

Securing Your Rights: The Power of Financial Consumer Protection Regulations

Part IV

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Responsibility of Financial Consumers: A Guide to Informed Decisions

In the first 03 articles of this series, we explored the Financial Consumer Protection Regulations No. 01 of 2023, highlighting their key provisions and underscoring the pivotal role financial consumers should play in safeguarding their rights and contributing to the stability of the financial system. While a robust regulatory framework, a proper supervisory mechanism and strong financial service providers are essential, they alone cannot guarantee the protection of financial consumer rights. Active participation in performing financial transactions, responsibility and accountability of financial consumers is indispensable. This article highlights the importance of being a responsible financial consumer and offers practical advice to help individuals to protect their financial interests, empowering them to take control of their financial well-being.

Are You a Financial Consumer?

According to the Financial Consumer Protection Regulations No. 01 of 2023 (FCP Regulations) issued by the Central Bank of Sri Lanka (CBSL), a financial consumer is anyone who has used, is currently using, or intends to use financial services or products offered by financial service providers. This definition extends to individuals, organizations, or anyone acting on behalf of another person or entity in dealings with financial service providers. A regulated financial system offers numerous benefits, such as improving living standards and access to financial opportunities. However, to truly harness these benefits, consumers must take on the responsibility of managing their financial interactions wisely. By being proactive and informed in making financial decisions, consumers can significantly enhance their financial well-being and quality of life.

How to be a Responsible Financial Consumer

Today's financial landscape is fraught with challenges like intense competition among financial service providers, the spread of fake information, rising digital scams, and widespread financial illiteracy. Amidst these challenges, consumer negligence often contributes to financial

irresponsibility. Adhering to the following areas will help financial consumers to become more responsible in their financial behavior.

1. Enhance your financial literacy level

Financial consumers have a responsibility to take the initiative to enhance their financial knowledge through self-learning. This includes seeking educational resources, attending workshops, or exploring online courses to understand fundamental concepts such as budgeting, saving, investing, and managing credit. Financial consumers can stay informed about evolving financial products and trends by committing to lifelong learning.

Financial literacy plays a pivotal role in making sound financial decisions. Take advantage of educational resources, workshops, and online materials from reliable sources such as CBSL, licensed financial institutions or any other official platforms to enhance your knowledge about personal finance, investments, and financial products. An informed consumer is less likely to fall victim to scams or poor financial choices.

2. Understand clearly the Features of Financial Products and Services

Before committing to any financial product or service, thoroughly understanding its terms and conditions is also a responsibility of a financial consumer. Key aspects to focus on include fees, charges, maturity period, and other relevant terms and conditions. Without a clear understanding of these key aspects, financial consumers may run the risk of encountering unexpected financial difficulties in the future. However, with a comprehensive understanding, financial consumers can navigate the financial landscape with confidence and security.

Financial agreements can indeed be complex and challenging to comprehend. However, as a consumer, you can seek clarifications and request information in Sinhala, Tamil, or English, depending on your preference. Take the time to review all features and ask questions until you are satisfied with your understanding. This proactive approach minimizes risks and empowers you to make informed decisions.

3. Read Documents Carefully Before Signing

Many consumers make the mistake of signing documents without fully reading or understanding their content, which can lead to unforeseen obligations or liabilities. Always allocate sufficient

time to carefully review any contract or agreement. If you encounter unclear or unfair terms, do not hesitate to ask for explanations or seek professional advice. This will ensure that the financial consumers are fully aware of their commitments and protect them from legal or financial pitfalls.

4. Stay Informed about your Rights

Being aware of the rights of a financial consumer is a fundamental responsibility. The FCPRs provide various protections, including the right to fair treatment, disclosure and transparency, protection of assets and information and access to complaint and redress mechanisms in case of violating the financial consumer's rights. Familiarizing financial consumers with these rights and encouraging them to safeguard their interests and empowering to stand up for their rights in consuming financial services.

5. Verify Information

With the proliferation of fake news and misleading advertisements, verifying the authenticity of financial information has become critical. Cross-check any claims or offers made by financial service providers, especially those that seem too good to be true. Reliable sources such as the CBSL website or licensed financial institutions can help you confirm the accuracy of the information, or you may reach CBSL through hotline no. 1935.

6. Exercise Caution in Digital Transactions

The rise of digital financial services has increased convenience and entailed new risks, such as scams and data breaches. Protect yourself by using secure platforms, enabling two-factor authentication, and avoiding sharing sensitive information such as login details and personal identification numbers (PINs) with anyone. Being vigilant during digital transactions is an essential responsibility of the financial consumer in the modern age.

7. Do not Borrow beyond your Limit

Managing personal finances effectively begins with understanding your borrowing capacity. You are responsible for ensuring that your borrowings align with your income and repayment ability. This means your income should cover your loan repayments and be sufficient to meet your daily expenses. Overextending yourself financially can lead to severe consequences, including defaulting on your loan obligations, and falling into financial distress.

In cases where you face unavoidable circumstances that might lead to default, it is crucial to take proactive steps. Inform your financial service provider as soon as possible. This demonstrates accountability and helps maintain a trustworthy relationship between you and your provider. Open communication fosters mutual respect and ensures smoother resolution processes. By taking these actions, you contribute to a stable financial system, benefiting yourself and other stakeholders.

8. Be Vigilant against Frauds and Report them immediately

Frauds and scams pose significant risks to the consumers who are falling into such scams. While institutions like CBSL and financial service providers work tirelessly to protect consumers, your role as a consumer is equally critical. If you come across suspicious activity or fraud, report it to your service provider immediately. Prompt reporting can mitigate risks, safeguard your assets, and prevent further damage. Vigilance and swift action are not just a duty but a necessity in preserving the trust and integrity of the financial system.

9. Keep Your Personal Data Updated

Timely communication between you and your financial service provider is essential for smooth transactions and effective service delivery. Changes in residency or contact information can disrupt this communication, leading to delays or misunderstandings. Such issues may even result in breaches of contractual obligations or missed opportunities.

To avoid unnecessary complications, update your personal information promptly whenever changes occur. Additionally, ensure your data is accurate and request corrections if you notice discrepancies. Failing to maintain updated and correct personal data can compromise your rights as a financial consumer and hinder the efficient delivery of services. Proactively managing your personal data safeguards your rights and enhances your relationship with financial service providers. Ensuring accurate information contributes to a more reliable and efficient financial service delivery.

Benefits of Responsible Financial Behavior

Taking responsibility for your financial decisions can lead to numerous benefits. Responsible consumers are better equipped to build wealth, avoid unnecessary debt, and achieve financial security. Moreover, their proactive approach contributes to a more stable and transparent financial

system, benefiting society. Accordingly, responsible financial behaviour offers several benefits to financial consumers, including:

- a) **Better Financial Health:** Practicing responsible financial behaviour, such as budgeting, saving, and managing debt, helps consumers build a solid financial foundation, reducing the likelihood of financial stress and instability.
- b) **Increased Savings and Investments:** By making thoughtful financial decisions, consumers can increase their savings and grow their investments, improving long-term financial security and enabling them to meet their future goals.
- c) **Improved Creditworthiness:** Responsible credit management, including paying bills on time and avoiding excessive debt, can lead to a higher credit score. This makes accessing loans with favourable terms, such as lower interest rates, easier.
- d) **Protection against Fraud and Scams:** Being a responsible financial consumer means staying informed and cautious, which helps individuals recognize and avoid fraudulent schemes, protecting their money and personal information.
- e) **Lower Financial Risk:** Responsible financial behaviour helps consumers understand and mitigate risks, such as the dangers of taking on too much debt or investing in high-risk ventures, thereby minimizing potential losses.
- f) **Better Financial Decision-Making:** Consumers who practice responsible financial habits are likelier to make informed and thoughtful decisions, leading to better outcomes in their personal and professional financial matters.
- g) **Improved Financial Independence:** By managing finances wisely, individuals can achieve greater financial independence, reducing reliance on credit or external support and gaining the freedom to make decisions based on personal preferences rather than financial necessity.
- h) **Enhanced Quality of Life:** With better financial management, consumers can achieve peace of mind, lower stress levels, and have more flexibility in managing their lifestyle, ensuring they can meet both short-term and long-term needs.

In essence, responsible financial behaviour helps consumers to build wealth, secure their future, and reduce the potential for financial distress.

Conclusion

The financial system thrives on the collective responsibility of all its participants. While regulatory bodies and service providers have roles, consumers must actively manage their finances, be alert to risks, and maintain transparent relationships with their providers. By following these guidelines, borrowing within your limits, staying vigilant against fraud, and keeping your data up to date, you secure your financial well-being and contribute to the stability and trustworthiness of the entire financial ecosystem. In conclusion, being a responsible financial consumer is about protecting yourself and contributing to secure financial stability. By understanding your rights, staying informed, and adopting prudent financial practices, you can maximize the benefits of the financial services available and lead a more secure and prosperous life.