaction.
- The entire conversation was done hurriedly and lasted for only 1:05 minutes.

**OUTCOME**

The SMS alert and call-back verification aim to prevent possible fraudulent transactions. As such, the quality of the call matters and should be conducted in the interest of a consumer. Additionally, the bank had enough information that Mr Bala could be a victim of fraud, notwithstanding the responses he provided. Further losses could have been averted if the fraud analyst had asked more probing questions.

On the other hand, it is the cardholder’s responsibility to take every precaution to keep the credit card details, and OTPs secure to prevent the card from being used fraudulently.

As such, the Ombudsman apportioned the loss equally between Mr Bala and the bank.
CASE STUDY (7)
E-wallet: Unauthorised Transactions

Alex is a user of an e-wallet account from ABC Sdn. Bhd. ("ABC") He alleged that several unauthorised transactions in his mobile app store amounting to RM500 were charged to his e-wallet account between January and March 2020. In April 2020, he filed a dispute against ABC for a full refund. Alex claimed that he did not receive any OTPs or SMSes from ABC on the charges to his e-wallet.

OUR FINDINGS
Alex signed up to link his ABC e-wallet as a payment method for his phone in January 2020. Based on ABC’s record, the OTP for e-wallet linkage for his mobile app subscription payment was sent to Alex’s mobile number registered with ABC.

Upon binding Alex’s device, no further OTP is required to authenticate subsequent transactions debited from his e-wallet for the subscription. Thus, all the transactions were successfully performed and debited from Alex’s e-wallet account from January to March 2020 without any OTPs.

OUTCOME
The case manager made a recommendation in favour of ABC on grounds that Alex had only filed a complaint against ABC four months after the transactions occurred. We found that the charges were for weekly subscription renewals, which Alex failed to cancel at the end of the free-trial period. He should have diligently checked his e-wallet transactions and notified ABC if there was any discrepancy in the debited charges. In addition, the transactions were performed from Alex’s device, secured with OTP and PIN.

We note that the initial sign-up to link Alex’s e-wallet account with the mobile app store was performed in January 2020, i.e., before the disputed transactions. Thus, the RM500 charged to his e-wallet account from January to March 2020 was valid. Alex should liaise with the merchant directly if he wishes to discontinue subscribing to their services.

THE TOP RED FLAGS WE IDENTIFIED FOR SCAMS:

- Transaction patterns that are out of the norm.
- Multiple fund transfers within a short timeframe.
- Transactions made immediately after the registration of the internet banking account.
- Transactions made immediately after the activation of a soft token to pair a new device.
- Multiple transactions made to the new beneficiary accounts.

IN RESOLVING SCAM CASES, WE CONSIDER THE FOLLOWING FACTORS (AMONG OTHERS):

- Whether the internet/mobile banking, credit/debit card and e-wallet services were accessed via a valid username, password, and PIN.
- If the transactions were authenticated with OTP/TAC or push notifications.
- How fast the complainant contacted the bank to report the transaction(s).
- Whether the bank’s notifications on all banking activities are clear and prominent to alert the complainant of unauthorised transactions.
- Whether the bank has a dedicated phone number or hotline to report scams.
- How fast the bank blocks internet banking and credit/debit card.
- Whether the bank alerted the complainant of potential unauthorised transactions.
- Whether the bank performed chargeback or funds recovery promptly.
- Whether the bank monitored unusual, suspicious, or fraudulent transactions and took appropriate measures to curb these from recurring.
Besides scam cases, we noticed that some transactions were reported as unauthorised, even though they were performed with the cardholders’ credit or debit card, CVV/CVC number and verified with OTP sent to their registered mobile number.

These transactions were reported as unauthorised, although the complainants received the OTP messages explicitly stating their intended use and the transaction amount. We often observed that the card was in the complainant’s possession during the transactions. Sometimes, card details were compromised or used by family members or close friends without the cardholder’s knowledge.

Generally, we have observed improvements by FSPs based on our recommendations and decisions on various scam-related disputes. Given the evolving fraud trends and incidents, we noticed that FSPs have stepped-up their monitoring efforts by blocking transactions deemed unusual and suspicious after two or more transactions of similar patterns/nature.

This also includes flagging merchants on high alert for scams and monitoring transactions involving vulnerable consumers’ accounts. With measures taken, there has been a reduction in disputes involving transactions made in favour of such merchants.

The FSPs have also enhanced their fraud detection and prevention measures, such as establishing a 24-hour fraud hotline and active involvement in the National Scam Response Centre (NSRC).

NSRC is a joint effort between the National Anti-Financial Crime Centre, The Royal Malaysian Police, Bank Negara Malaysia, The Malaysian Communications and Multimedia Commission, Financial Institutions, and the Telecommunication Industry. This command centre was established to coordinate a rapid response to online financial scams by tracing stolen funds and enforcement action against scammers. Victims may contact NSRC by dialling 997 to report suspicious or fraudulent activity on their accounts.

Our findings showed that a lack of monitoring during fund transactions by FSPs had contributed to substantial financial losses. The FSPs must be ahead of scammers to anticipate and proactively address emerging threats and tactics.

With the recent directives from Bank Negara Malaysia urging FSPs to take the necessary measures to combat financial scams, it is hoped that the internal processes and fraud parameters of FSPs will be reviewed and controls tightened to see a further reduction in financial losses due to scams.

Our suggestions to the FSPs to mitigate scams:

- Regularly review fraud reports to spot scam patterns.
- Incorporate a cooling-off period before a user can perform banking transactions after activating a soft token in a new bound device.
- Send SMS or email post notification upon binding a new device to the mobile phone number registered with the bank with complete information.
- Empower the customer service personnel with skills in dealing when a customer calls in to report a scam, e.g., quick verification process.
- Allow internet banking self-deactivation if the customer’s account is compromised.
- Make verification calls to vulnerable customers, especially when an internet/mobile banking account/app is newly registered or installed.
- Incorporate effective fraud monitoring and detection system, e.g., red flags spotted from common fraud cases.
- Make a verification call if fraud monitoring and detection are triggered.
- Restrict the monies in a pilgrimage fund account, e.g., allow only online deposits via the participating banks’ online and mobile banking facilities.
- Join forces with their peers and relevant agencies to exchange information and best practices.

Our advice to consumers on how to protect themselves from scammers:

There has been a shift in people’s preference, particularly among the young generation, who are inclined towards fast and seamless means to perform transactions. Considering the continuous evolution in digital sophistication, online scams have extended across various channels. Fraudsters target people of all ages and educational backgrounds.
ALLEGED MIS-SELLING/MISREPRESENTATION OF FINANCIAL PRODUCTS

Trends, observations, and our approach to resolving disputes

In 2022, the disputes for mis-selling/misrepresenting financial products such as structured/investment-linked/bancassurance products recorded a significant increase of 66% to 53 cases compared to 32 in 2021.

The nature of disputes under this category included the alleged mis-selling of insurance plans marketed as savings, fixed deposits or investment plans that offer higher returns than fixed deposit rates. This was followed by vague product features, with customers allegedly enticed into purchasing products with ambiguous premium payments, inaccurate product features, and unclear consequences of early policy termination.

The common issues highlighted by the complainants:

- Inaccurate information provided during the sale process, i.e., “This product is similar to a fixed deposit.”
- They were given the impression that the premium was a one-time payment.
- Products incompatible with and unsuitable for consumers’ financial or risk profiles.
- Customers were not aware of the free-look period to cancel the product.

The factors considered upon evaluating the disputes at OFS:

- Whether the sales process conducted by the FSPs was fair and in line with the minimum requirements of the relevant Bank Negara Malaysia guidelines.
- What transpired during the policy’s early stage that led to the dispute.
- Whether the product features presented by the FSP to the complainant were clear and accurate.
- Whether the products sold by the FSP were suitable to the customer’s needs and resources without influencing or manipulating them into purchasing them.
- Whether the FSPs paid particular attention to vulnerable customers (e.g., given age and language limitation).
- Complainant’s position: whether they relied solely on the FSP’s explanation and presentation without reading, reviewing, and understanding the product.

If misrepresentation by the sales staff is apparent, the FSPs may be required to compensate the complainant for the financial loss and rectify the lapses during the sales process.
Our suggestions to the FSPs and consumers

- FSPs to perform a risk assessment on customers to evaluate their eligibility and suitability for the product.
- Comprehensive training for the intermediaries (bank staff) on product features such as product type, premium payment frequency and premium allocations would be beneficial. It could prevent potential disputes in the future.
- Consumers should not solely rely on the intermediaries’ explanation and presentation. To understand the policy features, they must review the terms and conditions in all the sales documents, especially the Product Disclosure Sheet and the policy document.
- Should the financial product be incompatible with their financial needs, customers can return the policy to their FSP for a full refund of all monies paid within the 15-day free-look period.

CASE STUDY (8)
Misrepresentation of Investment Product

On 16/10/2017, Joe purchased an investment product from a salesperson at the bank with an initial investment of RM200,000. He later realised that the investment was making losses and decided to dispose of it.

On 12/08/2020, Joe was informed by the salesperson that the fund was valued at RM190,000 and advised him to submit the surrender form at the branch. Joe visited the branch on 13/08/2020 and immediately signed the necessary documents to dispose of his investment. According to Joe, he was reassured by the salesperson that he would receive the said amount.

However, Joe discovered that only RM180,000 was credited. He was informed that the surrender value was lower because the investment was disposed of later, i.e., on 17/08/2020. Joe was unhappy that he was not advised about this issue before disposing it.

The bank rejected Joe’s claim stating that the surrender process had been explained to him.

OUR FINDINGS
Joe supported his contention with several WhatsApp conversations, including voice recordings of himself and the salesperson about the surrender value of his policy. Based on the conversation, it was noted that the bank staff informed Joe on 12/08/2020 that the surrender value was RM190,000.

Based on the bank’s findings, Joe submitted the surrender request on 13/08/2020, and the salesperson advised him of the daily fund price as of the submission date. The surrender request was forwarded to the insurer for processing on the same day. However, the insurer’s standard service-level agreement for the surrender request is ten working days, and Joe’s request was processed on 17/08/2020.

Upon reviewing the recorded conversation, we opine that as a prudent salesperson, the bank should have cautioned Joe on the consequence of not surrendering the form on 12/08/2020.

OUTCOME
We believe that the bank is in a better position to advise Joe of the repercussion of surrendering the policy later. The bank and Joe agreed to reach an amicable settlement. The balance of the surrender value was refunded to Joe on a goodwill basis.
LOANS ADVANCES AND ISLAMIC FINANCING

Trends, observations, and our approach to resolving disputes

In total, 30 disputes were lodged under this category in 2022, an increase of 43% compared to 2021.

Among the issues that were brought to us:

- A high principal loan outstanding resulting from penalty interest imposed caused by delayed monthly repayments, incidental charges, and fire insurance premiums.
- Imposing the holding period for the entire loan tenure, i.e., All Cost Absorb (ACA) Holding period. Generally, the holding period imposed by the bank is five years. If the customer wants to settle their loan, the bank will charge a 3 to 5% penalty on the loan amount.
- Tiered interest rate not adjusted according to the letter of offer due to system limitations.

A few complainants stated that they were not given an adequate explanation of the terms and conditions during acceptance of the loan offer. Others alleged they did not receive any notification letters or reminder calls from their FSPs when they defaulted on loan repayment.

CASE STUDY (9)
Loan - Late Payment Interest

Tan obtained a housing loan from a bank. The loan offer letter was signed in 2021 when the condominium he purchased was still under construction.

The letter of instruction to perfect the security documentation was emailed to the bank’s lawyer in December 2021. However, the bank’s lawyer only received the original letter of instruction from the bank to perfect the security documentation 40 days later.

As a result of the delay, the completion date to perfect the security documentation had to be extended was subjected to late payment interest charges imposed by the developer.

The bank’s lawyer instructed the bank to release the full loan sum in April 2022. The loan was fully disbursed in mid-May 2022, and due to the extension of the completion period, the developer imposed RM9,000 late payment interest charges. The developer granted a 50% late payment interest waiver upon the bank’s appeal. Tan was unhappy and requested a full interest waiver. He felt he should not be held responsible for the bank’s delay and the incomplete property details in the offer letter.

However, the bank rejected Tan’s request, stating that their lawyer failed to collect the letter of instruction on time.

OUR FINDINGS
Upon further investigation, it was found that Tan was made aware of the late payment interest charges after receiving the invoice breakdown from the developer.

OUTCOME
The case manager felt Tan should not be penalised for the delay in the perfection of security documents by the bank’s lawyers. The bank agreed with our observation and paid 50% of the late payment interest charges.
Electronic terminals consist of the Automated Cash Machine (ATM), a self-service banking facility that allows customers to withdraw cash, while Cash Deposit Machines (CDM) enable cash depositing. Additionally, a Cash Recycling Machine (CRM) with a dual function (ATM & CDM) can accept deposits, process notes, and reuse them for withdrawal purposes.

There were only 19 cases lodged under this category in 2022, in keeping with a steady decline of such cases in recent years. This could be attributed to the transitioning of consumers’ preference from using cash to online banking and e-wallet services over time.

**ATM: Alleged non-dispensation and unauthorised withdrawals**

Most of these disputes were related to the non-dispensation of cash from the ATM. Our investigation shows that users often did not wait for their money to be dispensed from the terminal. The CCTV recordings of the disputed withdrawal from the FSPs revealed that the cardholders left the ATM as soon as retrieving their card.

They leave without collecting their cash despite the reminder displayed on the ATM screen. Usually, the dispensed cash would be taken by the next person walking into the ATM kiosk. Not all attempts by FSPs to trace the perpetrators who took the cash were successful.

To avoid this issue, consumers must never forget to collect and count their cash before leaving the ATM.

Our findings reveal that the compromised card and the Personal Identification Number (PIN) are the leading causes behind the disputes on unauthorised withdrawals from the ATM.

The cardholders ought to safeguard their card as well as the confidentiality of their PIN. We do not encourage consumers to use a common PIN, such as their date of birth or identity card number. Cardholders should never share their PIN with anyone, even among family members, and never write it down on their card(s). We also recommend using different PINs if they own more than one card.

On the other hand, we suggest the FSPs continue strengthening their fraud monitoring system and notify the customers of any unusual withdrawals from their accounts.

**CDM/CRM: Alleged short credit or unaccounted cash**

When investigating short credit or unaccounted cash deposited into the CDM/CRM claims, we rely on the CDM Electronic Journal, which captures the detailed transactions. The Electronic Journals records often reveal no discrepancies found during the disputed transaction. Similarly, no excess cash was found during the balancing.

Consumers should count their cash before depositing them at the CDM/CRM kiosks.
CASE STUDY (10)

CRM - Unsuccessful Cash Deposit

Jan made three deposit transactions at the CRM. Jan said her third deposit was unsuccessful due to a depository error.

According to Jan, the CRM went out of service after she inserted RM3,500 and, therefore, could not complete the deposit transaction. She received a transaction receipt stating, “Depository error. Please contact the branch to check your account.”

OUR FINDINGS

The CRM Electronic Journal record showed that the machine encountered a cash jam situation during Jan’s transaction and went out of service thereafter.

The Engineer’s Report confirmed the cash deposit transaction was unsuccessful due to a cash jam during the notes processing. The engineer could not ascertain the total amount inserted by Jan as there was an unknown number of unprocessed notes remaining in the input tray, which jammed the area until the CRM was cleared and was not recognised by the Banknote Validator Module (BVM).

The CCTV recording of the cash clearing process performed at the CRM revealed that only one person from the bank’s service provider attended the CRM. However, the CCTV was covered by the CRM’s top panel, which blocked the personnel’s activity throughout cash clearing and sealing the collected notes into the transparent bag.

The CRM cash balancing performed by the bank’s service provider revealed excess cash of RM350. The sum was refunded to Jan. We note a discrepancy in the cash excess reported in the Engineer’s Report and the cash balancing documents. Based on the Engineer’s Report, a single RM50 note was accepted into the escrow, and nine (9) notes were rejected to the output tray. However, the cash balancing indicates that the excess detected was only seven (7) pieces of RM50, amounting to RM350.

OUTCOME

We believe the burden is on the bank to prove the number of notes inserted by Jan. The visual recording of the cash collection is crucial to ascertain that the unprocessed notes cleared/found were accounted for and sealed in the transparent bag. In the absence of the CCTV recording of the cash collection process by the service provider, the benefit of the doubt is given to Jan.

The case manager recommended that the bank refund the disputed sum’s balance to Jan due to the discrepancy in the cash excess. The bank accepted our recommendation and refunded Jan.
CONVENTIONAL INSURANCE & TAKAFUL

2022 PERFORMANCE AT A GLANCE

- 685 disputes handled (2021: 902)
- 494 eligible disputes registered
- 191 disputes brought forward from 2021
- 502 disputes closed
- 26% of disputes resolved through amicable settlement
- 77% disputes resolved within six months from the registration date
- 90% disputes are pending six months and below as of 31 December 2022

75% disputes resolved at CASE MANAGEMENT STAGE
25% disputes resolved at ADJUDICATION STAGE
As we transitioned into a post-pandemic phase, we started seeing some of its impact on the financial consumers and the insurance/takaful industry in Malaysia.

In the aftermath of COVID-19, Malaysians have become more aware of the importance of insurance to cover hospitalisation or medical treatment and to protect their property/assets from financial losses. We have also witnessed frequent floods affecting the communities in various parts of Malaysia, raising consumers’ appreciation of having additional coverage for vehicles and properties against flood.

On that account, the insurers and takaful operators must continue to protect their customers by advancing and enhancing their products and services, keeping in mind the consumers’ current economic situation and behavioural shifts over the past few years.

We want to report that the disputes filed with OFS against insurance/takaful providers have been on the decline since 2020. We observed a further drop of 8% in the total volume in 2022 (494) compared to the previous year (2021:541). Life, General (Medical Insurance) and Takaful family disputes continue to lead the list with cases related to medical and hospitalisation claims. We successfully resolved 73% of the total disputes.

A recurring concern we observed through the cases referred to us is the lack of knowledge and understanding about the insurance products they purchased. Many tend to rely entirely on their agents without verifying any information provided to them. We must emphasise the consequences of not reading and understanding the policy benefits and coverage.

On the other hand, the service providers should also educate their customers and ensure that their intermediaries or agents adhere to the appropriate sales processes.

The year 2022 also witnessed the High Court confirming the Ombudsman’s findings in a Judicial Review application filed by an insurer. The case was adjudicated in favour of the claimant (next-of-kin of the insured) because there was no misrepresentation by the insured when they failed to disclose the illness, “Myasthenia Gravis”, in the proposal form. The disease was diagnosed after the commencement of the policy, and it was impracticable for the deceased to inform of any change in their health before the commencement of the policy.

Additionally, under paragraph 10 of Schedule 9 of the Financial Services Act 2013, the practice of or use of the basis clause has been unequivocally abolished. As such, the insurer’s practice of requiring their customer to confirm their health condition through declaration in the Proposal Form would directly conflict with the pre-contractual duty of disclosure and remedies under Schedule 9 of the Financial Services Act 2013. Such declarations are invalid and no longer affect legislation coming into force.

The learned Judge found the Ombudsman’s adjudication was reasonable, based on the applicable legal principles. The decision of the Ombudsman was not tainted with any errors of law, irrationality, and unreasonableness that warranted the court’s intervention.

The insurer appealed against the High Court’s decision, and the Court of Appeal on 21 March 2023 unanimously found no merits in the appeal and dismissed it with costs.

The Court of Appeal, in its brief oral grounds, observed that there was no misrepresentation by the deceased at the pre-contractual stage as there was no evidence to show that she knew of her “suspected myasthenia” condition at the time. It follows that there was no duty of the deceased to notify the insurer of any change in her health condition before her policy came into effect, and there was no error in the findings of the Ombudsman and, subsequently, the High Court Judge. The insurer however filed an application to seek leave to appeal against the Court of Appeal decision and is pending a hearing before the Federal Court.

As a redress avenue, we are always here to listen without bias to those with grievances and help them resolve their conflicts with their service providers in the best and most efficient way possible.

Lastly, I would like to share my gratitude to my team for their hard work and commitment to resolving disputes promptly. My appreciation also goes to our members for their cooperation and dedication in helping us resolve consumer disputes.
In 2022, we handled 547 disputes comprising 392 newly registered cases and 155 brought-forward cases from 2021. The disputes lodged in the insurance sector have declined since 2020. About 57% (224 cases) of the disputes were filed against licensed general insurance companies with claims totalling RM10.7 million, and 43% (168) were against life insurance companies with claims amounting to RM6.9 million.

About half of the disputes (201) were from the life insurance and general insurance (medical) segments. The issues were largely about medical and hospitalisation claims as in the previous years.
In 2022, we closed 407 conventional insurance disputes, with 299 (73%) resolved at the Case Management stage and the rest decided by our Ombudsman. About 26% of the disputes were resolved through a mutual settlement. Our case managers issued 213 recommendations, and the Ombudsman adjudicated 108 cases.

<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>NATURE OF DISPUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIFE/MEDICAL CLAIMS</td>
<td>* Non-conformance with policy terms and conditions</td>
</tr>
<tr>
<td></td>
<td>* Non-disclosure/misrepresentation in the proposal form</td>
</tr>
<tr>
<td>NON-MOTOR CLAIMS</td>
<td>* Compensation for travel cancellation and travel curtailment</td>
</tr>
<tr>
<td></td>
<td>* Applicability of the exclusion clause</td>
</tr>
<tr>
<td>MOTOR CLAIMS</td>
<td>* Failure to take reasonable precautions in safeguarding the vehicles</td>
</tr>
<tr>
<td></td>
<td>* Breach of policy terms and conditions such as late notification of claim and non-possession/expired driving licence</td>
</tr>
<tr>
<td></td>
<td>* Quantum of settlement for the cost of repairs and market value of the insured vehicle</td>
</tr>
<tr>
<td>MOTOR TPPD CLAIMS</td>
<td>* Compensation for loss of use of the vehicle while it is being repaired</td>
</tr>
<tr>
<td></td>
<td>* Non-possession/expired driving licence</td>
</tr>
<tr>
<td></td>
<td>* Cost of repair</td>
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### MANNER OF CLOSURE

<table>
<thead>
<tr>
<th>Manner</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Settlement</td>
<td>26%</td>
</tr>
<tr>
<td>Recommendation by case manager</td>
<td>26%</td>
</tr>
<tr>
<td>Decision by Ombudsman</td>
<td>25%</td>
</tr>
<tr>
<td>No response or withdrawn by complainants</td>
<td>23%</td>
</tr>
</tbody>
</table>

### TURNAROUND TIME FOR CLOSURE

<table>
<thead>
<tr>
<th>Turnaround Time</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>&lt; 3 months</td>
<td>33%</td>
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<tr>
<td>3-6 months</td>
<td>44%</td>
</tr>
<tr>
<td>6-9 months</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; 9 months</td>
<td>3%</td>
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</tbody>
</table>

### AGING FOR PENDING CASES

<table>
<thead>
<tr>
<th>Aging</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>&lt; 3 months</td>
<td>57%</td>
</tr>
<tr>
<td>3-6 months</td>
<td>32%</td>
</tr>
<tr>
<td>6-9 months</td>
<td>10%</td>
</tr>
<tr>
<td>&gt; 9 months</td>
<td>1%</td>
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</tbody>
</table>

We successfully closed most cases (312) within six months. Disputes that took longer to resolve were caused by the delay in obtaining supporting documents, such as medical or adjuster’s reports. At the end of 2022, 140 cases were in progress, with 124 cases falling within six months of registration.
Last year, 138 takaful disputes were handled, covering 102 newly lodged cases and 36 open cases from 2021. About 62% of the new disputes were filed against the general takaful operators, and 38% were against family takaful operators, with a total claim of RM4.5 million.

Disputes received under takaful family products diminished by 19%, whereas takaful TPPD increased from four to 13 cases in 2022.
<table>
<thead>
<tr>
<th>PRODUCT TYPE</th>
<th>NATURE OF DISPUTES</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAKAFUL FAMILY CLAIMS</td>
<td>✮ Non-conformance with the certificate terms and conditions</td>
</tr>
<tr>
<td></td>
<td>✮ Non-disclosure/misrepresentation of material facts in the takaful proposal/</td>
</tr>
<tr>
<td></td>
<td>application form</td>
</tr>
<tr>
<td></td>
<td>✮ Applicability of the certificate exclusion clause</td>
</tr>
<tr>
<td>TAKAFUL NON-MOTOR CLAIMS</td>
<td>✮ Compensation for travel cancellation and travel curtailment</td>
</tr>
<tr>
<td></td>
<td>✮ Applicability of the exclusion clause</td>
</tr>
<tr>
<td>TAKAFUL MOTOR CLAIMS</td>
<td>✮ Breach of certificate terms and conditions and applicability of exclusion clause</td>
</tr>
<tr>
<td></td>
<td>such as non-possession/expired driving licence and limitation of use of the covered</td>
</tr>
<tr>
<td></td>
<td>vehicle</td>
</tr>
<tr>
<td></td>
<td>✮ Failure to take reasonable precautions in safeguarding the vehicles</td>
</tr>
<tr>
<td></td>
<td>✮ Market value of the covered vehicle</td>
</tr>
<tr>
<td>TAKAFUL TPPD CLAIMS</td>
<td>✮ Compensation for loss of use of the vehicle while it is being repaired</td>
</tr>
<tr>
<td></td>
<td>✮ Cost of repair</td>
</tr>
<tr>
<td></td>
<td>✮ Non-possession/expired driving licence</td>
</tr>
</tbody>
</table>

Last year, we closed 95 takaful cases, with 75 (79%) resolved at the Case Management stage and the rest at the Adjudication stage. About 25% of the disputes were resolved through a mutual settlement. Our case managers issued 49 recommendations, and the Ombudsman adjudicated 28 cases.

We resolved 65 (68%) takaful cases within six months of registration. There were 40 open cases with six months and below as of 31 December 2022.
ANALYSIS OF CONVENTIONAL INSURANCE AND TAKAFUL DISPUTES

LIFE, GENERAL MEDICAL INSURANCE AND TAKAFUL FAMILY

The number of disputes under this category declined from 306 cases in 2021 to 240 in 2022. The common claims filed were of medical and hospitalisation, death and critical illness/dread disease and total and permanent disability.

The above claims were rejected primarily due to the following:
- non-fulfilment of the policy/certificate contract and definitions
- non-disclosure or misrepresentation of a medical condition on an insurance/takaful application or renewal form
- claims that were subject to exclusion clauses, such as those involving congenital disorders, pre-existing illnesses, and admissions that are not medically required

Trends, observations, and our approach to resolving disputes

a) Ambiguity of Policy/Certificate Provision
- Among the common issues we observed under Medical and Hospitalisation claims are ambiguity (statements open to more than one interpretation) and lack of clarity of the provisions stated in the insurance policy/takaful certificate.
- By virtue of the contra proferentem rule and as illustrated in *Malaysia National Insurance Sdn Bhd v. Abdul Aziz Bin Mohd Daud (1979) 2 MLJ 29 F.C.*, should there be any ambiguity in terms of an insurance contract, the ambiguity is to be construed most strongly against the insurer as the insurer is responsible for formulating the terms of the contract.
- The insurer/takaful operator must make the provisions clear and straightforward. The intention of such requirements should be well-defined and easily understood by a layperson.

b) Non-Disclosure/Misrepresentation
- The Proposal Form is essential for any insurance policy or takaful certificate. Suppose the policyholder or participant fails to disclose material facts faithfully and truthfully during the application, renewal, or reinstatement of the policy or certificate; the FSP reserves the right to void the policy/certificate, revise the terms and conditions, and reject a claim.
- Pre-contractual duty of disclosure for consumer insurance contracts under Paragraph 5(2) of Schedule 9 of the Financial Services Act 2013 states that the consumer must take reasonable care not to make a misrepresentation to their insurer when answering any questions under subparagraph (1) of Paragraph 5 of FSA 2013.
- Misrepresentation of information in the proposal form by the prospective insured/participant will impact the policy coverage (loading/rating) and claims decision. It is vital that the prospective insured/participant understands and answers accordingly to the questions listed and provides accurate personal details such as height and weight in the proposal form.
- The information being provided is material and relevant to the decision of the insurer/takaful operator on whether to accept the risk or not, as well as the rates and terms to be applied.
c) Alleged Mis-selling of Insurance/Takaful Products

Our assessment shows that generally, policyholder/participants do not have a clear understanding of the product they have purchased, especially the benefits, premium/contribution payment period, or the extent of coverage, which is a common complaint in mis-selling cases.

In general, policy/certificate documents consist of fine print and insurance jargon that policyholders/participants find too lengthy and troublesome to understand. As a result, they depend solely on the agents'/intermediaries' explanations rather than understanding the product features. Often, they follow the agents' instructions at the point of sale and sign the documents presented to them.

The insured/participants must carefully read the terms and conditions in the Proposal Form, Sales Illustration, Product Disclosure Sheet, and Customer Fact Find Form to ensure accuracy before signing them.

They must also proactively seek clarification from their agents/intermediaries if there is any doubt concerning the product. They should notify their insurer/takaful operator within the 15-day free-look period if there are any discrepancies in the policy document/certificate.

We advise insured/participants to keep all correspondence, such as WhatsApp messages, including voice notes, and documentary evidence, such as emails from the agents/intermediaries during the sales presentation.

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**CASE STUDY (1)**

Follow-up treatment exceeded the 90-day post-hospitalisation period

Saloma was admitted on a day-care basis on 27/05/2021 for “irritable bowel syndrome”. She submitted follow-up bills dated 24/8/2021 to the insurer for reimbursement under the 90 days post-hospitalisation treatment benefit, i.e., 28/5/2021-25/8/2021. However, the insurer paid only consultation charges, and the medication charges were excluded as they exceeded the 90-day post-hospitalisation period from the discharge date.

**OUR FINDINGS**

Post-Hospitalisation Treatment Benefits states as follows:

**C. DESCRIPTION OF BENEFITS**

6. POST-HOSPITALISATION TREATMENT BENEFIT

Reimbursement of the Reasonable and Customary Charges incurred in Medically Necessary follow-up treatment by the same attending Physician within the maximum of ninety (90) days and amount as set forth in the Schedule of Benefits immediately following discharge from the Hospital for a non-surgical disability. This shall include medicines prescribed during the follow-up treatment but shall not exceed the supply needed for the maximum ninety (90) days as set forth in the Schedule of Benefits.

On 22/7/2021, Saloma’s entire family was infected with COVID-19 and required quarantine. Hence, her follow-up on 24/7/2021 had to be postponed, and the admitting doctor rescheduled it to 24/08/2021. Saloma’s delayed treatment is reasonable, considering her entire family was infected with COVID-19 and under quarantine, with her father’s condition being critical. Further, the follow-up treatment could not be rescheduled earlier due to the tight schedule of the doctor.

Additionally, we find that a literal interpretation of the policy provision gives the impression that the prescribed medication for post-hospitalisation treatment is for a maximum of 90 days post-discharge. The table of benefits states, “90 days after hospital discharge”. It did not state within 90 days following discharge from the hospital. Hence, Saloma’s claim is still within the policy coverage.

**OUTCOME**

Based on the above factors, the Ombudsman allowed Saloma’s claim in full.
Ravi’s takaful operator declined his Guarantee Letter request for admission for a medical condition due to a possible pre-existing condition. Their investigation revealed that Ravi was diagnosed with Aortic Valve regurgitation in 2017 and hypertension in 2018, which were not disclosed in the takaful proposal form.

Thus, by Schedule 9 of the Islamic Financial Services Act 2013, the takaful operator voided Ravi’s certificate immediately, and no cash value was available to be refunded.

**OUR FINDINGS**

Based on the Health Questionnaire completed by Ravi and Medical Questionnaire from Institut Jantung Negara (IJN), it is clear that he has had a pre-existing condition of Heart Murmur since 2017, which was not disclosed in the proposal form dated 21/8/2019.

Questions about heart valve disorder, heart murmur and echocardiogram were available in the proposal form, but Ravi failed to answer the questions truthfully.

Ravi claimed that he informed the agent that he had not been hospitalised for heart-related issues but had a heart valve defect requiring surgery. He left it to the agent’s discretion to submit the proposal and seek the takaful operator’s approval.

On the contrary, the agent confirmed that Ravi did not disclose his heart valve defect condition despite his advice to Ravi to disclose all his existing medical conditions.

Ravi demanded that the takaful operator refund his full contribution since the policy had been voided. In this regard, the amount of money returnable to a takaful participant for a contract voided by a takaful operator shall consist of the initial contribution in the Participants Investment Fund after the deduction of \( \text{Tabarru’} \) (excluding profits; and unearned \( \text{Wakalah} \) fee). The takaful operator confirmed that no cash value was available to return to him.

**OUTCOME**

Ravi’s misrepresentation is considered “deliberate or reckless misrepresentation”, and the “Remedies for deliberate or reckless” under Paragraph 3 of Schedule 9 of IFSA 2013 is to void the policy. Therefore, Adjudication was issued in favour of the takaful operator.
Omar alleged that he was misled into purchasing three investment-linked insurance policies. He submitted evidence of the agent’s misconduct during the sales process to the insurer and requested a full premium refund. The insurer, however, declined his request.

**OUR FINDINGS**

Our case manager investigated the claim and found that the insurer’s authorised agent had provided Omar with false and misleading information regarding the product, which led him to purchase three investment-linked insurance policies.

Omar submitted WhatsApp conversations between him and the agent, which clearly showed that the agent had misled him about the policy plan and its features during the sales process. The agent also admitted to forging Omar’s signature on the proposal form and creating an email address different from Omar’s. When the discrepancies regarding the signatures and email address were highlighted to the agent, he proposed a settlement to which Omar disagreed.

**OUTCOME**

The case manager highlighted their unfair decision to the insurer even though Omar had submitted solid documentary evidence of mis-selling by their agent.

We proposed that the insurer settle the matter amicably by refunding the balance premium amount after deducting the Surrender Value and Guaranteed Cash Payment paid earlier. The insurer agreed and refunded the premium to Omar.

**CASE STUDY (3)**

**Mis-selling of investment-linked insurance products**

As of 31 December 2022, 75 motor and 25 takaful motor cases were lodged with OFS (2021: motor: 90; takaful motor: 27).

Among the common issues received under this category were:

- failure to take reasonable precautions to safeguard the vehicle from loss or damage
- cost of repairs to the insured vehicle
- non-possession /expired driving licence
- no insurable interest
- convulsion of nature
Trends, observations, and our approach to resolving disputes

In handling the disputes, we observed that an area of concern is the lack of knowledge or understanding of the policies/certificate terms and conditions for consumers.

The policyholder/participant must know the terms and conditions in the policy/certificate specifically, what is covered and not covered, exclusion clauses, and conditions that must be fulfilled for the coverage to apply.

The FSPs must investigate claims thoroughly before deciding, to avoid unfairness to the insured/participant.

a) Failure by the insured/participant to take reasonable precautions to safeguard the vehicle from loss or damage.
   
   Many complainants were unaware that notwithstanding the coverage provided under a motor policy/certificate, the insured/participant and their authorised driver/rider also must exercise due care and take reasonable precautions to safeguard the vehicle from loss or damage. Failing to do so may lead to the claim being denied by their insurance provider/takaful operator.
   
   To prove a breach of the condition in the motor policy/certificate, it must be established that the complainant was reckless and recognised a severe risk but deliberately did not take steps to prevent the loss or damage to the vehicle.
   
   Any repudiation by the FSPs should be supported by credible evidence, and all relevant case laws must be considered before deciding to reject a claim.

b) The cost of repairs of the insured vehicle

   In practice, the amount approved/offered for the repair cost of a vehicle by an insurer/takaful operator will be based on the loss adjuster’s recommendation.
   
   Generally, claimants come to OFS due to dissatisfaction with the FSPs’ offer, especially repairs of vehicle parts which the insurer or takaful operator did not approve.
   
   It is clear from the terms and conditions stipulated in the policy/certificate that the insurer/takaful operator is only liable for repairing the parts damaged due to the accident, excluding any wear and tear items or pre-existing/non-related damages.

c) No insurable interest

   Disputes about no insurable interest arise when the insured’s vehicle had been sold to a third party at the material time of loss.
   
   It is a principle of insurance/takaful law that the policyholder/participant must have an “insurable interest” in the insured property for the policy to be valid and binding.
   
   Judicial authorities have decided that a person has an insurable interest in the insured property if its loss would prejudice him. It is imperative to determine when the title of the insured vehicle was passed to the purchaser.
   
   In handling such disputes, we seek to see if the complainant had an insurable interest based on the facts and circumstances of the case and relevant applicable laws.
   
   We recommend that the vehicle owners inform their insurer/takaful operator if it is sold to a third party. Insurance companies/takaful operators would not cover the loss even if a valid insurance/takaful certificate were in the seller’s name (vehicle owner).
Alex was driving an insured vehicle when he suddenly hit an unknown object on the road. The accident occurred at night; the rain made the road slippery. The collision caused damages to the frontal portion and the undercarriage/engine parts of the vehicle. Alex submitted an OD claim to his insurer.

The insurer’s independent loss adjuster assessed the damages and approved the repair cost for the damaged parts related to the accident, except for the engine parts, which were repudiated because Alex failed to take reasonable precautions to safeguard the vehicle from further loss.

The loss adjuster’s investigation revealed that the engine was damaged because the vehicle was driven without engine lubricant continuously after the collision. Thus, the loss falls under General Exception No. 7 of Section D of the private car policy.

The relevant policy provision states as follows:

“Section D: General Exceptions - these apply to the whole Policy

7. Failure to take Precaution
We will not pay for any additional damages if after an Incident or breakdown You:

a. left Your Car unattended or failed to take proper precautions to prevent further loss or damage; or
b. continue to drive Your Car in an unroadworthy condition before any repair is done.”

OUR FINDINGS

The test for reasonable precaution, as affirmed by the judicial authorities, is whether the driver of the vehicle had acted recklessly or deliberately courted a danger, resulting in additional damages to the insured vehicle (Sinnaiyah & Sons Sdn Bhd v Damai Setia Sdn Bhd [2015] 7 CLJ 584). To exclude the coverage under the abovementioned policy exception, the insurer must prove on a balance of probabilities that Alex was reckless, i.e., whether he recognised a severe risk but deliberately did not take steps to prevent it.

We also refer to the English Court of Appeal case of Fraser v BN Furman (Productions) Ltd; Miller, Smith & Partners (Third Party) [1967] Vol.2 LLR 1, where Lord Diplock held:

“What in my view is ‘reasonable’ as between the insured and the insurer, without being repugnant to the commercial object of the contract, is that the insured should not deliberately court a danger, the existence of which he recognises, by refraining from taking any measures to avert it.”

In the present case, the loss adjuster’s inspection revealed the following:

- The engine assembly of the vehicle had been completely drained of engine lubricant.
- The engine oil filter had been punctured, and the lubricant had completely leaked via the damaged oil filter.
- They felt that it was safe for Alex to stop to check his vehicle and arrange for a breakdown service as the accident occurred at 9.00 pm in the middle of the town.

Alex contended that he had taken reasonable precaution by driving the vehicle to a safer place, i.e., by the roadside when he heard a slight noise from the front bonnet and when warning lights appeared at the car speedometer.

We found that Alex stopping the vehicle by the roadside to inspect the car at night in heavy rain and low visibility could be risky.

OUTCOME

We believe Alex’s act was not intentional or reckless, and he took reasonable precautions to safeguard the vehicle from further loss. Following the case manager’s findings, the insurer reviewed their decision and approved the claim for the engine parts.
Nomi was involved in an accident and made an OD claim against her insurance company for repairing her vehicle.

The insurer repudiated the claim because the vehicle had been sold to Kala. Thus, Nomi did not hold an insurable interest in the vehicle at the time of the accident, and she had breached her duty of disclosure by not informing the insurer of the sale.

**OUR FINDINGS**

Nomi sold her car to Kala on a *Sambung Bayar* (“continue payment”) basis in 2015. Nomi had yet to settle the loan at the time of the accident. The transfer of ownership could not be performed because Kala could not obtain a hire-purchase loan from a financier.

**OUTCOME**

The Ombudsman adjudicated the case in favour of Nomi on the following grounds:

- The Federal Court held in *Nanyang Insurance Co Ltd v. Salbiah & Anor* (1967) 1 MLJ 94 that the owner still had an insurable interest in the vehicle until the purchaser’s obligation was completed under the sale agreement.

- Additionally, in the case of *People’s Insurance Co of Malaya Ltd v. Ho Ah Kum & Anor* [1967] 2 MLJ 134, it was held that the ownership of the vehicle would not pass to the purchaser until the purchaser had completed the sales agreement. The ownership of the vehicle would remain with the vendor, and the vendor’s insurance policy would remain in force until there was a transfer of ownership to the purchaser.

- Since there was no transfer of an insurable interest in Nomi’s case, she was under no duty to disclose the information regarding the sale of her car to Kala.
**Trends, observations, and our approach to resolving disputes**

As in the other categories, many policyholders/participants did not read and understand the policy/certificate terms and conditions.

The consumers assumed that once insurance/takaful is purchased, the insurance coverage would automatically cover any risk. Only a few sought clarifications before buying a policy that best matched their insurance/takaful needs.

The onus of proof is on both insurers/takaful operators and the policyholders/participants. We find that insurers and takaful operators have improved the manner of claims handling, including the quality of investigations and the time they take to respond to our queries. The FSPs have also appointed more technical, forensic, and legal experts for their internal claims assessment.

We observed that agents and intermediaries lack knowledge of the products they sell and are more focused on meeting their sales targets. Thus, the chances of agents providing inaccurate or misleading information to the prospective insurer/participants are high. This would lead to the insurer or takaful operator bearing liability following the principal-agency relationship.

Agents need to be empowered with product knowledge and communication skills to reduce mis-selling of products to consumers.

**CASE STUDY (6)**

**Fire Insurance – No Coverage**

| Sheila’s property was damaged in a windstorm which affected the roof. Her fire insurance policy was purchased along with her loan facility; hence she was not required to fill in a proposal form. However, the Storm, Tempest Extension was not included in the policy coverage, resulting in her claim repudiation. Sheila was unhappy since she was not advised of the available coverage extensions. | **OUR FINDINGS**

The adjuster confirmed that a windstorm caused damage to the roof. In the insurer’s cover letter to the policy document sent to Sheila, the coverage extensions to Storm and Tempest were among the extensions listed. Sheila was required to choose the coverage and pay an additional premium. However, Sheila did not respond to the insurer’s letter or request for any coverage extension. | **OUTCOME**

The Ombudsman upheld the insurer’s decision as it was apparent that there was no coverage for the peril which caused the damage to the roof. |
**CASE STUDY (7)**

Travel Insurance – Misinformation by Agent – Charges incurred for hotel quarantine

Mansor and his family travelled abroad and were required to take the COVID-19 test before boarding their return flight to Malaysia. Unfortunately, they tested positive and had to reschedule their return flights. This incurred additional expenses for self-quarantine in their hotel. The insurer paid for the COVID-19 tests, medical expenses, and flight tickets.

However, the insurer repudiated claims for the additional hotel stay during the quarantine because this policy does not cover those costs.

**OUR FINDINGS**

Mansor purchased this policy with the “Pandemic-Add-on benefit”. Based on the policy terms, there is no coverage for quarantine hotel expenses. However, before buying this policy, Mansor asked the agent whether the hotel’s quarantine cost would be covered, and the agent replied in the affirmative.

Mansor submitted WhatsApp screenshots which revealed that the agent had given inaccurate information regarding the coverage for quarantine at a hotel. The agent responded that an additional premium was required for the quarantine hotel’s coverage, influencing Mansor’s decision to purchase the benefit. On the contrary, there is no coverage for the expenses of quarantine hotels based on the policy terms.

**OUTCOME**

The misleading advice by the insurance agent led Mansor to believe that their quarantine stay was covered. The case manager highlighted to the insurer the principal-agency relationship, and the insurer agreed to settle the claim.

---

**CASE STUDY (8)**

Travel Inconveniences Benefits Claim

Armani’s flight from London to Edinburgh was cancelled by the airlines due to “System Disruption”. Her flight was rescheduled to the next day; however, the replacement flight was also cancelled for the same reason.

Armani decided to rent a car to proceed with her travel plans. She submitted claims for the car rental, additional accommodation bookings and other miscellaneous expenses, but her takaful operator repudiated her claims.

**OUR FINDINGS**

Under the Travel Inconveniences Benefit, no flight cancellation and car rental benefits were listed. Any consequential losses are excluded from the policy. “System disruption” is not one of the covered perils under the Travel Delay benefit.

**OUTCOME**

Based on the above findings, the case manager upheld the takaful operator’s decision, and Armani accepted the Recommendation.
MOTOR TPPD AND TAKAFUL TPPD
Disputes filed under motor/takaful TPPD showed a growing trend in 2022 (48) compared to 2021 (26). The common claims under this category were loss of use (quantum), the insured/participant not holding a valid driving license, and disputes involving the cost of repairs. The rest were from miscellaneous categories, such as Liability, Unauthorised Driver, and Limitation as to use.

Trends, observations, and our approach to resolving disputes

For loss of use claims, OFS will observe the Scale of Compensation for Assessed Repair Time (CART) stipulated in Bank Negara Malaysia’s Guidelines on Claims and Settlement Practices (Consolidated) BNM/RH/GL 004/17.

There is usually a discrepancy between the amount proposed by the third-party claimant’s independent loss adjuster and the mandate issued by the third-party claimant’s insurer for disputes involving the cost of repairs.

Clause 3.4.1(b) of the BNM Guidelines states that “Where there is no dispute as to liability, accept the recommendation made in the adjuster’s report”. Considering the above clause, we highly recommend that insurers/takaful operators resolve the discrepancies between the independent loss adjuster and the third-party claimant’s insurer before making an offer of settlement to the third-party claimant.

CASE STUDY (9)
Breach of Policy Conditions

Clara was involved in an accident with Shannon, and Shannon was found to be the driver at fault. Clara filed a claim with Shannon’s insurance company for the costs of repairing her vehicle.

The insurer repudiated Clara’s claim because Shannon did not own a competent driving licence at the time of the accident. The insurer relied on a breach of condition by their own insured to deny liability to the third-party claimant.

OUR FINDINGS
The insurer did an online search on the Road Transport Department’s (Jabatan Pengangkutan Jalan) system with Shannon’s IC number and found that she did not possess a valid driving licence at the time of the accident.

Section 26 of the Road Transport Act 1987 (RTA) provides that driving without a licence is an offence.

One is liable to a fine, imprisonment, or both.

OUTCOME
Since the insurer’s decision is by the terms and conditions of the motor policy wording, the case manager issued a recommendation in favour of the insurer, which Clara accepted.

The remedy for Clara would be to bring legal action against the driver in her capacity since there is no privity of contract between the claimant and the insurer. Laws 91 and 95 of the Road Transport Act 1987 only provide remedies for personal injury claims in the above circumstances and not for property damage.
Max was involved in an accident with Brian, and Brian was found to be the driver at fault. Max claimed compensation for the loss of use of his vehicle, also referred to as the ‘Compensation for Assessed Repair Time’ (CART).

The insurer offered RM680 for CART at a rate of RM40/day for 17 days. However, Max was unsatisfied with the insurer’s offer and claimed 88 days.

**OUR FINDINGS**

Max’s vehicle has a cubic capacity of 1998 cc, and thus, the insurer is liable to pay RM40/day according to the scale for CART, which provides as follows:

<table>
<thead>
<tr>
<th>Private Use Vehicles</th>
<th>CART/Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 1500 cc</td>
<td>RM30</td>
</tr>
<tr>
<td><strong>Above 1500 cc up to 2000 cc</strong></td>
<td>RM40</td>
</tr>
<tr>
<td>Above 2000 cc</td>
<td>RM50</td>
</tr>
</tbody>
</table>

“3. 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 the insurers’ discretion to apply an additional seven working days grace period for unforeseen delays.”

Max’s insurer’s loss adjuster recommended ten (10) days as the estimated repair period. This repair period will exclude delays before and/or after the repair time. The insurer exercised their discretion by adding another seven days grace period for unforeseen delays in their assessment for CART. This increased the CART period from 10 to 17 days. We note that Condition 3 of the Scale of CART granted the additional seven days.

However, Max was still dissatisfied with the claim, and he approached his insurer and contended that the estimated repair period was insufficient to repair his vehicle. His insurer’s loss adjuster reviewed the matter and revised the repair period to 40 days.

**OUTCOME**

The insurer revised their CART offer of RM1,600 at a rate of RM40/day for 40 days, and Max accepted the new offer.
CASE STUDY (II)
Compensation for Assessed Repair Time (CART)

Ali was at a traffic light when a third-party vehicle hit his vehicle from behind. He made an insurance claim for the vehicle's repair cost from his insurer. The repair work was completed four months after the date of the accident. Since a third-party driver caused the accident, Ali claimed compensation for the loss of use of his vehicle against the third-party insurance company (the insurer).

The insurer had assessed the loss of use claim under the CART claim and made an offer for 16 days at a rate of RM30/day. The offer is based on the Scale of CART stipulated under the Bank Negara Malaysia (BNM) Guideline. However, Ali wanted the insurance company to pay 121 days at a rate of RM40/day based on the period his vehicle was in the workshop for repair.

OUR FINDINGS
Under the BNM Guideline, the rate of CART is based on the vehicle's cubic capacity. Ali's vehicle cubic capacity is 998cc. Based on the scale of CART, if the vehicle is below 1500cc, the rate of CART is RM30/day. Thus, the insurer is only liable to compensate RM30/day.

The Guideline states that 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, subject to the insurer's discretion, to apply an additional seven-day grace period for unforeseen delays. Based on the loss adjuster's report from Ali's insurer, they recommended nine days for the repair period. The insurer added seven days bringing the total repair period to 16 days.

We observed that the vehicle was in the workshop for repairs for four months. The loss adjuster's report recommended supplementary parts for replacement and remarks from them regarding the Road Transport Department's (Jabatan Pengangkutan Jalan (JPJ) inspection requirement for the replacement of Chassis Member Rear LH.

We requested the insurer to obtain clarification from the loss adjuster whether the nine-day repair period they advised had been considered in their recommendations on additional parts and the period for JPJ inspection.

OUTCOME
The loss adjuster reviewed and revised the repair period to 20 days. Following this, the insurer revised their CART offer to 27 days, including the seven days grace period for unforeseen delay at a rate of RM30/day.

The case manager explained that the revised offer was based on BNM Guidelines. Ali accepted the revised offer, and the parties settled the dispute amicably.
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.

ABOUT OFS

OUR VISION

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

OUR MISSION

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

INDEPENDENCE
OF’S Board is responsible for ensuring the integrity of its operations and its ability to provide effective, objective, and independent services to disputing parties.

ACCOUNTABILITY
OF’s shall publish a report annually, providing information on its activities, operations and the disputes handled.

FAIRNESS AND IMPARTIALITY
OF’s shall act fairly and impartially when dealing with disputes. The Ombudsman shall carefully and objectively consider the information provided by the disputing parties when deciding.

TRANSPARENCY
OF’s shall publish information on its services and scope, the types of disputes and awards granted by an Ombudsman, the approach adopted in handling disputes and how decisions are made in order to educate the public and Members.

ACCESSIBILITY
OF’s shall create awareness of its services and maintain easy-to-understand, clear and transparent procedures for eligible complainants to refer a dispute.

EFFECTIVENESS
OF’s shall have adequate resources and skilled decision-makers to resolve disputes promptly and effectively with minimal formality and technicality.
OUR PEOPLE

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

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

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

EXCELLENCE
We are committed to excellence with passion and motivation

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

RESPECT
We trust, encourage and value one another

VITALITY
We are resilient and persistent in facing our challenges

CAPACITY BUILDING
To enable our organisation to continue growing and thriving, we must empower our team with new and cutting-edge techniques to boost their skills, knowledge, and responsiveness in meeting new challenges. We give them access to the right tools and infrastructures to develop their capability in key areas, which enables them to perform to a greater capacity.

We have deployed relevant and up-to-date training and workshops, including motivational and teambuilding activities, which play a fundamental role in helping us produce transformational results and achieve our organisational objectives effectively.

Due to recent events, the operational environment has become increasingly complex and challenging. To address the mental and emotional well-being of our staff, we have several initiatives in place. This includes a conducive work environment that nurtures collaboration, teamwork, and trust among co-workers, making them more fulfilled. In addition, a flexible work arrangement has been incorporated to maintain a better work-life balance, allowing the option of hybrid working.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 January</td>
<td>Personal Development Programme: Take Charge</td>
</tr>
<tr>
<td>25 January</td>
<td>Knowledge Sharing Session - Loans and Loan Moratorium</td>
</tr>
<tr>
<td>9-13 March</td>
<td>Mediation Skills Training</td>
</tr>
<tr>
<td>12 April</td>
<td>Impact of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amended 2018)</td>
</tr>
<tr>
<td>25 - 26 June</td>
<td>Programme Berani Bercakap</td>
</tr>
<tr>
<td>5 August</td>
<td>Knowledge Sharing Session with PayPal</td>
</tr>
<tr>
<td>6 July</td>
<td>Dispute Resolution for Financial Consumers</td>
</tr>
<tr>
<td>9 August</td>
<td>Webinar on Employment (Amendment) Act 2022</td>
</tr>
<tr>
<td>11 August</td>
<td>Knowledge Sharing Session with Bank Islam Berhad</td>
</tr>
<tr>
<td>12 August</td>
<td>Knowledge Sharing Session on Digital Banking by Bank Negara Malaysia</td>
</tr>
<tr>
<td>14 September</td>
<td>OFS &amp; SIDREC - Dispute Resolution for Financial Services Workshop</td>
</tr>
<tr>
<td>21-22 September</td>
<td>Islamic Fintech Leaders’ Summit</td>
</tr>
<tr>
<td>28-29 September</td>
<td>An In-depth Understanding of Casualty/General Liability Insurance</td>
</tr>
<tr>
<td>11-12 October</td>
<td>Financial Education Network (FEN)’s National Financial Literacy Symposium 2022 (NFLS 2022)</td>
</tr>
<tr>
<td>13 October</td>
<td>Programme Pengurusan &amp; Caruman Majikan</td>
</tr>
<tr>
<td>27 September</td>
<td>Behavioural Science Training</td>
</tr>
<tr>
<td>2 November</td>
<td>Cyber Security Hackers (IT)</td>
</tr>
<tr>
<td>12 November</td>
<td>OFS Team Building – Team Synergy Programme</td>
</tr>
<tr>
<td>24 November</td>
<td>Tactics/Methods Used by Hackers in Scamming by Cybersecurity Malaysia</td>
</tr>
<tr>
<td>25 November</td>
<td>Knowledge Sharing Session on Life/Medical Insurance</td>
</tr>
</tbody>
</table>
OFS adopts a two-stage dispute resolution process comprising:

- Case Management stage
- Adjudication stage

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

The Case Manager will issue a recommendation if they do not reach any settlement. 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.

OFS has the full discretion to decide on the most effective dispute resolution. We do not ‘take sides.’ We view each dispute independently and with impartiality. We carefully weigh all the facts and evidence from the financial service provider and complainant before proposing a fair and reasonable resolution.

**MONETARY JURISDICTION**
Under the Financial Ombudsman Scheme (FOS), we only accept disputes related to direct financial losses that fall within the following limits:

<table>
<thead>
<tr>
<th>Category</th>
<th>Monetary limit</th>
</tr>
</thead>
<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>
</tr>
<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>
</table>
**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 contracts 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 the Financial Services Act 2013 and Islamic Financial Services Act 2013, respectively.

**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 the approved persons under the FSA and IFSA.

As of 31 December 2022, OFS has a total membership of 221 (2021: 216). The full list of OFS Members is listed on page 75.
**OFS’ Eligible Complainants**

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

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.

**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
- Guarantors of a credit facility
- 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

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**Levy and Case Fee Imposed by Member Institution**

Our members fund our operations through case fees and annual levies. The breakdown of the sum imposed for 2022 are:

<table>
<thead>
<tr>
<th>Member Category</th>
<th>No. of members</th>
<th>Members with disputes</th>
<th>Levy Imposed</th>
<th>Case fees Imposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Banks</td>
<td>26</td>
<td>13</td>
<td>1,456,000</td>
<td>1,039,500</td>
</tr>
<tr>
<td>General Insurance Companies</td>
<td>21</td>
<td>19</td>
<td>1,176,000</td>
<td>324,000</td>
</tr>
<tr>
<td>Islamic Banks</td>
<td>17</td>
<td>11</td>
<td>952,000</td>
<td>126,000</td>
</tr>
<tr>
<td>Life Insurance Companies</td>
<td>14</td>
<td>14</td>
<td>784,000</td>
<td>262,500</td>
</tr>
<tr>
<td>Family Takaful</td>
<td>11</td>
<td>9</td>
<td>616,000</td>
<td>55,500</td>
</tr>
<tr>
<td>Development Financial Institutions</td>
<td>6</td>
<td>3</td>
<td>336,000</td>
<td>10,500</td>
</tr>
<tr>
<td>General Takaful</td>
<td>4</td>
<td>3</td>
<td>224,000</td>
<td>97,500</td>
</tr>
<tr>
<td>E-money Issuers</td>
<td>48</td>
<td>3</td>
<td>N/A</td>
<td>5,600</td>
</tr>
<tr>
<td>Card Issuers</td>
<td>5</td>
<td>1</td>
<td>N/A</td>
<td>600</td>
</tr>
<tr>
<td>Approved Financial Advisers and Islamic Financial Advisers</td>
<td>41</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td>Approved Insurance and Takaful Brokers</td>
<td>24</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td>Approved Insurance Brokers</td>
<td>2</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td>Approved Takaful Brokers</td>
<td>2</td>
<td>0</td>
<td>N/A</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>221</strong></td>
<td><strong>76</strong></td>
<td><strong>5,544,000</strong></td>
<td><strong>1,921,700</strong></td>
</tr>
</tbody>
</table>

**Individuals** for personal, domestic, or household purposes

**Small and Medium Enterprises (SME)** in connection with a small business
**DISPUTE RESOLUTION PROCESS CHART**

**Stage 1: Case Management**

- Is the complaint within OFS’ scope?
  - **YES**
  - **NO**

**Stage 2: Adjudication**

- Did the FSP and Complainant mutually agree to settle?
  - **YES**
  - **NO**

**RECOMMENDATION BY CASE MANAGER**

- Did the FSP and Complainant accept Recommendation?
  - **YES**
  - **NO**

**REVIEW BY OMBUDSMAN**

- **YES**
- **NO**

**FINAL DECISION**

- **ACCEPTS**
- **REJECTS**

**REGISTER DISPUTES**

- proceed to case management

**MEDICATION PROCESS**

- ▲ NEGOTIATION ▲ MEDIATION ▲ CONCILIATION

- within 3 months from receipt of full documents

**Did the FSP and Complainant mutually agree to settle?**

- **YES**
- **NO**

**case proceeds to adjudication**

- **YES**
- **NO**

**Did the FSP and Complainant accept Recommendation?**

- **YES**
- **NO**

**REJECTS**

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

**ACCEPTS**

- Decision is binding on FSP and complainant

**DISPUTE RESOLUTION PROCESS CHART**

- within 30 days
- within 30 days
- within 30 days
- within 30 days
- within 14 days from receipt of full documents
- within 30 days
STAKEHOLDER ENGAGEMENT

One of the fundamentals of our operations is stakeholder engagement, especially in reinforcing the relationships we have established with our members. We ensure regular and effective interactions are in place; we listen and respond to their concerns and interests as needed.

We often exchange ideas, evaluate industry trends, and determine the best collaboration methods with our key stakeholders at various levels and forms. Dialogues such as these allow us to gain valuable insights and guidance from each other and ensure that improvements and enhancements continue to take place in our country’s financial sector.

As in previous years, we share our reports, dispute statistics and observations with the Regulator, industry associations and members to help facilitate a better understanding of procedures and allow room for addressing emerging issues. The providers of financial services must understand the issues consumers face as a result of our dispute investigation and mediation process and act on improving their services.

As is our practice, we continued collaborating with various groups, including government agencies, industry, and consumer bodies last year. We want to work hand-in-hand to drive our mutual initiatives that would benefit the betterment of the public and the financial industry.

KEY STAKEHOLDER EVENTS CONDUCTED IN 2022:

- **03 March**
  Virtual Knowledge Sharing Session with *Agensi Kaunseling Pengurusan Kredit* (AKPK)

- **12 May**
  External Regulatory Bodies Engagement Session for MBSB Bank Berhad

- **21 June**
  OFS’ 17th Annual General Meeting

- **12 August**
  Briefing Session for *Unit Integriti Dan Ombudsman Negeri* (UNION) Sarawak

- **12 August**
  Knowledge sharing session with Bank Negara Malaysia (BNM)

- **23 August**
  Annual dialogue with members of the Life Insurance Association of Malaysia (LIAM)

- **24 August**
  Annual dialogue with members of the Malaysia Takaful Association (MTA)

- **26 August**
  Annual dialogue with members of Persatuan Insurans Am Malaysia (PIAM)
Among the fulfilling activities we do annually are the outreach campaigns that allow us to interact directly with and educate financial consumers and the public through virtual and face-to-face events.

Most of our initiatives were undertaken virtually in the past three years, and we finally stepped out physically during the second half of 2022. Throughout last year, we promoted OFS’ services through our website, social media outlets, virtual meeting platforms, and roadshows organised by our stakeholders in addition to our affiliations to create awareness of OFS and assist those with grievances while educating the public on financial scams.

Our ultimate goal is to reach out to the widest possible audience and educate consumers on the emerging issues and the redress mechanism available to them. We will continue our efforts to spread awareness and increase the number of well-informed communities, particularly the vulnerable and underserved citizens of the country.
KEY OUTREACH EVENTS CARRIED OUT IN 2022:

24 - 28 January
Exhibited at the Virtual MyFintech Week 2022 in collaboration with the Financial Education Network (FEN)

16-17 July
Panellist and an exhibitor at the PJ Startup Festival 2022

15 March
Presentation by OFS CEO on Banking Scam Awareness in collaboration with the Federation of Malaysian Consumers Associations (FOMCA)

7 August
Exhibited at the Program Ceramah Pemerkasaan Pengguna 2022 in collaboration with the Ahli Dewan Undangan Negeri Selangor and FOMCA

14-16 October
Exhibited at the InvestSmart Festival 2022 in collaboration with the Securities Commission Malaysia (SCM)

27 August
Exhibited at the LexJob Expo 2022 in collaboration with the Brickfield Asia College (BAC)

29–30 October
Presentation by OFS CEO: Spot the Scammer: Be Aware, Stay Vigilant at the Closing Ceremony and Exhibition of the 2022 Financial Literacy Month (FLM) in collaboration with the FEN

2-3 December
Panellist at the Persidangan Pengguna Komunikasi dan Multimedia 2022 in collaboration with the Consumer Forum of Malaysia (CFM)

26 October
Panellist at the “Semak Sebelum diScam” webinar in collaboration with the Islamic Banking and Financial Institutions Malaysia (AIBIM)

25 August
Interview with OFS CEO on Financial Scams on Astro AEC News Channel

19 December
Panelist at the Kesedaran Jenayah Siber: “Adakah Anda Mangsa Seterusnya?” Forum in collaboration with the Universiti Kebangsaan Malaysia (UKM)

26 March, 5 May, 6 June, 6 August, 9 September & 3 December
Presentation at My Money & Me 2022 Virtual Forum across Malaysia in collaboration with the Malaysian Financial Planning Council (MFPC)
In September 2022, we concluded our fifth OFS Consumer Satisfaction Survey gathering feedback from 167 financial consumers who had their disputes resolved at OFS between 1 July 2021 and 31 May 2022. The objective of the survey was to assess the satisfaction level among our complainants in the areas of fairness, efficiency, accessibility, and the courtesy of our officers.

The survey questionnaires were distributed monthly through an online survey portal service to 1,196 complainants. Of the total questionnaires, only 14% (167) of the recipients responded. A significant decrease of 11% compared to the survey conducted between 2020 and 2021. No answer was received from 1,020 recipients, and nine questionnaires could not be delivered due to incorrect email addresses or inbox capacity being exceeded.

About 55% of the respondents stated that they were either very satisfied or satisfied with the overall services provided by OFS for the duration of the survey. The rating has decreased by 14% compared to the preceding edition. We have taken note of the feedback and are cognizant of the points raised by respondents through the questionnaires. Rest assured that these points will be addressed and responded to immediately.

With regard to the time taken to resolve disputes, we would like to reiterate that recommendations or decisions are only made after a thorough and often time-consuming investigation and compilation of all material facts and information. In several cases, full disclosure of facts is only received after further examination and query.

Therefore, the duration is often beyond the team’s control, regardless of whether they have full knowledge of the case. Nevertheless, our team shall work towards an efficient and effective resolution of cases within the shortest time possible.

Furthermore, we want to reassure you that our recommendations and decisions are based on investigations and examinations that adhere to the highest standards of integrity and impartiality. Our approach aligns with our global principles of independence and accountability, ensuring fairness for all parties involved.

Our two-stage dispute resolution process undergoes stringent decision-making measures through the Case Management and Adjudication stages to ensure a system of checks and balances.

If any party is not satisfied with the case manager’s recommendation. They can seek further redress from the Ombudsman. Their investigation and examination are completely independent of the case manager’s findings.

Should both stages not be acceptable, the complainant may proceed to the next recourse, namely the court of law. That being said, we hope that our decisions will always be acceptable to all parties, and we shall continue working towards that end.

We want to take this opportunity to thank all respondents for their honest and prompt responses to our questionnaire. We look upon each finding as valuable and integral to our growth. We always strive to provide the best service in our dispute resolution and redress mechanism. We look forward to continued trust and confidence from our members, as well as the public at large.
In specific areas, the responses were as follows:

- **Ease of contacting OFS.**
  - 60% very satisfied/satisfied

- **Our courtesy and politeness.**
  - 68% very satisfied/satisfied

- **Clarity of the information provided to your enquiry/complaint.**
  - 54% very satisfied/satisfied

- **We kept you informed on the progress of your case.**
  - 56% very satisfied/satisfied

- **Clear and effective communication.**
  - 59% very satisfied/satisfied

- **Outcome of my dispute was fair and unbiased.**
  - 52% very satisfied/satisfied

- **The manner our Case Manager and/or Ombudsman handled your dispute.**
  - 52% very satisfied/satisfied
OF

GOVERNANCE

BOARD OF DIRECTORS

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

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

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

TAN SRI DATO’ SRI (DR) TA Y AH LEK was appointed as Director and Deputy Chairman in December 2004. He is currently the Managing Director and CEO of Public Bank Berhad. He joined Public Bank Group as a pioneer staff in 1966. Prior to his present designation in Public Bank, he was the Executive Vice-President of the former Public Finance Berhad and then the Executive Vice-President and Executive Director of Public Bank. He has accumulated immense experience, spanning six decades in the banking and finance industry.

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

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

DATIN VERONICA SELVANAYAGY was appointed as a Non-Executive
Non-Independent Director in October 2011. Datin Veronica is currently the General Counsel
of AIA Malaysia for AIA Bhd., AIA Public Takaful Bhd., AIA General Berhad, AIA Health Services
and AIA Pension Asset Management Sdn. Bhd.

As an Executive Committee member of the Senior Management Team of AIA Bhd. Datin
Veronica’s focus is on strategy for sustainable growth while creating value for the company’s
stakesholders. Datin Veronica is also responsible for a number of portfolios including legal,
company secretarial, investigation, corporate governance, corporate security, business
continuity, occupational and building safety which includes Covid Management for the staff
and Life Planners of AIA. In this regard, AIA Malaysia was the winner of the 2022 Malaysia
Management Excellence Award for Life Insurance Covid Management Initiative of the year.

Datin Veronica also serves on the Committees of multiple organisations and she is currently
the Chairperson of the Joint Industry Competition Act and Data Protection Task Force for the
General Insurance Association of Malaysia (PIAM), the Malaysia Takaful Association (MTA) and
the Life Insurance Association of Malaysia (LIAM), a Member of the Disciplinary Committee,
Malaysian Financial Planning Council (MFPC) and Member of the Administration and Finance
Committee, Life Insurance Association Malaysia (LIAM).

Datin Veronica has been involved in many corporate exercises and has been instrumental
in bringing the successful integration of ex-ING with AIA Bhd. and the establishment of AIA
General Berhad, a separate line of business for general insurance of AIA Malaysia. She has also
received various accolades including being listed in the GC Powerlist Southeast Asia 2022.

She was called to the Bar in 1991 and was in practice before moving into the insurance industry
that now spans more than 25 years of experience. She has also held regional counsel positions
for AIA entities in Indonesia, Sri Lanka, and India.

Datin Veronica has a bachelor’s degree in Law from University Malaya.
DATO’ (DR) PAUL SELVARAJ was appointed as a Non-Executive Independent Director of OFS in September 2020. He is currently the Secretary General of the Federation of Malaysian Consumers Associations (FOMCA), and the Chief Executive Officer for the National Consumer Complaints Centre (NCCC) as well as the Consumer Research and Resource Centre (CRRC).

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

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

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

Mr Lee has been in the insurance sector for more than 21 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 SUJATHA SEKHAR NAIK has been a Non-Executive Independent Director of OFS since September 2020. She is a senior capital markets professional whose experience encompasses policy and strategy development, governance, compliance, and dispute resolution. With over 30 years of experience in legal and capital market work, Ms Sujatha brings a depth of experience plus a practical and holistic understanding of financial markets, the regulatory framework and investor concerns and challenges.

In October 2021, she took on the mantle of Chief Governance Officer & Group General Counsel of Smart Glove Holdings Bhd, bringing her experience in governance and compliance work to the manufacturing sector. Prior to this she was Managing Partner and Principal Consultant of SSN Consult Plt, during which she worked as part of a founding team with Kapital DX Sdn Bhd, responsible for developing the risk and compliance framework for the fintech start up.

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 the Chairman of the Board of Governors of the Malaysian Institute of Corporate Governance (MICG and also sits on the board of Metrod Holdings Berhad).

PUAN RATNA SHA’ERAH KAMALUDIN was appointed as a Non-Executive Non-Independent Director of OFS in September 2022. She currently serves as Executive Director of the Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) since January 2020. Since joining AIBIM in March 2016, she has played a key role in AIBIM’s strategic planning and communication, as well as the operational management of the Association.

She is instrumental in the success of the Global Islamic Finance Forum (GIFF) held in 2016, 2018 and 2022, which offers unique networking opportunities for regulators, industry practitioners, business leaders and Shariah scholars in enhancing the true potential of Islamic Finance in the international marketplace.

With over 20 years of experience in the field of business reengineering, risk management and banking channels as well as operations, Ratna has served various banking and asset management companies since 1996, which includes Maybank Finance Berhad, Pengurusan Danaharta Nasional Berhad, CIMB Investment Bank Berhad and Bank Islam Malaysia Berhad.

Ratna holds a degree in Bachelor’s (Hons) in Management from the University of Science Malaysia.
OFS BOARD COMMITTEE MEMBERS

BOARD AUDIT COMMITTEE

Chairperson
Tan Sri Dato’ Sri Zaleha binti Zahari

Datin Veronica Selvanayagy

Ms Sujatha Sekhar Naik

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairperson
Tan Sri Dato’ Sri Zaleha binti Zahari

Datin Veronica Selvanayagy

Dato’ Dr Paul Selvaraj

Ms Sujatha Sekhar Naik

BOARD DISPUTE RESOLUTION OVERSIGHT COMMITTEE

Chairperson
Tan Sri Dato’ Sri Zaleha binti Zahari

Dato’ Dr Paul Selvaraj

Ms Sujatha Sekhar Naik
MANAGEMENT TEAM

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

MR KALYANA KUMAR was appointed as an Ombudsman in October 2016. He graduated with an LL.B. (Hons) degree from the University of East Anglia, Norwich, UK in 1987. He obtained the Certificate in Legal Practice (CLP) in 1989 and was called to the Malaysian Bar in 1990. Mr Kumar served in the Malaysian Judicial and Legal Services for 18 years during which he held appointments as a Magistrate, Senior Assistant Registrar of the High Court (Bankruptcy Division), Deputy Registrar of the High Court (Commercial Division) and Deputy Registrar of the Supreme Court (Federal Court). He was also an examiner and setter for the CLP examination conducted by the Legal Profession Qualifying Board, Malaysia (1997 to 2007). He is the author of the book, ‘Halsbury’s Laws of Malaysia on Bankruptcy Law’. He has also written an article on insurance law, which was published by the Malayan Law Journal. Prior to his appointment as an Ombudsman, he was a Mediator with the Financial Mediation Bureau (FMB) since July 2009.

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

List of OFS Members as of 31 December 2022

Commercial Banks
1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bank of America Malaysia Berhad
5. Bank of China (Malaysia) Berhad
6. BNP Paribas Malaysia Berhad
7. China Construction Bank (Malaysia) Berhad
8. CIMB Bank Berhad
9. Citibank Berhad
10. Deutsche Bank (Malaysia) Berhad
11. Hong Leong Bank Berhad
12. HSBC Bank Malaysia Berhad
13. J.P. Morgan Chase Bank Berhad
14. Malayan Banking Berhad
15. Mizuho Bank (Malaysia) Berhad
16. MUFG Bank (Malaysia) Berhad
17. OCBC Bank (Malaysia) Berhad
18. Public Bank Berhad
19. RHB Bank Berhad
20. Standard Chartered Bank Malaysia Berhad
21. Sumitomo Mitsui Banking Corporation Malaysia Berhad
22. The Bank of Nova Scotia Berhad
23. 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
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 (EXIM Bank)
49. Small Medium Enterprise Development Bank Malaysia Berhad (SME Bank)
## Life Insurance Companies

<table>
<thead>
<tr>
<th>No.</th>
<th>Company Name</th>
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</thead>
<tbody>
<tr>
<td>50</td>
<td>AIA Berhad</td>
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<tr>
<td>51</td>
<td>Allianz Life Insurance Malaysia Berhad</td>
</tr>
<tr>
<td>52</td>
<td>AmMetLife Insurance Berhad</td>
</tr>
<tr>
<td>53</td>
<td>AXA Affin Life Insurance Berhad</td>
</tr>
<tr>
<td>54</td>
<td>Etiqa Life Insurance Berhad</td>
</tr>
<tr>
<td>55</td>
<td>Gibraltar BSN Life Berhad</td>
</tr>
<tr>
<td>56</td>
<td>Great Eastern Life Assurance (Malaysia) Berhad</td>
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<tr>
<td>57</td>
<td>Hong Leong Assurance Berhad</td>
</tr>
<tr>
<td>58</td>
<td>Manulife Insurance Berhad</td>
</tr>
<tr>
<td>59</td>
<td>MCIS Insurance Berhad</td>
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<td>60</td>
<td>Prudential Assurance Malaysia Berhad</td>
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<td>61</td>
<td>Sun Life Malaysia Assurance Berhad</td>
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<tr>
<td>62</td>
<td>Tokio Marine Life Insurance Malaysia Berhad</td>
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<tr>
<td>63</td>
<td>Zurich Life Insurance Malaysia Berhad</td>
</tr>
</tbody>
</table>

## General Insurance Companies

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<th>No.</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>64</td>
<td>AIA General Berhad</td>
</tr>
<tr>
<td>65</td>
<td>AIG Malaysia Insurance Berhad</td>
</tr>
<tr>
<td>66</td>
<td>Allianz General Insurance Company (Malaysia) Berhad</td>
</tr>
<tr>
<td>67</td>
<td>AmGeneral Insurance Berhad</td>
</tr>
<tr>
<td>68</td>
<td>AXA Affin General Insurance Berhad</td>
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<tr>
<td>69</td>
<td>Berjaya Sompo Insurance Berhad</td>
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<tr>
<td>70</td>
<td>Chubb Insurance Malaysia Berhad</td>
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<tr>
<td>71</td>
<td>Etiqa General Insurance Berhad</td>
</tr>
<tr>
<td>72</td>
<td>Great Eastern General Insurance (Malaysia) Berhad</td>
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<tr>
<td>73</td>
<td>Liberty Insurance Berhad</td>
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<tr>
<td>74</td>
<td>Lonpac Insurance Berhad</td>
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<tr>
<td>75</td>
<td>MPI Generalis Insurans Berhad</td>
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<tr>
<td>76</td>
<td>MSIG Insurance (Malaysia) Berhad</td>
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<tr>
<td>77</td>
<td>Pacific &amp; Orient Insurance Co. Berhad</td>
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<tr>
<td>78</td>
<td>Progressive Insurance Berhad</td>
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<tr>
<td>79</td>
<td>QBE Insurance (Malaysia) Berhad</td>
</tr>
<tr>
<td>80</td>
<td>RHB Insurance Berhad</td>
</tr>
<tr>
<td>81</td>
<td>The Pacific Insurance Berhad</td>
</tr>
<tr>
<td>82</td>
<td>Tokio Marine Insurans (Malaysia) Berhad</td>
</tr>
<tr>
<td>83</td>
<td>Tune Insurance Malaysia Berhad</td>
</tr>
<tr>
<td>84</td>
<td>Zurich General Insurance Malaysia Berhad</td>
</tr>
</tbody>
</table>

## Takaful Operators

<table>
<thead>
<tr>
<th>No.</th>
<th>Operator Name</th>
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</thead>
<tbody>
<tr>
<td>85</td>
<td>AIA PUBLIC Takaful Berhad</td>
</tr>
<tr>
<td>86</td>
<td>AmMetLife Takaful Berhad</td>
</tr>
<tr>
<td>87</td>
<td>Etiqa Family Takaful Berhad</td>
</tr>
<tr>
<td>88</td>
<td>Etiqa General Takaful Berhad</td>
</tr>
<tr>
<td>89</td>
<td>FWD Takaful Berhad</td>
</tr>
<tr>
<td>90</td>
<td>Great Eastern Takaful Berhad</td>
</tr>
<tr>
<td>91</td>
<td>Hong Leong MSIG Takaful Berhad</td>
</tr>
<tr>
<td>92</td>
<td>Prudential BSN Takaful Berhad</td>
</tr>
<tr>
<td>93</td>
<td>Sun Life Malaysia Takaful Berhad</td>
</tr>
<tr>
<td>94</td>
<td>Syarikat Takaful Malaysia Am Berhad</td>
</tr>
<tr>
<td>95</td>
<td>Syarikat Takaful Malaysia Keluarga Berhad</td>
</tr>
<tr>
<td>96</td>
<td>Takaful Ikhas Family Berhad</td>
</tr>
<tr>
<td>97</td>
<td>Takaful Ikhas General Berhad</td>
</tr>
<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>
## APPROVED DESIGNATED PAYMENT INSTRUMENT ISSUERS (NON-BANKS)

### E-Money Issuers

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>AEON Credit Service (M) Berhad</td>
<td>(*also as a Credit Card Issuer)</td>
</tr>
<tr>
<td>101</td>
<td>Alipay Malaysia Sdn. Bhd.</td>
<td>(formerly known as helloPay Malaysia Sdn. Bhd.)</td>
</tr>
<tr>
<td>103</td>
<td>Bandar Utama City Centre Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>105</td>
<td>BigPay Malaysia Sdn. Bhd.</td>
<td>(formerly known as TPaay' Asia Sdn. Bhd.)</td>
</tr>
<tr>
<td>106</td>
<td>BLoalty Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>107</td>
<td>Chevron Malaysia Limited</td>
<td>(*also as a Charge Card Issuer)</td>
</tr>
<tr>
<td>109</td>
<td>Div Services Sdn. Bhd.</td>
<td>(formerly known as ePetrol Services Sdn. Bhd.)</td>
</tr>
<tr>
<td>110</td>
<td>Fass Payment Solutions Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>111</td>
<td>Finexus Cards Sdn Bhd</td>
<td>(formerly known as MAA Cards Sdn. Bhd.)</td>
</tr>
<tr>
<td>112</td>
<td>Fullrich Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>113</td>
<td>Gkash Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>114</td>
<td>Google Payment Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>115</td>
<td>Gopay Network (M) Sdn. Bhd.</td>
<td>(formerly known as GoPay Sdn. Bhd.)</td>
</tr>
<tr>
<td>119</td>
<td>KiplePay Sdn. Bhd.</td>
<td>(formerly known as Webonline Dot Com Sdn. Bhd.)</td>
</tr>
<tr>
<td>120</td>
<td>ManagePay Services Sdn. Bhd.</td>
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<tr>
<td>121</td>
<td>Merchandale Asia Sdn. Bhd.</td>
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<td>123</td>
<td>MobilityOne Sdn. Bhd.</td>
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<tr>
<td>125</td>
<td>Mruncit Commerce Sdn. Bhd.</td>
<td></td>
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<tr>
<td>127</td>
<td>PayPal Pte. Ltd.</td>
<td></td>
</tr>
<tr>
<td>128</td>
<td>Petron Fuel International Sdn. Bhd.</td>
<td>(*also as a Charge Card Issuer)</td>
</tr>
<tr>
<td>129</td>
<td>Presto Pay Sdn. Bhd.</td>
<td>(formerly known as EPP Solution Sdn. Bhd.)</td>
</tr>
<tr>
<td>130</td>
<td>qBayar Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>131</td>
<td>Rafcomm Sdn. Bhd.</td>
<td></td>
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<tr>
<td>132</td>
<td>Serba Dinamik IT Solutions Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>133</td>
<td>Setel Ventures Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>134</td>
<td>ShopeePay Sdn. Bhd.</td>
<td>(formerly known as AirPay Malaysia Sdn. Bhd.)</td>
</tr>
<tr>
<td>137</td>
<td>TNG Digital Remittance Sdn. Bhd.</td>
<td>(formerly known as Numoni DFS Sdn. Bhd.)</td>
</tr>
<tr>
<td>140</td>
<td>True Money Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>141</td>
<td>U Mobile Services Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>142</td>
<td>WannaPay Sdn. Bhd.</td>
<td>(formerly known as ScanPay Sdn. Bhd.)</td>
</tr>
<tr>
<td>144</td>
<td>WeChat Pay Malaysia Sdn. Bhd.</td>
<td></td>
</tr>
<tr>
<td>146</td>
<td>XOX Com Sdn. Bhd.</td>
<td></td>
</tr>
</tbody>
</table>

### Credit Card Issuers

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>148</td>
<td>Paydee Sdn. Bhd.</td>
<td>(formerly known as Synergy Cards Sdn. Bhd.)</td>
</tr>
</tbody>
</table>

### Charge Card Issuers

<table>
<thead>
<tr>
<th>Number</th>
<th>Company Name</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>Petronas Dagangan Berhad</td>
<td></td>
</tr>
<tr>
<td>151</td>
<td>Radius Business Solutions (M) Sdn. Bhd.</td>
<td>(formerly known as Radius Fuel Cards Sdn. Bhd.)</td>
</tr>
<tr>
<td>152</td>
<td>Shell Malaysia Trading Sdn. Bhd.</td>
<td></td>
</tr>
</tbody>
</table>
Approved Insurance and Takaful Brokers

155 Aon Insurance Brokers (Malaysia) Sdn. Bhd.
156 BIB Insurance Brokers Sdn. Bhd.
159 Insurance Sdn. Bhd.
164 Perinsu (Broker Insurans) Sdn. Bhd.
165 Perinsuran (Brokar) Sdn. Bhd.
166 PNSB Insurance Brokers Sdn. Bhd.
(formerly known as Alloy Insurance Brokers Sdn. Bhd.)
175 Transnational Insurance Brokers (M) Sdn. Bhd.
176 Willis (Malaysia) Sdn. Bhd.

Approved Takaful Brokers

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

Approved Financial Advisers and Islamic Financial Advisers

182 Advance Fin Advisory Sdn. Bhd.
183 Advisonomics Sdn. Bhd.
185 Alpine Advisory Sdn. Bhd.
186 ASWA Advisory Sdn. Bhd.
187 Axen Alpha Advisory Sdn. Bhd.
188 B Wealth Solution Sdn. Bhd.
192 CC Advisory Sdn. Bhd.
194 ECL Advisory Sdn. Bhd.
195 Excellentte Consultancy Sdn. Bhd.
196 FA Advisory Sdn. Bhd.
197 Fin Freedom Sdn. Bhd.
198 Finwealth Management Sdn. Bhd.
(formerly known as Money Sense Advisory Sdn. Bhd.)
200 FZM Wealth Advisory Sdn. Bhd.
201 Genexus Advisory Sdn. Bhd.
204 iFAST Capital Sdn. Bhd.
207 ISK Planner Sdn. Bhd.
208 Kenanga Investors Bhd.
209 Legacy Advisory Sdn. Bhd.
212 Mydas FA Sdn. Bhd.
216 Uno Advisers Sdn. Bhd.
217 UOB Kay Hian Wealth Advisors Sdn Bhd
219 Wealth Vantage Advisory Sdn. Bhd.
221 YES Wealth Planners Sdn. Bhd.
## CONTENTS

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<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
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<td>Directors’ Report</td>
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<td>Statement by Directors and Statutory Declaration</td>
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<td>Independent Auditors’ Report</td>
<td>7 - 10</td>
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<td>Statement of Financial Position</td>
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<td>Statement of Profit or Loss and Other Comprehensive Income</td>
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<td>Statement of Changes in Equity</td>
<td>13</td>
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</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>16 - 38</td>
</tr>
</tbody>
</table>
The Directors hereby submit their report together with the audited financial statements of Ombudsman for Financial Services (“OFS”) for the financial year ended 31 December 2022.

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

Deficit for the financial year: RM 16,756

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 (Dr) Tay Ah Lek (Deputy Chairman)
Tan Sri Dato’ Sri Zaleha Binti Zahari
Datin Veronica Selvanayagy A/P S Mudiappu
Antony Fook Weng Lee
Sujatha Sekhar A/P Tan Sri B C Sekhar
Dato’ Dr Paul Selvaraj A/L Joseph Thamby
Ratna Sha’erah Binti Kamaludin (Appointed on 20 September 2022)
DIRECTORS’ BENEFITS

During the financial year, the emoluments received and receivable by the Directors of OFS are as follows:-

<table>
<thead>
<tr>
<th>Directors’ emoluments</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>150,200</td>
</tr>
</tbody>
</table>

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.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The amount of indemnity coverage and insurance premium paid for the Directors and officers of the OFS during the financial year are disclosed in Note 12 to the Financial Statements.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and

(b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their value as shown in the accounting records of OFS have been written down to an amount which they might be expected so to realise.

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

(a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Company; or

(b) which would render the values attributed to current assets in the financial statements of OFS misleading; or

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or

(d) not otherwise dealt with 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

The total amount of fee paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as auditors of OFS for the financial year ended 31 December 2022 is amounted to RM13,500.

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

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

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

TAN SRI DATUK SERI (DR) FOONG CHENG YUEN

TAN SRI DATO’ SRI (DR) TAY AH LEK

Kuala Lumpur
28 March 2023
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 11 to 38 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 2022 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 SRRI (DR) FOONG CHENG YUEN      TAN SRI DATO’ SRI (DR) TAY AH LEK
Kuala Lumpur
28 March 2023

STATUTORY DECLARATION

I, Marina Binti Baharuddin, being the officer primarily responsible for the financial management of Ombudsman for Financial Services do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 11 to 38 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 )
28 March 2023

MARINA BINTI BAHARUDDIN

Before me:

PESERUHJAYA SUMPAH

No: W671
RAMATHILAGAM
A/P T RAMASAMY
Commissioned 5/5/2024 for Date 2024

Tingkat 5 Wisma Hanwant
Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
INDEPENDENT AUDITORS’ REPORT

TO THE MEMBERS OF

OMBUDSMAN FOR FINANCIAL SERVICES
(Incorporated in Malaysia as a company
limited by guarantee and not having a share capital)
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 2022, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 11 to 38.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as at 31 December 2022, 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.
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.
**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 Matter

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

GRANT THORNTON MALAYSIA PLT
(NO: 201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS

Kuala Lumpur
28 March 2023

LEE SHEAU WEI
(NO: 03539/12/2024 J)
CHARTERED ACCOUNTANT
# STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2022

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4</td>
<td>62,002</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>5</td>
<td>192,072</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>6</td>
<td>1,460,580</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>1,714,654</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>7</td>
<td>388,300</td>
</tr>
<tr>
<td>Other receivables</td>
<td>8</td>
<td>225,559</td>
</tr>
<tr>
<td>Tax recoverable</td>
<td></td>
<td>39,733</td>
</tr>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td></td>
<td>1,079,578</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td></td>
<td>1,937,903</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>3,591,073</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>5,305,727</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>3,625,641</td>
</tr>
<tr>
<td>Net (deficit)/surplus for the financial year</td>
<td></td>
<td>(16,756)</td>
</tr>
<tr>
<td>Balance as at 31 December</td>
<td></td>
<td>3,608,885</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>6</td>
<td>770,250</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>9</td>
<td>158,292</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>6</td>
<td>768,300</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>926,592</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>1,696,842</td>
</tr>
<tr>
<td><strong>Total members’ funds and liabilities</strong></td>
<td></td>
<td>5,305,727</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>Revenue</td>
<td>7,465,700</td>
<td>7,222,500</td>
</tr>
<tr>
<td>Other income</td>
<td>-</td>
<td>350</td>
</tr>
<tr>
<td>Finance income</td>
<td>26,538</td>
<td>17,436</td>
</tr>
<tr>
<td>Staff costs</td>
<td>(5,659,998)</td>
<td>(5,232,865)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(829,095)</td>
<td>(1,108,278)</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(184,626)</td>
<td>(64,826)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>(838,728)</td>
<td>(768,872)</td>
</tr>
<tr>
<td>(Deficit)/surplus before tax</td>
<td>(26,209)</td>
<td>65,645</td>
</tr>
<tr>
<td>Tax income</td>
<td>9,453</td>
<td>12,452</td>
</tr>
<tr>
<td>Net (deficit)/surplus total comprehensive (deficit)/surplus for the financial year</td>
<td>(16,756)</td>
<td>78,097</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 2022

<table>
<thead>
<tr>
<th></th>
<th>Members’ Funds/Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January 2021</strong></td>
<td>RM 3,547,544</td>
</tr>
<tr>
<td><strong>Total comprehensive surplus for the financial year</strong></td>
<td>78,097</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2021</strong></td>
<td>RM 3,625,641</td>
</tr>
<tr>
<td><strong>Total comprehensive deficit for the financial year</strong></td>
<td>(16,756)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2022</strong></td>
<td>RM 3,608,885</td>
</tr>
</tbody>
</table>
## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Deficit)/Surplus before tax</td>
<td>(26,209)</td>
<td>65,645</td>
</tr>
<tr>
<td>Adjustments for:-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>67,054</td>
<td>275,691</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>762,041</td>
<td>832,587</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>-</td>
<td>(369)</td>
</tr>
<tr>
<td>Loss on written off of property, plant and equipment</td>
<td>537</td>
<td>-</td>
</tr>
<tr>
<td>Interest income</td>
<td>(20,538)</td>
<td>(17,436)</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>184,826</td>
<td>64,826</td>
</tr>
<tr>
<td>Surplus before working capital changes</td>
<td>967,511</td>
<td>1,220,963</td>
</tr>
<tr>
<td>Changes in working capital:-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>38,864</td>
<td>(82,515)</td>
</tr>
<tr>
<td>Payables</td>
<td>(123,246)</td>
<td>213,013</td>
</tr>
<tr>
<td>Net cash generated from operations</td>
<td>883,129</td>
<td>1,351,461</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(4,165)</td>
<td>(40,876)</td>
</tr>
<tr>
<td>Tax refunded</td>
<td>9,613</td>
<td>-</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>888,577</td>
<td>1,310,585</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>-</td>
<td>350</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(12,436)</td>
<td>(38,083)</td>
</tr>
<tr>
<td>Purchase of intangible asset</td>
<td>-</td>
<td>(192,672)</td>
</tr>
<tr>
<td>Interest received</td>
<td>20,538</td>
<td>17,436</td>
</tr>
<tr>
<td>Net cash from/(used in) investing activities</td>
<td>8,102</td>
<td>(212,369)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid on lease liabilities</td>
<td>(184,626)</td>
<td>(64,826)</td>
</tr>
<tr>
<td>Repayment of lease liabilities</td>
<td>(693,198)</td>
<td>(951,986)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(877,824)</td>
<td>(1,016,812)</td>
</tr>
</tbody>
</table>
### STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONT’D)

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
</tbody>
</table>

#### CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net changes</td>
<td>18,855</td>
<td>81,404</td>
</tr>
<tr>
<td>At beginning of financial year</td>
<td>2,998,626</td>
<td>2,917,222</td>
</tr>
<tr>
<td>At end of financial year</td>
<td>3,017,481</td>
<td>2,998,626</td>
</tr>
</tbody>
</table>

#### NOTES TO THE STATEMENT OF CASH FLOWS

**A. CASH AND CASH EQUIVALENTS**

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

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,079,578</td>
<td>1,060,753</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1,937,903</td>
<td>1,937,873</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,017,481</td>
<td>2,998,626</td>
</tr>
</tbody>
</table>

The effective interest rates for fixed deposits with a licensed bank range from 1.70% to 1.97% (2021: 1.70% to 2.95%) per annum.

**B. TOTAL CASH OUTFLOWS FOR LEASES AS A LESSEE**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</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 low-value assets</td>
<td>9,600</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>693,198</td>
<td>951,986</td>
</tr>
<tr>
<td>Interest paid in relation to lease liabilities</td>
<td>184,626</td>
<td>64,826</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>887,424</td>
<td>1,826,412</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

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 28 March 2023.

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:

**MFRS and Amendments to MFRSs effective 1 January 2023:**

- MFRS 17 and Amendments to MFRS 17*
- Amendments to MFRS 17*
- Amendments to MFRS 101
- Amendments to MFRS 101
- Amendments to MFRS 108
- Amendments to MFRS 112

**Amendments to MFRS effective 1 January 2024:**

- Amendments to MFRS 16
- Amendments to MFRS 101

**Amendments to MFRS – effective date deferred indefinitely:**

- Amendments to MFRS 10 and 128*

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

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of OFS's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.6.1 Estimation uncertainty

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

Useful lives of depreciable assets

Management estimates the useful lives of the property, plant and equipment to be within 3 to 10 years and reviews the useful lives of depreciable assets at the end of each reporting year. At 31 December 2022, management assesses that the useful lives represent the expected utility of the assets to OFS. Actual results, however, may vary due to change in the expected level of usage and technological developments, which resulting the adjustment to OFS assets.

Provision for expected credit losses (“ECLs”) of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. OFS’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on OFS trade receivables is disclosed in Note 15.1 (a) to the Financial Statements.
2. BASIS OF PREPARATION (CONT’D)

2.6 Significant accounting estimates and judgements (cont’d)

2.6.1 Estimation uncertainty (cont’d)

Provision for expected credit losses (“ECLs”) of trade receivables (cont’d)

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

Income taxes

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

Impairment of non-financial assets

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

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

Leases - estimating the incremental borrowing rate

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

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

3.1 **Property, plant and equipment**

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

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

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

The annual depreciation rates used are as follows:

<table>
<thead>
<tr>
<th>Item</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td>33 1/3%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20%</td>
</tr>
<tr>
<td>Equipment</td>
<td>20%</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>10%</td>
</tr>
<tr>
<td>Renovation</td>
<td>10%</td>
</tr>
<tr>
<td>Books</td>
<td>10%</td>
</tr>
</tbody>
</table>

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

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

3.2 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost.

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

Website portal under development

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

3.3 Financial instruments

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

3.3.1 Financial assets

Initial recognition and measurement

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

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

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

3.3 Financial instruments (cont’d)

3.3.1 Financial assets (cont’d)

Initial recognition and measurement (cont’d)

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

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

Subsequent measurement

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

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

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

Financial assets at amortised cost

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

3.3 Financial instruments (cont’d)

3.3.1 Financial assets (cont’d)

Derecognition

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

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

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

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

Impairment

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

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

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

3.3 Financial instruments (cont’d)

3.3.1 Financial assets (cont’d)

Impairment (cont’d)

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

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

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

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

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

3.3.2 Financial liabilities

Initial recognition and measurement

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

At the reporting date, OFS carries only financial liabilities at amortised cost on its statement of financial position.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.3 Financial instruments (cont’d)

3.3.2 Financial liabilities (cont’d)

Subsequent measurement

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

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

OFS’s financial liabilities comprise other payables only.

Financial liabilities at amortised cost

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

Derecognition

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

3.3.3 Offsetting on financial instruments

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

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

In assessing value-in-use, the estimated future cash flows are discounted to its present value using a pre-tax discount rate that reflects current market assessments of the time value money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or groups of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

3.5 Cash and cash equivalents

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

3.6 Revenue from contracts with customers

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

OFS transfers control of a service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as OFS performs;

(b) OFS's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) OFS's performance does not create an asset with an alternative use and OFS has an enforceable right to payment for performance completed to date.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.6 Revenue from contracts with customers (cont’d)

3.6.1 Interest income

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

3.7 Employees benefits

3.7.1 Short-term employees benefits

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

3.7.2 Defined contribution plans

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

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

3.8 Leases

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

3.8.1 As lessee

OFS applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. OFS recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
3. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

3.8 Leases (cont’d)

3.8.1 As lessee (cont’d)

3.8.1.1 Right-of-use assets

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

Premises 3 years

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

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

3.8.1.2 Lease liabilities

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

3.8 Leases (cont’d)

3.8.1 As lessee (cont’d)

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

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

3.9 Tax expenses

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

3.9.1 Current tax

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

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

3.9.2 Deferred tax

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<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 2021</td>
<td>1,647,973</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>
<tr>
<td>Additions</td>
<td>27,273</td>
<td>–</td>
<td>–</td>
<td>2,320</td>
<td>8,499</td>
<td>–</td>
<td>38,063</td>
</tr>
<tr>
<td>Disposal</td>
<td>(84,990)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(84,990)</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>990,256</td>
<td>330,634</td>
<td>339,862</td>
<td>698,210</td>
<td>619,668</td>
<td>150,000</td>
<td>3,128,630</td>
</tr>
<tr>
<td>Additions</td>
<td>8,350</td>
<td>–</td>
<td>126</td>
<td>3,960</td>
<td>–</td>
<td>–</td>
<td>12,436</td>
</tr>
<tr>
<td>Written off</td>
<td>(6,449)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,449)</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td>992,157</td>
<td>330,634</td>
<td>339,988</td>
<td>702,170</td>
<td>619,668</td>
<td>150,000</td>
<td>3,134,617</td>
</tr>
</tbody>
</table>

### Accumulated depreciation

<table>
<thead>
<tr>
<th></th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>At 1 January 2021</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>
<tr>
<td>Charge for the financial year</td>
<td>194,513</td>
<td>66,125</td>
<td>8,384</td>
<td>4,970</td>
<td>1,699</td>
<td>–</td>
<td>275,691</td>
</tr>
<tr>
<td>Disposal</td>
<td>(84,990)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(84,990)</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>940,578</td>
<td>297,645</td>
<td>328,287</td>
<td>682,086</td>
<td>612,877</td>
<td>150,000</td>
<td>3,011,473</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>38,503</td>
<td>16,494</td>
<td>6,879</td>
<td>3,480</td>
<td>1,698</td>
<td>–</td>
<td>67,054</td>
</tr>
<tr>
<td>Written off</td>
<td>(5,912)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(5,912)</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td>973,169</td>
<td>314,139</td>
<td>335,166</td>
<td>685,566</td>
<td>614,575</td>
<td>150,000</td>
<td>3,072,615</td>
</tr>
</tbody>
</table>

### Net carrying amount

<table>
<thead>
<tr>
<th></th>
<th>Computers</th>
<th>Motor vehicles</th>
<th>Equipment</th>
<th>Furniture and fittings</th>
<th>Renovation</th>
<th>Books</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td>18,988</td>
<td>16,495</td>
<td>4,822</td>
<td>16,604</td>
<td>5,093</td>
<td>–</td>
<td>62,082</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>49,678</td>
<td>32,989</td>
<td>11,575</td>
<td>16,124</td>
<td>6,791</td>
<td>–</td>
<td>117,157</td>
</tr>
</tbody>
</table>
5. **INTANGIBLE ASSET**

<table>
<thead>
<tr>
<th>Website portal under development</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2021</td>
<td></td>
</tr>
<tr>
<td>Addition</td>
<td>192,072</td>
</tr>
<tr>
<td>At 31 December 2021/At 31 December 2022</td>
<td>192,072</td>
</tr>
<tr>
<td><strong>Net carrying amount</strong></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2021/At 31 December 2022</td>
<td>192,072</td>
</tr>
</tbody>
</table>

6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

**Right-of-use assets**

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

<table>
<thead>
<tr>
<th>Premises</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2021</td>
<td>1,678,002</td>
</tr>
<tr>
<td>Addition</td>
<td>2,286,124</td>
</tr>
<tr>
<td>Written off</td>
<td>(1,678,002)</td>
</tr>
<tr>
<td>At 31 December 2021/At 31 December 2022</td>
<td>2,286,124</td>
</tr>
<tr>
<td><strong>Accumulated depreciation</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2021</td>
<td>908,918</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>832,587</td>
</tr>
<tr>
<td>Written off</td>
<td>(1,678,002)</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>63,593</td>
</tr>
<tr>
<td>Charge for the financial year</td>
<td>762,041</td>
</tr>
<tr>
<td>At 31 December 2022</td>
<td>825,544</td>
</tr>
<tr>
<td><strong>Net carrying amount</strong></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>1,460,580</td>
</tr>
<tr>
<td>At 31 December 2021</td>
<td>2,222,621</td>
</tr>
</tbody>
</table>
6. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT’D)**

### Lease liabilities

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 1 year</td>
<td>768,300</td>
<td>693,198</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- more than 1 year but less than 5 years</td>
<td>770,250</td>
<td>1,538,550</td>
</tr>
<tr>
<td></td>
<td>1,538,550</td>
<td>2,231,748</td>
</tr>
</tbody>
</table>

The lease liabilities bear interest rate of 5% (2021: 5%) per annum.

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

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>At 1 January</td>
<td>2,231,748</td>
<td>897,610</td>
</tr>
<tr>
<td>Addition</td>
<td>-</td>
<td>2,286,124</td>
</tr>
<tr>
<td>Accretion of interest</td>
<td>184,626</td>
<td>64,826</td>
</tr>
<tr>
<td>Payments</td>
<td>(877,824)</td>
<td>(1,016,812)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>1,538,550</td>
<td>2,231,748</td>
</tr>
</tbody>
</table>

The following are the amounts recognised in profit or loss:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets</td>
<td>762,841</td>
<td>832,587</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>184,626</td>
<td>64,826</td>
</tr>
<tr>
<td>Expenses relating to low value assets</td>
<td>9,600</td>
<td>9,600</td>
</tr>
</tbody>
</table>

7. **TRADE RECEIVABLES**

OFS’s normal trade credit terms is 30 days (2021: 30 days).

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

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables</td>
<td>24,584</td>
<td>22,791</td>
</tr>
<tr>
<td>Deposits</td>
<td>95,455</td>
<td>98,848</td>
</tr>
<tr>
<td>Prepayments</td>
<td>100,170</td>
<td>134,559</td>
</tr>
<tr>
<td>Goods and services tax receivable</td>
<td>5,430</td>
<td>5,430</td>
</tr>
<tr>
<td></td>
<td>225,559</td>
<td>261,628</td>
</tr>
</tbody>
</table>

9. **OTHER PAYABLES**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accruals</td>
<td>158,292</td>
<td>281,538</td>
</tr>
</tbody>
</table>

10. **REVENUE**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy income, revenue recognised over time</td>
<td>5,544,080</td>
<td>5,544,080</td>
</tr>
<tr>
<td>Case fee, revenue recognised at a point in time</td>
<td>1,921,700</td>
<td>1,678,500</td>
</tr>
<tr>
<td></td>
<td>7,465,780</td>
<td>7,222,580</td>
</tr>
</tbody>
</table>

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

11. **STAFF COSTS**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and bonus</td>
<td>4,663,613</td>
<td>4,327,391</td>
</tr>
<tr>
<td>Employees Provident Fund</td>
<td>623,629</td>
<td>581,146</td>
</tr>
<tr>
<td>Social security contributions</td>
<td>35,187</td>
<td>32,581</td>
</tr>
<tr>
<td>Other benefits</td>
<td>337,569</td>
<td>291,827</td>
</tr>
<tr>
<td></td>
<td>5,659,898</td>
<td>5,232,865</td>
</tr>
</tbody>
</table>
12. **(DEFICIT)/SURPLUS BEFORE TAX**

(Deficit)/Surplus before tax is stated after charging amongst others, the following items:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ emoluments</td>
<td>150,200</td>
<td>135,600</td>
</tr>
<tr>
<td>Indemnity and insurance for Directors</td>
<td>34,000</td>
<td>32,760</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 RM34,000 respectively.

13. **TAX INCOME**

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax:</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>- Current year</td>
<td>156</td>
<td>120</td>
</tr>
<tr>
<td>- Over provision in prior year</td>
<td>(9,689)</td>
<td>(12,572)</td>
</tr>
<tr>
<td></td>
<td>(9,453)</td>
<td>(12,452)</td>
</tr>
</tbody>
</table>

Malaysian income tax is calculated at the statutory rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

The numerical reconciliation of income tax expense applicable to (deficit)/surplus before tax at the statutory income tax rate to the effective rate of OFS is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Deficit)/surplus before tax</td>
<td>(26,289)</td>
<td>65,645</td>
</tr>
<tr>
<td>At Malaysian statutory tax rate of 24% (2021: 24%)</td>
<td>(6,280)</td>
<td>15,755</td>
</tr>
<tr>
<td>Tax effect in respect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-allowable expenses</td>
<td>248,418</td>
<td>88,294</td>
</tr>
<tr>
<td>Tax exempted income</td>
<td>(241,972)</td>
<td>(183,929)</td>
</tr>
<tr>
<td>Over provision in prior year</td>
<td>(9,689)</td>
<td>(12,572)</td>
</tr>
<tr>
<td></td>
<td>(9,453)</td>
<td>(12,452)</td>
</tr>
</tbody>
</table>

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

There were no related party transactions during the financial year.

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

15. 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)**

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

(i) **Receivables (cont’d)**

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

<table>
<thead>
<tr>
<th></th>
<th>Gross carrying amount</th>
<th>Loss allowance</th>
<th>Net balances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td><strong>2022</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>162,900</td>
<td>-</td>
<td>162,900</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>43,800</td>
<td>-</td>
<td>43,800</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>24,100</td>
<td>-</td>
<td>24,100</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>18,000</td>
<td>-</td>
<td>18,000</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>59,500</td>
<td>-</td>
<td>59,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>308,300</td>
<td>-</td>
<td>308,300</td>
</tr>
<tr>
<td><strong>2021</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not past due</td>
<td>177,500</td>
<td>-</td>
<td>177,500</td>
</tr>
<tr>
<td>Past due 1-30 days</td>
<td>49,500</td>
<td>-</td>
<td>49,500</td>
</tr>
<tr>
<td>Past due 31-60 days</td>
<td>37,595</td>
<td>-</td>
<td>37,595</td>
</tr>
<tr>
<td>Past due 61-90 days</td>
<td>39,000</td>
<td>-</td>
<td>39,000</td>
</tr>
<tr>
<td>Past due more than 90 days</td>
<td>7,500</td>
<td>-</td>
<td>7,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>311,895</td>
<td>-</td>
<td>311,895</td>
</tr>
</tbody>
</table>

(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.
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):

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

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Carrying amount</th>
<th>Contractual cash flows</th>
<th>Within 1 year</th>
<th>Between 1 to 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td><strong>2022</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>158,292</td>
<td>158,292</td>
<td>158,292</td>
<td>-</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,538,550</td>
<td>1,682,496</td>
<td>877,824</td>
<td>804,672</td>
</tr>
<tr>
<td></td>
<td>1,696,842</td>
<td>1,840,788</td>
<td>1,036,116</td>
<td>804,672</td>
</tr>
<tr>
<td><strong>2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>281,538</td>
<td>281,538</td>
<td>281,538</td>
<td>-</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>2,231,748</td>
<td>2,560,320</td>
<td>877,824</td>
<td>1,682,496</td>
</tr>
<tr>
<td></td>
<td>2,513,286</td>
<td>2,841,858</td>
<td>1,159,362</td>
<td>1,682,496</td>
</tr>
</tbody>
</table>

(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></th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed rate instruments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed deposits with a licensed bank</td>
<td>1,879,578</td>
<td>1,060,753</td>
</tr>
<tr>
<td>Financial liability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>1,538,550</td>
<td>2,231,748</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.
Ombudsman for Financial Services
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