

## **Securing Your Rights: The Power of Financial Consumer Protection Regulations**

### **Part III**

*By Mr. Y Y Ranaweera - Senior Assistant Director and Mr. P W Wikumsiri - Senior Assistant Director of Financial Consumer Relations Department of Central Bank of Sri Lanka*

#### **Raise your voice to ask for your rights: Complaint Handling and Redress Mechanism**

Articles I and II of this series explained the provisions on governance by Financial Service Providers (FSPs), fair treatment, transparency, and the protection of financial consumers' assets and data, as stipulated under the Financial Consumer Protection Regulations No. 01 of 2023, issued by the CBSL of Sri Lanka. It is important to note that these provisions encompass both regulatory aspects and financial consumer rights. However, the mere establishment of financial consumer rights through regulations is insufficient if there are no means to challenge infringements of these rights. Therefore, this article outlines the complaint handling and redress mechanisms established under the Financial Consumer Protection Regulations. The first section sets out a comprehensive framework for handling complaints and redress mechanisms within FSPs, while the second section explains the role of the CBSL as an alternative dispute resolution authority. The focus is on ensuring that financial consumers have effective avenues to address grievances and receive fair treatment.

The financial consumer protection regulations are written policies and procedures that FSPs are required to put in place for managing and resolving complaints from financial consumers. These procedures encompass various aspects, including the receipt, response, resolution and compensation to complaints. A critical element in this process is the independence of the complaint handling mechanism from business units, with direct supervision by Key Management Personnel. Additionally, FSPs are expected to conduct root cause analyses on complaint data, using the insights gained to enhance their financial products and services. This is an integral part of the risk management framework and contributes to operational risk management committees.

To ensure accessibility and fairness, FSPs must establish multiple complaint channels. These channels should encompass help desks, access through telephone dedicated email and postal addresses, as well as online web forms operated in all 3 languages. They must be not only accessible but also transparent, free of charge, and fair to consumers.

Upon receiving a complaint, FSPs are obliged to acknowledge the complainant in writing, typically within five working days. This initial step is pivotal in setting the tone for a transparent and efficient feedback mechanism/ resolution process.

Transparency is a cornerstone of the framework. FSPs are obligated to provide financial consumers with comprehensive information on complaint handling mechanisms. This information should be readily available in contractual documents, on the official website, and through various means of communication. It includes details on how to submit complaints, expected timelines for resolution, the respective responsibilities of both complainants and FSPs, procedures for escalating complaints, and information about alternative dispute resolution mechanisms. Conflicts of interest are to be avoided in the complaint handling process, with officers who have vested interest in the complaint or complainant being excluded from the processing of that complaint.

Timely resolution of complaints is a key objective. FSPs are expected to resolve complaints within 21 calendar days. If, for exceptional reasons, they cannot meet this timeline, they must inform the complainant within 21 days, providing clear reasons for the delay, which should not extend beyond three months.

CBSL serves as an alternative dispute resolution mechanism where financial consumers are offered an option to submit complaints to CBSL. CBSL, in turn, has specific procedures for addressing these complaints. The determination process by CBSL is a critical component of this framework. It involves assessing complaints, encouraging amicable resolutions, and issuing binding determinations based on existing regulations and best practices. These determinations are delivered in writing within 90 days, with the possibility of extensions in complex cases.

Under CBSL's purview, FSPs may be required to take various actions, including compensating or refunding affected financial consumers, making necessary corrections, ceasing specific activities, issuing formal apologies, or undertaking any other actions deemed appropriate. CBSL can also provide recommendations and advice to financial consumers. In cases involving multiple FSPs, the CBSL plays a pivotal role in determining the responsibilities of each provider in resolving the complaint. This framework ensures that complaints from financial consumers are addressed promptly, impartially, and transparently, offering an alternative avenue for resolution outside of the legal system. It emphasizes fairness, accessibility, and accountability throughout the complaint handling process.

In conclusion, this article series has primarily focused on educating readers about the rights of financial consumers and the corresponding responsibilities of FSPs in delivering improved financial services. Financial consumers are encouraged to assert their rights when they are infringed upon, while FSPs are expected to act with responsibility and view financial consumer feedback and complaints as opportunities for service enhancement. It is crucial to recognize that the active participation of all stakeholders is vital to the effective protection of financial consumer rights. Consequently, the final article in this series will shift focus to the responsibilities of financial consumers.