



OMBUDSMAN FOR FINANCIAL SERVICES

OMBUDSMAN PERKHIDMATAN KEWANGAN

664393P

ANNUAL REPORT

2016

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Chairman's Message 2016



As I reflect on the past four months as Chairman of the Ombudsman for Financial Services (OFS), I am reminded of Governor Y. Bhg. Datuk Muhammad bin Ibrahim's keynote address at the launching of the Financial Ombudsman Scheme (FOS) on 3 November 2016. Amongst others, he emphasised that the FOS was a major milestone in Bank Negara Malaysia's strategic direction in strengthening consumer confidence and market discipline in the financial sector. The Governor also emphasised that consumers and financial service providers (FSPs) would benefit from the implementation of the FOS and TRUST is the vital ingredient for the integrity and credibility of the OFS in the delivery of its services.

The Board is mindful of the significance and importance of the role we play in the Malaysian financial system. In addition, the Board also takes cognisance of the six principles that underpin the OFS' operations, namely, independence, fairness and impartiality, accessibility, accountability, transparency, and effectiveness. As the operator of the FOS, these principles are strongly entrenched and embedded in our operations with a view to discharge our role effectively. As an alternative

dispute resolution centre for the financial consumers, we play an integral role in promoting financial system stability, especially in ensuring that the financial consumers continue to have the desired level of confidence in the financial system, even though their disputes were not upheld by the Ombudsmen. For this reason, we strive to ensure that a significant number, if not all of the financial consumers accept that the decisions of the Ombudsmen are unbiased and substantiated. To achieve this outcome, each case is handled professionally and impartially. We also ensure that we explain to the best of our ability, our reason(s) for each of the decision made. The decisions of the Ombudsmen, which are binding in nature, must be substantiated wherein such decisions are based on relevant facts, applicable laws, regulations, judicial precedent and the terms and conditions of the products and services rendered by the FSPs. We hope by adopting this approach, the financial consumers and the FSPs would walk away knowing that their disputes have been heard in a fair and reasonable manner even though the final decision may not be in their favour. In my mind, this approach helps OFS to build TRUST with the financial consumers and the FSPs.

The decisions of the Ombudsmen, which are binding in nature, must be substantiated wherein such decisions are based on relevant facts, applicable laws, regulations, judicial precedent and the terms and conditions of the products and services rendered by the FSPs.

Over the years, OFS has forged a strong partnership with the FSPs and their trade associations, the Securities Industry Dispute Resolution Center (SIDREC), as well as, the consumer organisations, with the common objective to resolve disputes efficiently and effectively for the benefit of all stakeholders, especially the financial consumers.

I am also encouraged to note that Bank Negara Malaysia has been very supportive of the OFS and has continued to collaborate and work with us to constructively provide a healthy, progressive and an advanced financial system for the country.

On behalf of the Board, I would like to acknowledge the unwavering support, partnership and understanding given by all the stakeholders which is critical in helping us achieve our objective in providing an independent and impartial dispute resolution centre for the financial industry.

I would also like to thank our staff for their hard work, undivided commitment and professionalism during the year.

Last but not least, I would like to record my gratitude to all my board members, especially Y. Bhg. Tan Sri Dato' Sri Tay Ah Lek, the acting Chairman prior to my appointment in September 2016, and the late Ms Chuah Mei Lin. Their unfailing wisdom, impeccable leadership and generous guidance have contributed immensely to the growth and advancement of the OFS as an effective alternative dispute resolution centre in Malaysia, where it is today. I am confident that the OFS is well placed to meet the challenges ahead given the commitment of the Board, OFS staff and the continuing support from our stakeholders.

**Y. Bhg. Tan Sri Datuk Seri (Dr)
Foong Cheng Yuen
Chairman**

Chief Executive Officer's Report



Major Milestones

2016 was an eventful year for the Ombudsman for Financial Services (OFS). First and foremost, Bank Negara Malaysia (BNM) had appointed the OFS as the operator of the Financial Ombudsman Scheme (FOS) in April 2016 pursuant to the Financial Services Act 2013 (FSA 2013) and the Islamic Financial Services Act 2013 (IFSA 2013). Secondly, our name was changed from the Financial Mediation Bureau to OFS in June 2016. Thirdly, we adopted a new set of Memorandum and Articles of Association in August 2016. These changes were legally necessary to enable the OFS to carry out its expanded mandate and to appropriately reflect its new role as the operator of the FOS. I am indeed encouraged that the OFS had gained the confidence of BNM and has been appointed the operator of the FOS.

Successful Implementation of the FOS

The FOS which was implemented on 1 October 2016 was successfully launched by Y. Bhg. Datuk Muhammad bin Ibrahim, Governor of BNM on 3 November 2016. The introduction of the new Financial Ombudsman Scheme is timely as it further strengthens the financial consumer protection

framework in an environment of increasing diversity with competitive offerings of financial products and services. In operating the scheme, the OFS incorporates enhanced governance and operational arrangements which are in line with international best practices to promote fair, effective and independent dispute resolution.

Dispute handling in 2016

Our Complaint Management Unit received a total of 8,386 enquiries from the general public in 2016, of which, 1,588 disputes were within the OFS' jurisdiction. Out of the 1,588 disputes registered in 2016, a total of 1,206 disputes were under the predecessor scheme (disputes received by OFS between January to September 2016) and the remaining 382 disputes were registered under the FOS (between October to December 2016).

In 2016, OFS handled a total of 2,034 cases comprising 446 disputes which remained outstanding as at 31 December 2015 and 1,588 new disputes registered in 2016.

A total of 1,564 disputes were resolved in 2016, of which, 1,527 (97.6%) were disputes registered under the predecessor scheme and the remaining

The introduction of the new financial ombudsman scheme is timely as it further strengthens the financial consumer protection framework in an environment of increasing diversity with competitive offerings of financial products and services.

37 disputes were under the FOS.

Out of the 1,527 disputes resolved, 728 (47.7%) were insurance disputes, 210 (13.7%) takaful and 589 (38.6%) banking and Islamic banking disputes. By comparison, 42.9% of the 1,527 disputes were resolved by way of mediation, 49.4% by way of adjudication and the remaining 7.7% with no response from or withdrawn by the complainant.

Thirty six (36) out of the 37 disputes registered under the FOS were managed by the Case Managers (First Stage). Only one dispute proceeded for adjudication (Second Stage) and the Ombudsman upheld the decision of that financial service provider (FSP).

As at 31 December 2016, a total of 470 disputes remained outstanding. The concerted efforts taken by OFS over the last 5 years in resolving disputes expediently and in clearing the backlog of cases has yielded positive results. I am encouraged by the fact that 83.8% of the disputes were resolved within 6 months from the date we received full information from the parties to the disputes (complainants and our Members). While this outcome is consistent with the timeframe set out in our Client Charter, we undertake to continuously improve our efficiency in

the best interest of our stakeholders, in particular, the financial consumers.

Stakeholders' Engagement

Apart from focusing on the dissemination of useful information to the general public and our Members on the jurisdiction and terms of reference of the predecessor scheme, OFS with the support of the media, also shared details of the FOS and the preparatory work which the FSPs were required to undertake prior to the operationalisation of the FOS, as well as, the new Terms of Reference of the OFS, in particular, on the higher monetary threshold and the new approach to dispute resolution. There was significant engagement and extensive media coverage (in major languages) on the FOS, including an interview with the CEO over BFM 89.9 radio station before and after the FOS was implemented in October 2016. Similar engagement sessions would be continuously carried out for different target groups throughout Malaysia to enhance their understanding on the FOS. Equally important, such engagement sessions would enable us to build TRUST with the general public and the FSPs.

In operating the scheme, the OFS incorporates enhanced governance and operational arrangements which are in line with international best practices to promote fair, effective and independent dispute resolution.

Levy and Funding Mechanism

In 2016, RM6.4 million was collected from our members by way of levy based on the existing funding mechanism where each FSP is required to contribute on an equal basis (flat rate regardless on the number of disputes which OFS received against individual FSP).

With the implementation of the FOS in October 2016, moving forward, the levy contribution by the FSPs would be differentiated based on the new funding mechanism.

The annual levy, which is computed annually based on the OFS' budget requirement, is shared equally by the FSPs who are licensed persons under the FSA 2013 and IFSA 2013 (namely, the licensed banks, Islamic banks, insurers and takaful operators) and the prescribed institutions (development financial institutions who are prescribed institutions under the Development Financial Institutions Act 2002). In addition, with effect from October 2017, they would also be required to pay non-refundable case fees of RM1,500.00 for every dispute that is filed against them, if any.

FSPs who are approved persons under the FSA 2013 and IFSA 2013, are not required to pay the annual levy. Instead, they are only required to pay a non-refundable case fee for every dispute filed

against them with effect from 1 October 2017. The quantum of the case fee is differentiated depending on the stage of the resolution process. A case fee of RM100.00 for each dispute resolved at the case management stage (First Stage) and an additional case fee of RM500.00 for each dispute where the parties to a dispute fail to reach a negotiated settlement and decide to refer their dispute to the Ombudsman for adjudication (Second Stage).

As in other jurisdiction, the imposition of case fee would promote a level playing field and ensure there is equitable utilisation of OFS' resources by the FSPs.

A note of Appreciation

I would like to thank the Chairman, members of the Board of Directors and the staff for their professionalism and dedication over the last twelve months. Their tremendous contribution was instrumental in all that we have achieved throughout 2016.

Lee Eng Huat
Chief Executive Officer

Board of Directors



Y. Bhg. Tan Sri Datuk Seri (Dr)
Foong Cheng Yuen

Chairman



Y. Bhg. Tan Sri Dato' Sri
Tay Ah Lek

Deputy Chairman



Y. Bhg. Tan Sri Dato' Sri
Zaleha binti Zahari

**Non-Executive Independent
Director**



Y. Bhg. Prof. Datuk Dr Marimuthu
Nadason

**Non-Executive Independent
Director**



Encik Ong Chong Hye

**Non-Executive Independent
Director**



Encik Mohd Radzuan bin Abdul
Halim

**Non-Executive Independent
Director**



Y. Bhg. Datin Veronica
Selvanayagy

**Non-Executive
Non-Independent Director**



Mr Chua Seck Guan

**Non-Executive
Non-Independent Director**



Ms Chuah Mei Lin*

**Non-Executive Non-
Independent Director**

**(passed away peacefully on
6th January 2017)*

Tribute to the Late Ms Chuah Mei Lin



Ms Chuah Mei Lin, 56, passed away peacefully on 6 January 2017.

Mei Lin, as she was fondly known to her colleagues was the Executive Director of the Association of Banks in Malaysia (ABM) and she represented ABM in the Board of Directors of the Ombudsman for Financial Services since 5 August 2009.

The bubbly and cheerful Mei Lin was very committed and professional in her duties throughout her tenure as a director of OFS. She was always very supportive of the noble causes and decisions of the Board. Her invaluable experience in the corporate world was an asset to the Board.

Mei Lin was extremely good at her work and she had ensured a personal touch in almost everything she did, including her ability to work with people across all levels. Her sudden passing is indeed a loss to the OFS and the financial industry.

Mei Lin's presence in OFS will be greatly missed and all her contributions and memories will be cherished and remembered.

May her soul rest in peace.

Farewell Dinner in Honour of Y. Bhg. Tan Sri Dato' Seri Siti Norma binti Yaakob, Y. Bhg. Tan Sri Dato' V.C. George and Mr Wong Teck Kat

On 19 May 2016, we hosted a farewell dinner in honour of our former Chairman Y. Bhg. Tan Sri Dato' Seri Siti Norma binti Yaakob and our former Non-Executive Independent Directors, Y. Bhg. Tan Sri Dato' V.C. George and Mr Wong Teck Kat at the Shang Palace, Shangri La Hotel, Kuala Lumpur. The Chief Executive Officer in his farewell speech, expressed his gratitude to the directors on behalf of OFS. Their immense contribution to the growth and advancement of OFS was highly appreciated.

OFS wishes Y. Bhg. Tan Sri Dato' Seri Siti Norma binti Yaakob, Y. Bhg. Tan Sri Dato' V.C. George and Mr Wong Teck Kat the very best in their future endeavours.



The Launching of the Financial Ombudsman Scheme by Y. Bhg. Datuk Muhammad bin Ibrahim, Governor Bank Negara Malaysia on 3 November 2016

The Financial Ombudsman Scheme (FOS) was launched by Governor Y. Bhg. Datuk Muhammad bin Ibrahim on 3 November 2016 at Sasana Kijang, Bank Negara Malaysia.

The launch was witnessed by close to 250 invitees comprising the board of directors of the OFS, several board members of Bank Negara Malaysia, chief executive officers and representatives of the financial service providers, industry associations, as well as, senior officers from Bank Negara Malaysia and OFS.



Amongst others, the Governor, in his keynote address emphasised that:-

- (i) The FOS will further strengthen consumer confidence and market discipline in the financial sector;
- (ii) The FOS will benefit both consumers and financial service providers (FSPs) as it is a user-friendly and efficient redress mechanism to resolve disputes;
- (iii) TRUST is the bedrock of a financial system;
- (iv) TRUST is the vital ingredient for the OFS' integrity and credibility in the delivery of its services; and
- (v) FSPs should strengthen to inspire TRUST, namely, instilling the right corporate culture, inspiring confidence through exceptional customer service and assisting efforts to empower consumers.

The FOS will benefit both consumers and financial service providers (FSPs) as it is a user-friendly and efficient redress mechanism to resolve disputes.



In his opening remarks, **Y. Bhg. Tan Sri Datuk Seri (Dr) Foong Cheng Yuen**, Chairman of the OFS highlighted the legacies passed down by the predecessors of the OFS, namely the Insurance Mediation Bureau and the Banking Mediation Bureau. He has no doubt that there were tremendous sacrifices by all concerns, be it at board or management and operational level. He believes that through their hard work, devotion and dedication to a cause drove them to achieve this high degree of success.

He said *“With the present set up of the OFS and from track records of its predecessors, I am confident that we can fulfil these demands. We, at the OFS are ready to assume this new role with added responsibilities assigned to us.”*

The FOS, which was approved pursuant to the **Financial Services Act 2013 and the Islamic Financial Services Act 2013**, marks a significant milestone in the enhancement of the consumer protection regulatory framework.

In resolving disputes, OFS is guided by six internationally recognised principles, namely, the principles of *independence; fairness and impartiality; accessibility; accountability; transparency; and effectiveness.*



Background



Background

The Ombudsman for Financial Services (OFS) [formerly known as the Financial Mediation Bureau] was incorporated on 30th August 2004 and commenced its operations on 20th January 2005. OFS is a non-profit organisation set up under the initiative of Bank Negara Malaysia (BNM) as an alternative dispute resolution channel to resolve disputes between our Members who are the financial service providers (FSPs) licensed or approved by BNM and their customers. OFS is the Operator of the Financial Ombudsman Scheme (FOS) appointed by BNM pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013.

Our Mission

We strive to provide an effective and prompt resolution of complaints/disputes, claims and complaints arising from services provided by our Members which presently comprise commercial banks, Islamic banks, insurance companies, takaful operators, prescribed development financial institutions, approved designated payment instrument issuers (including non-bank e-money issuers), approved designated Islamic payment instrument issuers (including non-bank Islamic e-money issuers), approved insurance and takaful brokers and approved financial advisers and Islamic financial advisers.

Our Mandate

- To provide financial consumers an avenue for an effective and prompt resolution of complaints/disputes arising from products and services provided by our Members on 'free of charge' basis;
- To resolve complaints/disputes in an independent, impartial and fair manner;
- To collaborate with our Members in resolving complaints/disputes;
- To create awareness on matters of common interest to financial consumers and the financial industry.

Our Monetary Jurisdiction

Following the implementation of the Financial Ombudsman Scheme (FOS) on 1 October 2016, the monetary awards that may be granted by the Ombudsman for a dispute registered under the FOS are as follows:

No.	Types of disputes	Monetary Limit
1.	A dispute involving financial services or products or Islamic financial services or products, developed, offered or marketed by a Member, or by a Member for on or behalf of another person, other than a dispute under paragraphs (2) and (3) below.	RM250,000.00
2.	A dispute on motor third party property damage insurance/takaful claims.	RM10,000.00
3.	A dispute on – (a) an unauthorised transaction through the use of a designated payment instruments or a Islamic designated payment instruments or payment channel such as internet banking, mobile banking, telephone banking or automated teller machine (ATM); or (b) an unauthorised use of a cheque as defined in section 73 of the Bills of Exchange Act 1949 [Act 204].	RM25,000.00 RM25,000.00

Disputes outside the scope of the FOS

The OFS will not consider the following types of Disputes:

- (1) A Dispute that is beyond the monetary limit as set out in Schedule 2 of OFS' Terms of Reference (TOR), save where mutually agreed in writing by the OFS, the Eligible complainant and the Member in accordance with subparagraph 12(3) of OFS' TOR;
- (2) A Dispute on general pricing, product features, credit or underwriting decisions, or applications to restructure or reschedule a loan or financing which are Commercial Decisions within the discretion of a Member;
- (3) A Dispute concerning the actuarial standards, tables and principles which a Member applies to its long-term insurance/takaful business (including the method of calculation of surrender values, paid-up policy values and the bonus rate applicable to the policy in question) for insurance or takaful claims, except guaranteed payments which are explicitly mentioned in the terms and conditions of the policy;
- (4) A Dispute relating to a contract of employment between a Member and its officers and employees or agency matters concerning a Member;
- (5) A Dispute that has been filed in court or referred to arbitration or has been decided by a court or arbitrator;

- (6) A Dispute that is referred to the FOS after more than six months from the date the Member has provided its final decision;
- (7) A Dispute that is time barred under the Limitation Act 1953 or Limitation Ordinance (Sabah) (Cap. 72) or Limitation Ordinance (Sarawak) (Cap. 49);
- (8) A Dispute that had been previously decided by the OFS (including a Dispute decided under the Predecessor Scheme) unless new evidence, which are material facts that could change the earlier decision, is available for the OFS' consideration;
- (9) A Dispute on investment performance of a financial product except in relation to non-disclosure of facts or misrepresentation;
- (10) A Dispute on capital market services and products offered or marketed by a Member;
- (11) A Dispute that involves more than one Eligible complainant and has been referred to the FOS without the consent of the other Eligible complainant, and the OFS is of the view that it would be inappropriate to deal with the Dispute without that consent;
- (12) A Dispute involving claims arising from third party bodily injury or death; and
- (13) A Dispute relating to the payment of policy moneys under a life policy and personal accident policy or payment of takaful benefits under a family takaful certificate and personal accident takaful certificate made in accordance with the provisions set out in Schedule 10 of the Financial Services Act 2013 and the Islamic Financial Services Act 2013, respectively.

Dispute Resolution Process

All disputes and claims registered generally go through the following stages:

Case Management (First Stage)

- (1) The Dispute shall be managed by a Case Manager assigned by the OFS;
- (2) The Case Manager's role is to encourage and facilitate dialogue, provide guidance, assist the Parties to a Dispute in clarifying their interests and in understanding differences, and to work towards a mutually acceptable settlement;
- (3) The Case Manager shall be entitled to request for any data, document and information relevant to the Dispute from the Parties to a Dispute;
- (4) The Parties to a Dispute shall provide to the Case Manager such data, document and information that are relevant to the Dispute within such period specified by the Case Manager, together with the Member's investigation report on the Dispute (including the grounds of its decision and any other relevant document or information), as the case may be, which was completed when the Eligible complainant first lodged his complaint with the Member;

- (5) After giving the Parties to a Dispute a reasonable opportunity to make submissions and provide data, document and information about the Dispute, the Case Manager may facilitate the resolution of Dispute through negotiation, mediation or conciliation process, as the case may be, with a view to reach an amicable settlement within three months from the date of receipt of full and complete data, document and information from the Parties to a Dispute;
- (6) The Case Manager shall conduct interviews, if deemed necessary, either via telephone or physical meeting. The Case Manager may meet with any of the Parties to a Dispute jointly or separately. The separate meetings (caucus) are designed to improve the Case Manager's understanding of the party's position and to facilitate the Case Manager in expressing each party's viewpoint. The Parties to a Dispute shall not make any recording (visual or audio) of such interview or meeting;
- (7) The Case Management shall be conducted in strict confidence and all communication shall not be used in any court proceedings;
- (8) The Case Manager may, subject to the approval of the Ombudsman, dismiss a Dispute if such Dispute, in the opinion of the Case Manager, falls within the circumstances set out in paragraph 14 of OFS' Terms of Reference (TOR);
- (9) At all times while the Dispute is being investigated by the Case Manager, nothing shall operate to prevent the Parties to a Dispute from jointly seeking an amicable settlement of the Dispute;
- (10) The Eligible complainant may withdraw from the Case Management at any time prior to the Case Manager issuing his Recommendation by giving a written notice to the Case Manager of his intention to withdraw his complaint. This option is not available to the Member;
- (11) If the Parties to a Dispute fail to reach an amicable settlement, the Case Manager will make an assessment on the manner in which the Dispute should be resolved and issue a Recommendation within 30 days from the date the Parties to a Dispute failed to reach an amicable settlement;
- (12) If the Parties to a Dispute accept the Recommendation within 30 days from the date of the Recommendation or by the date stipulated in the Recommendation (whichever is later), the Dispute is resolved on the basis of the Recommendation. The Case Manager shall record in writing the terms of settlement reached by the Parties to a Dispute and a Settlement Agreement shall be executed by the Parties to a Dispute;
- (13) If either Party to a Dispute does not accept the Recommendation made by the Case Manager, the Parties to a Dispute are not bound by the Recommendation. The Parties to a Dispute are free to pursue their rights through any other means, including referring the Dispute to the Ombudsman for Adjudication within 30 days from the date of the Recommendation or by the date stipulated in the Recommendation (whichever is later), or a legal process or arbitration;
- (14) The Case Management terminates when –
 - (a) the Eligible complainant withdraws from the Case Management;

- (b) the Dispute is resolved amicably by the Parties to a Dispute;
- (c) the Parties to a Dispute accepts the Recommendation of the Case Manager and enter into a Settlement Agreement;
- (d) the Dispute is referred to the Ombudsman; or
- (e) the Eligible complainant has initiated a legal proceeding against the Member in court or arbitration.

Adjudication by an Ombudsman (Second Stage)

- (1) Where the Dispute is not resolved after the Case Management, the Case Manager will issue a Recommendation. If either Party to a Dispute does not accept the Recommendation, that Party may choose to refer the Dispute to the Ombudsman for Adjudication within 30 days from the date of the Recommendation or by the date stipulated in the Recommendation (whichever is later);
- (2) The Ombudsman assigned by the OFS to adjudicate the Dispute may provide a preliminary assessment of the Dispute before it is adjudicated on. The Parties to a Dispute shall be given a reasonable opportunity to make further submissions, and to provide further information, if any, relating to the Dispute;
- (3) The Ombudsman shall be entitled to request for further data, document and information relevant to the Dispute from the Parties to a Dispute. The Parties to a Dispute shall provide all such data, document and information within such period specified by the Ombudsman;
- (4) The Ombudsman shall accept written evidence submitted by the Parties to a Dispute and may also accept any other form of evidence it deems appropriate, including taped or video evidence. The Ombudsman shall give such evidence due weight and consideration;
- (5) The Adjudication may be conducted by way of submission of documents (including written submissions, replies and clarifications, if any) or by way of hearing. Upon the full submission of the documents or at such time as the Ombudsman shall determine, a hearing may be conducted with the Parties to a Dispute, where necessary. The Parties to a Dispute shall not make any recording (visual or audio) of the hearing. Where no hearing is conducted, the Ombudsman decides on the Dispute solely on the documents;
- (6) The Ombudsman shall adjudicate the Dispute independent of the findings or the Recommendation made by the Case Manager at the Case Management stage and issue a final decision within 14 days from the receipt of full and complete documentation from the Parties to a Dispute;
- (7) The Eligible complainant may withdraw from the Adjudication at any time prior to the final decision by the Ombudsman by giving a written notice to the Ombudsman of his intention to withdraw from the Adjudication. This option is not available to the Member;
- (8) A final decision of the Ombudsman by way of Adjudication is the end of the OFS' dispute resolution process. Neither the Eligible complainant nor the Member can appeal against an Ombudsman's decision;

- (9) Where the Ombudsman has made a final decision with respect to the Dispute, the Eligible complainant may choose whether or not to accept the Ombudsman's decision;
- (10) Where the Eligible complainant accepts the Ombudsman's final decision within 30 days from the date of the decision, the Parties to a Dispute are bound by such decision. The Ombudsman may, after considering the reason for any delay, grant an extension of time within which an Eligible complainant may accept the Ombudsman's final decision and if accepted, such decision shall bind the Parties to the Dispute;
- (11) The Ombudsman shall record in writing the terms of settlement reached by the Parties to a Dispute and a Settlement Agreement shall be executed by the Parties to a Dispute. The Member shall comply with the Award made by the Ombudsman within 14 days from the date the Eligible complainant informed the Member of his acceptance of the Award;
- (12) Where the Eligible complainant does not accept the Ombudsman's final decision, Parties to a Dispute are free to pursue their rights through any other means, including a legal process or arbitration; and
- (13) The Adjudication terminates when –
- (a) the Eligible complainant withdraws from the Adjudication;
 - (b) the Parties accept the preliminary assessment of the Dispute by the Ombudsman before Adjudication and enter into a Settlement Agreement;
 - (c) the Ombudsman makes a final decision and/or Award with respect of the Dispute; or
 - (d) the Eligible complainant has initiated a legal proceeding against the Member in court or arbitration.

Complaints Management Unit



Complaints Management Unit

The Complaints Management Unit (CMU) handles all the enquiries and complaints from financial consumers against financial service providers (FSPs) including the following:-

- responding to enquiries on our terms of reference.
- conducting preliminary investigation and assessment of all enquiries and complaints to ensure they fall within our jurisdiction and ensure complainants submit the relevant documents pertaining to the dispute, before a complaint is registered.
- referring complainants to other relevant agencies or organisations (e.g. BNM LINK) for matters not within our jurisdiction.

Trends on Enquiries and Complaints Received between 2012 - 2016

Since 2012, CMU handled a total of 60,966 enquires/complaints from the financial consumers of which, 60% (36,499) were related to Insurance/Takaful matters and 40% (24,467) on Banking/Islamic banking matters. The number of enquiries and complaints received is trending downwards. The decrease is attributed to greater awareness amongst the general public on our role and also the more effective resolution of disputes by the FSPs.

A total of 8,386 complaints/enquiries were referred to the OFS in 2016. Only 1,588 of these complaints/enquiries fall within the OFS' jurisdiction.

Chart 1: Enquiries and Complaints Received From 2012 Until 2016

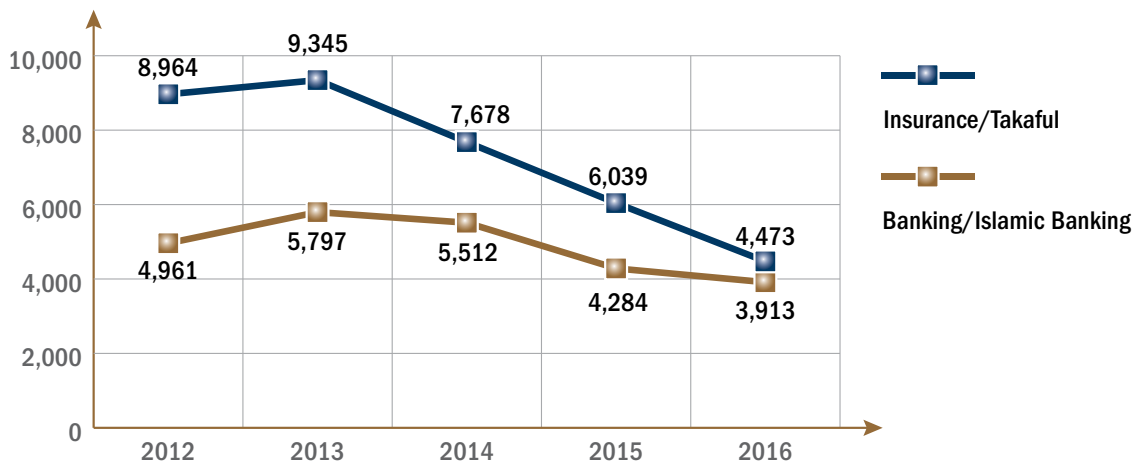


Table 1: Enquiries and Complaint Received in 2016

Channel	Insurance & Takaful Matters	Banking Matters	Total
Enquiries via Phone Calls	2,531	2,693	5,224
Enquiries/Complaints via Walk-Ins	182	153	335
Enquiries/Complaints via Email/Letter/Fax	1,760	1,067	2,827
Total	4,473	3,913	8,386

Overview of 2016



Overview of 2016

PREDECESSOR SCHEME INSURANCE (INCLUDING TAKAFUL) CASES Cases Handled

Table A1 – Cases Handled in 2016 (Predecessor Scheme)

Categories	Cases Handled in 2015			Cases Handled in 2016*			
	B/f	Registered	Resolved	B/f	Registered	Resolved	Pending
Conventional Insurance							
General Insurance (Motor)	169	368	415	122	226	313	35
Life Insurance	49	262	255	56	173	217	12
General Insurance (Medical)	8	65	61	12	51	57	6
General Insurance (Non-Motor)	78	109	160	27	89	96	20
Third Party Property Damage	22	67	71	18	28	45	1
Total Conventional	326	871	962	235	567	728	74
Takaful							
Family	26	114	111	29	75	101	3
Motor	24	94	100	18	82	79	21
General	8	14	17	5	14	19	0
Third Party Property Damage	1	11	11	1	10	11	0
Total Takaful	59	233	239	53	181	210	24

(*Note: For the period 1 January – 30 September 2016)

Chart A2 (a) - Conventional Insurance Cases Registered in 2016 (Predecessor Scheme)

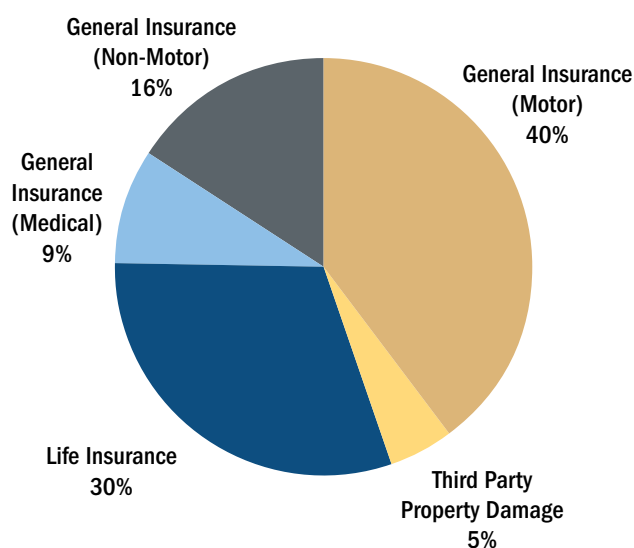
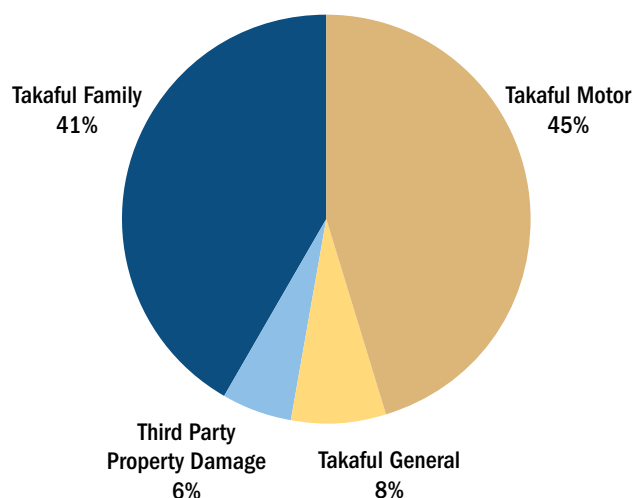


Chart A2 (b) Takaful Cases Received in 2016 (Predecessor Scheme)



As at 30 September 2016, the number of insurance and takaful cases registered under the predecessor scheme was 748 cases. Out of these 748 cases, 30.2% involved disputes on general motor insurance, 30% on life and general medical insurance and 24.2% on Takaful cases. The remaining 15.6% involved disputes on General Insurance (non-motor) and Third Party Property Damage.

With effect from 1 October 2016, all cases received were registered under the new Financial Ombudsman Scheme.

General Insurance (Motor)

The motor insurance disputes handled by OFS mainly relates to the following:

- Delay in notification of claims [breach of Policy Condition 2(a)];
- Failure to take reasonable precautions [breach of Policy Condition 7(c)];
- Non-possession of driving licence (General Exception 1);
- Criminal Breach of Trust and/or Cheating (Exclusion);
- Dispute on quantum for settlement – including under insurance, market value, costs of repairs;
- Non-disclosure of material fact – modification of engine;
- No insurable interest; and
- Limitations as to use.

As at 30 September 2016, we received 226 new motor insurance cases. Majority of the disputes involved delay in notification of claim to the insurer and non-possession of driving licence.

For claims relating to non-possession of a driving licence, the claimants were mostly motorcyclists. Based on our observation, in most of these cases, the buyer/motorcyclists purchased the motorcycles and the motor insurance policy even though they did not possess a driving licence. In so far as motorcycle sellers are concerned, they would sell to any person who wants to purchase their motorcycles because it is not their duty to ensure that the buyers/motorcyclists possess a driving licence. The motorcyclists must be aware that

under the Road Transport Act 1987 and the motor insurance policy, all motorcyclists must possess a driving licence.

Similarly, failing to take reasonable precaution to safeguard the insured vehicle from loss or damage remained one of the common disputes. In most cases, the driver left the vehicle unattended with the key in the ignition thus leading to the theft of the vehicle (*refer to Case Studies A03*). It was observed that the policy wordings with regard to failure to take reasonable precaution to safeguard the insured vehicle from loss or damage were too general. We had proposed to Persatuan Insuran Am Malaysia (PIAM) to amend the motor insurance policy to expressly exclude coverage due to theft in cases where the vehicle was left unattended with the key in the ignition. The proposal was adopted and incorporated in the new Private Car and Motorcycle plain language policies with effect from 1 November 2016.

It is encouraging to note that there is a marked decrease in disputes involving quantum for settlement in the event of loss of vehicle or vehicle declared as total loss or 'beyond economic repair'. It was noted that in majority of these cases, the complainants were under the impression that they would be indemnified with the full sum insured notwithstanding that the market value of their vehicles have decreased.

The relevant policy term provided that the insured in such cases would only be indemnified the sum insured or the market value of the insured vehicle, whichever was lower.

Life Insurance and General Insurance (Medical)

Out of the 224 cases registered as at 30 September 2016, 50.9% (114 cases) concerned medical and healthcare benefits.

It was observed that most cases involved the insured's lack of awareness and understanding of the scope of the coverage provided in the policy. This is despite the fact that the insurers had provided the consumers with the product disclosure sheets containing the essential information of the product. The product disclosure sheet ensures that customers are well informed of the main features of the policy and the scope of the policy coverage.

In dealing with such disputes and as part of our dispute resolution process, we explain in detail to the claimant on how the product works and the grounds of the insurer's decision.

In 2016, 27 cases out of 173 Life Insurance disputes were declined by the insurers on the grounds of non-disclosure of material facts in the proposal forms. In handling non-disclosure cases, we will take note of the following factors namely, whether the questions in the proposal forms are clear and unambiguous, whether the assured has been cautioned on the effect of giving inaccurate answers, whether the assured had fulfilled his duty to disclose, whether the answer given by the assured had induced the insurer's decision to issue the contract and most importantly as to why the information was not disclosed by the assured.

We had on numerous occasions, emphasised to the assured the importance of understanding the questions

in the proposal form and to give full and complete answers to the question posed by the insurer, i.e. fulfilling their duty of disclosure.

On the other hand, the insurer has to establish that the assured had failed to comply with a duty of disclosure and required to provide us proof to show the assured had incorrectly answered the relevant questions.

Schedule 9 of the Financial Services Act 2013, which came into effect on 1 January 2015, requires the insurers to classify a misrepresentation into 3 categories, namely deliberate, reckless or innocent. It also sets out the different remedies for misrepresentation of consumer protection for the insured in cases of non-disclosure.

General Insurance (Non-Motor)

The disputes under this category comprised mainly different types of policies such as Travel Insurance, All Risks, Burglary, Contractor's All Risks, Credit Card Protection, Extended Warranty, Fire, Goods-In-Transit, House Owner/ Householder, Marine, Money Policy and Public Liability. Out of the 89 cases registered as at 30 September 2016, 41 were travel Insurance cases (*refer to Case Studies A09*), 12 Extended Warranty cases and the remaining 36 cases were from the other types of policies.

It was observed that the main reason for the highest number of claims on travel insurance policies compared to the other policies in this category was due to the claimant's ignorance and lack of understanding of the terms and conditions of the policy. While the FSPs are required to provide their policyholders with the necessary material or information (product disclosure/fact sheets), it is also the obligation of the policyholders to read and understand the terms and conditions of the policy to avoid misunderstanding on the scope and limits of the policy coverage.

Third-Party Property Damage (TPPD)

Out of the 28 cases registered as at 30 September 2016, 22 cases involved claims on compensation for assessed repair time (CART) while 6 cases involved disputes on accident liability and claims on betterment and damaged vehicle accessory.

Takaful (Family, Motor, General and TPPD)

Out of the 181 cases registered under the takaful, 82 cases were takaful motor claims and 75 cases takaful family claims. The remaining 24 cases comprised takaful general (14 cases) and takaful third party property damage (10 cases). The takaful motor cases involved disputes on breaches of Certificate's terms and conditions including late notification of claims, driving without a valid licence and the market value of the covered vehicle.

The issues involving takaful family disputes were mainly non-fulfillment of the definition of total and permanent disability, non-disclosure of material information, pre-existing illness, critical illnesses, no coverage of benefits due to non-payment of contribution payment and hospital benefits claims.

For total and permanent disability claims, we observe that most of the complainants do not understand the definition of total and permanent disability.

For the benefits to be payable, the illness or injury suffered must render the participant incapable or incapacitated to the extent of preventing the participant from his/her customary occupation and gaining any income or profit from it or any other occupation for which the participant is qualified mentally and physically by age, experience, education or training.

Disputes involving hospital benefits claims mainly relate to the entitlement for reimbursement of post hospitalisation treatment, daily cash allowance and treatment whilst overseas. For overseas treatment, the hospital admission must result from an emergency health condition and not merely for the purpose of seeking alternative medical treatment. The treatment sought overseas must be based on the recommendation made by a physician that such treatment or specialised nature of the treatment is not available locally (*refer to Case Studies A12*).

Takaful general cases mainly involved Houseowner/Householder Takaful, Burglary Takaful, Public Liability Takaful and All Risks Takaful. It is interesting to note that the participants always assume that once they purchase a Certificate to cover the risk for premises, it covers all perils regardless of the occurrence of the incident. The participants are generally not aware that certain perils are subject to the terms and conditions stipulated in the Certificate document, for example the occurrence of heavy rain. The Houseowner/Householder's Certificate stipulates that heavy rain or series of downpours is not one of the covered perils unless the heavy rain contributed or caused the occurrence of flood (*refer to Case Studies A13*).

We also note that participants generally find it difficult to comprehend or understand the clauses stipulated in the Certificate. In this regard, the participant may interpret and read the clauses incorrectly or out of the context of the wordings/clauses. In this connection, we encourage participants to contact the customer services unit of their takaful operators to better understand the scope of the coverage, the terms and conditions, the limits and excess applicable and the exclusions of the Certificate documents.

Similar to the conventional third party property damage disputes, the common complaints in the takaful third party property damage are disputes on the amount of compensation for loss of use of vehicles and application of the betterment clause which resulted in participants having to bear a portion of the costs of the damaged parts (replaced with new and/or original parts).

CASES RESOLVED

Table A3 – Comparison of Cases Handled and Resolved in 2016 (Predecessor Scheme)

Categories	Cases Handled in 2016			Cases Resolved in 2016		
	Cases Brought Forward	Cases Registered in 2016*	Total Cases Handled	Cases Brought Forward	Cases Registered in 2016	Total Cases Resolved
Conventional Insurance						
General Insurance (Motor)	122	226	348	122	191	313
Life Insurance	56	173	229	56	161	217
General Insurance (Medical)	12	51	63	12	45	57
General Insurance (Non-Motor)	27	89	116	27	69	96
Third Party Property Damage	18	28	46	18	27	45
Total Conventional	235	567	802	235	493	728
Takaful						
Family	29	75	104	29	72	101
Motor	18	82	100	18	61	79
General	5	14	19	5	14	19
Third Party Property Damage	1	10	11	1	10	11
Total Takaful	53	181	234	53	157	210
GRAND TOTAL	288	748	1,036	288	650	938

(*Note: For the period 1 January – 30 September 2016)

Chart A4(a) - Comparison of Conventional Insurance Cases Resolved in 2015 and 2016 (Predecessor Scheme)

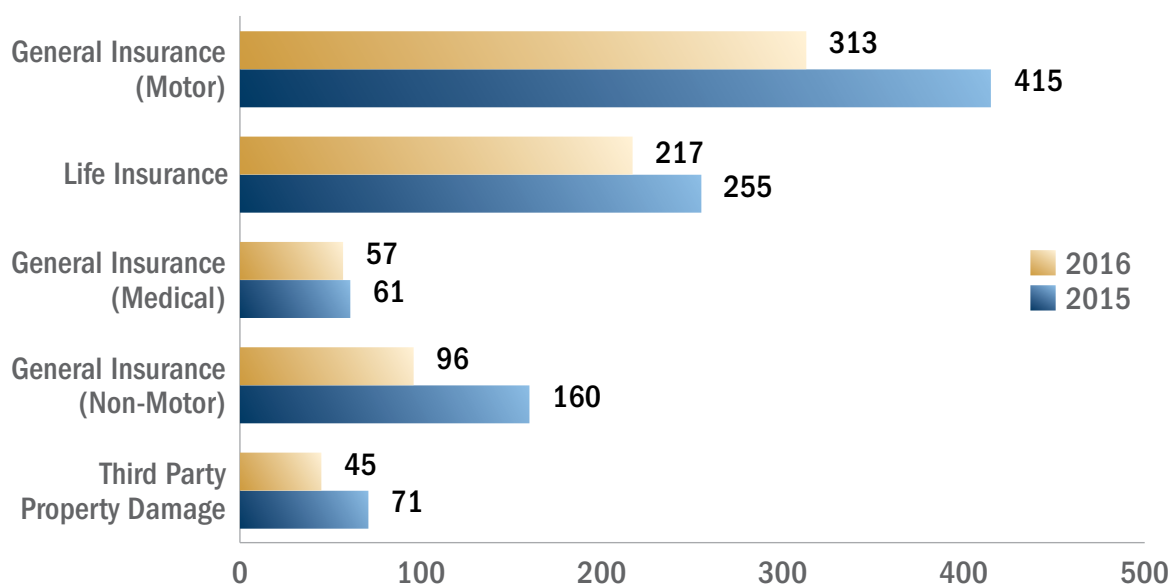
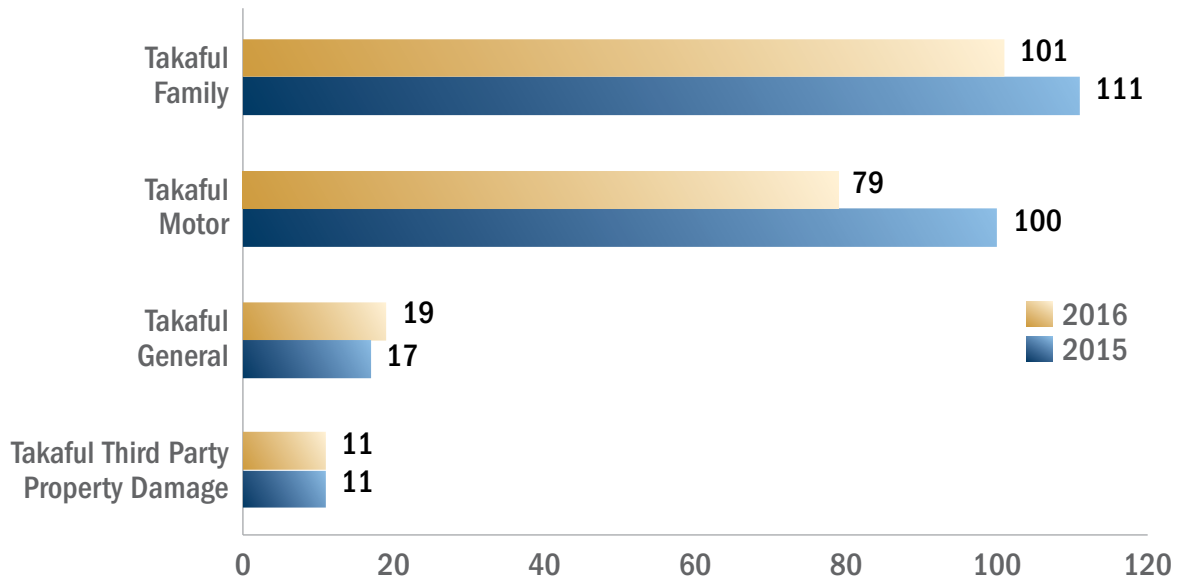


Chart A4(b) - Comparison of Takaful Cases Resolved in 2015 and 2016 (Predecessor Scheme)



The total number of cases resolved under the Insurance (including Takaful) sector under the predecessor scheme for the period 1 January 2016 to 31 December 2016 was 938. All the 288 cases which were brought forward from 2015 were resolved in 2016. As for the 748 new cases registered under the predecessor scheme, 86.9% (i.e. 650 cases) were resolved and closed as at 31 December 2016.

As at 31 December 2016, there were only 98 pending cases under the predecessor scheme, of which, 24 cases were from the takaful sector and the remaining 74 cases were from the conventional insurance sector.

MANNER OF DISPOSAL

Table A5 - Analysis of Cases Resolved in 2016 (Predecessor Scheme)

Categories	Resolved through Mediation	Decision by Mediator		Sub-Total Cases Resolved	Others (No Response, Withdrawal)	Total Cases Resolved
		Mediator Revised FI Decision	Mediator Upheld FI Decision			
Conventional Insurance						
General Insurance (Motor)	86	0	195	281	32	313
Life Insurance	61	0	136	197	20	217
General Insurance (Medical)	12	0	40	52	5	57
General Insurance (Non-Motor)	23	0	69	92	4	96
Third Party Property Damage	29	0	13	42	3	45
Total Conventional	211	0	453	664	64	728
Takaful						
Family	19	0	71	90	11	101
Motor	18	0	51	69	10	79
General	7	0	12	19	0	19
Third Party Property Damage	10	0	1	11	0	11
Total Takaful	54	0	135	189	21	210
GRAND TOTAL	265	0	588	853	85	938

In 2016, out of the 853 cases which were resolved (excluding 85 cases with no response from or withdrawn by the complainants), 265 cases were resolved amicably through negotiated settlements facilitated under the predecessor scheme. The remaining 588 cases were adjudicated by the Mediators and decisions were issued in favour of the insurers or takaful operators as the decisions made were in accordance with the policy terms and conditions. We were unable to decide in favour of the claimants/participants mainly due to their:

- failure to comply with the terms, conditions and warranties of the insurance policy/certificate;
- lack of understanding of policy/certificate terms and conditions.

On the 265 cases that were resolved through mediation, the reasons/factors that had influenced the insurers'/takaful operators' to review and revise their decision upon discussion and caucus sessions with the mediation team include the following:-

- Incomplete investigation;
- Lack of thorough assessment of documents;
- Misinterpretation of policy/certificate terms, conditions and exclusions;
- Insufficient evidence/proof;
- Failure to probe further on material facts disclosed at the underwriting stage;
- Goodwill/discretion exercised after extenuating circumstances of the case were highlighted;
- Failure to take into consideration the Bank Negara Malaysia's Guidelines;
- Failure to seek clarifications on material facts from the insurance/takaful agents;
- Failure to take into consideration the judicial precedents of the courts and the lack of justification for rejection of a claim.

FINANCIAL OMBUDSMAN SCHEME (FOS)

With the implementation of the Financial Ombudsman Scheme (FOS) with effect from 1 October 2016, 98 disputes which were registered under the predecessor scheme and remained outstanding as at 30 September 2016 were deemed to have been transferred to the FOS on 1 October 2016.

Table A4 - Analysis of Cases Handled (Received, Resolved and Outstanding) - [FOS]

Categories	Received	Resolved	Outstanding
Conventional			
General Insurance (Motor)	58	1	57
Life Insurance	48	3	45
General Insurance (Medical)	25	3	22
General Insurance (Non-Motor)	18	3	15
Third Party Property Damage	20	4	16
Total Conventional	169	14	155
Takaful			
Family	23	3	20
Motor	18	1	17
General	3	0	3
Third Party Property Damage	4	0	4
Total Takaful	48	4	44
GRAND TOTAL	217	18	199

A total of 217 cases were received from 1 October 2016 until 31 December 2016, of which, the Life and General (Medical) cases constituted 33.6% (73 cases) while the General Insurance (Motor) and the Takaful sector each recorded 26.7% (58 cases) and 22.1% (48 cases) respectively. The remaining 17.6% (38 cases) were issues related to Third Party Property Damage and General Insurance (Non-Motor).

Out of the 217 cases registered under the FOS, 17 cases were resolved at the Case Management Stage and 1 case was adjudicated by the Ombudsman. As at 31 December 2016, 199 cases registered under the FOS remained outstanding.

OFS registered 19 cases with the disputed amounts exceeding the monetary limits under the predecessor scheme, as follows:

No.	Types of Disputes	Number of Cases
1.	General (Medical)	6
2.	Life	1
3.	Motor - Takaful TPPD	1
4.	Motor - TPPD	7
5.	Motor - Own Damage	1
6.	Takaful - Family	3

Table A5 – Analysis of Cases Resolved in 2016 - [FOS]

Categories	Case Management		Adjudication		Sub-Total Cases Resolved	Others (No Response, Withdrawn)	Total Cases Resolved
	Settlement	Recommendation Accepted	Revised FSP's Decision	Upheld FSP's Decision			
Conventional							
General Insurance (Motor)	1	0	0	0	1	0	1
Life Insurance	1	0	0	0	1	2	3
General Insurance (Medical)	1	0	0	1	2	1	3
General Insurance (Non-Motor)	1	1	0	0	2	1	3
Third Party Property Damage	4	0	0	0	4	0	4
Total Conventional	8	1	0	1	10	4	14
Takaful							
Family	3	0	0	0	3	0	3
Motor	0	0	0	0	0	1	1
General	0	0	0	0	0	0	0
Third Party Property Damage	0	0	0	0	0	0	0
Total Takaful	3	0	0	0	3	1	4
GRAND TOTAL	11	1	0	1	13	5	18

A total of 17 cases were resolved at the Case Management stage of which 11 cases were settled through successful mediation and 1 case which was recommended by the Case Manager was accepted by the complainant. 5 cases were withdrawn by the complainants. Only 1 case was adjudicated by the Ombudsman in favour of the insurer as the insurer's decision was in accordance with the policy terms and conditions.

PREDECESSOR SCHEME

BANKING (INCLUDING ISLAMIC BANKING) CASES

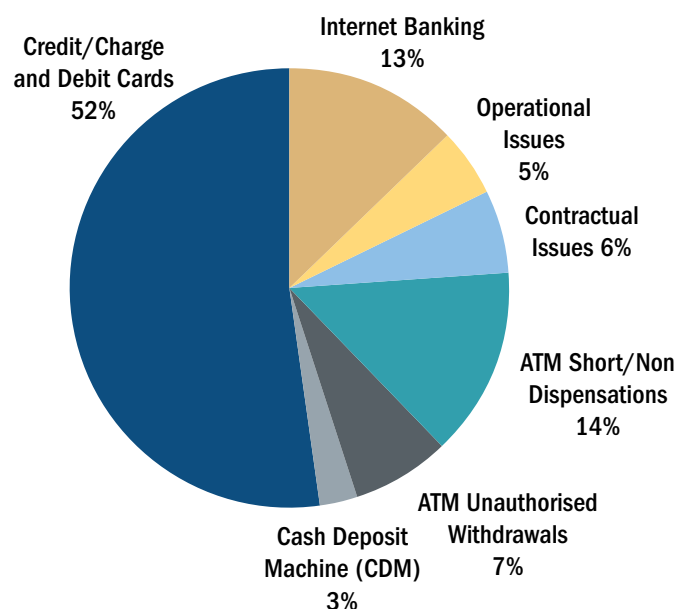
Cases Handled

Table B1 – Cases Handled in 2016 (Predecessor Scheme)

Categories	Cases Handled in 2015			Cases Handled in 2016*			
	B/f	Registered	Resolved	B/f	Registered	Resolved	Pending
Credit/Charge and Debit Cards	94	268	303	59	240	282	17
Internet Banking	65	113	137	41	60	101	0
Operational Issues	14	45	44	15	25	40	0
Contractual Issues	14	35	35	14	27	37	4
ATM Short/Non Dispensations	25	83	93	15	64	73	6
ATM Unauthorised Withdrawals	6	32	30	8	30	38	0
Cash Deposit Machine (CDM)	12	27	33	6	12	18	0
TOTAL	230	603	675	158	458	589	27

(*Note: For the period 1 January – 30 September 2016)

Chart B2 - Banking/Islamic Banking Cases Received in 2016 (Predecessor Scheme)



The total number of banking cases (Conventional and Islamic banking) registered under the predecessor scheme as at 30 September 2016 were 458 cases. All new cases received with effect from 1 October 2016 were registered under the Financial Ombudsman Scheme. 52.4% of the disputes received under the predecessor scheme were related to Credit/Charge and Debit Card. The remaining 47.6% related to disputes on Internet Banking, Automated Teller Machines, Cash Deposit Machines, Operational and Contractual Issues.

Credit/Charge and Debit Cards

The disputes handled in 2016 were mainly related to lost/stolen cards (64.2%) and compromised cards (19.4%) whilst the remaining cases consisted of disputes relating to online and cash advance transactions (16.1%).

In 2016, we received several credit card disputes relating to online transactions especially involving 'phishing' email scams. In such cases, the fraudster would normally send a 'phishing' email with a fake website link to the complainant's personal email address. The 'phishing' email would notify the complainants that their accounts has been suspended due to security reasons and they were required to validate their account by clicking on the 'link' in PDF form provided by the fraudster. The 'link' would lead to a fake bank website which requires the complainant to key in his user name and password. The fraudster would then use these details to login to the complainant's account and perform third party online transfers. This modus operandi is usually used by a fraudster involving credit card product with an unsecured personal overdraft facility whereby fund transfers were performed online.

There was also an increase in cases where cardholders participated in investment schemes using their credit cards only to subsequently discover that they were scammed. As for disputes relating to online purchase transactions performed via non-3D secure platform, we noted that the issuing banks were unable to perform the chargeback mainly because the disputes filed by the cardholders had exceeded the chargeback timeframe.

We also received a large number of disputes relating to theft of credit/debit cards which were left unattended in public places including swimming pools, car parks and fitness centre lockers.

In most instances the cardholders were generally unaware that their credit/debit cards were missing until they read the short message service (SMS) notifications sent by their bank. It is incumbent upon the cardholders to update their bank(s) with their latest registered mobile number. This would enable the bank(s) to immediately contact them to verify any suspicious transactions and to block the credit/debit card from any further attempts to use the card. We noted in a number of cases that there were delays on the part of the cardholders in responding to the bank's SMS alerts because they were not using their mobile phone that is registered in the bank's data base at the time of the alleged unauthorised transactions. We are of the view that while customers are required to take proactive steps to safeguard their credit/debit cards at all times, the banks should also closely monitor any unusual transaction patterns which differed from their customers' usual spending patterns and contact their customers to verify any unusual transaction.

Internet Banking

About 90% of the internet banking cases registered in 2016 involved 'phishing' scam whereby a fraudster would impersonate the bank and send emails to customers requesting them to urgently update their personal information, to avoid disruption of their online banking services and access to their accounts. These emails contain a link which customers are required to click and enter their username and password to login and subsequently enter a Transaction Authorisation Code (TAC). These credentials are then used by the fraudster to perform unauthorised transactions without the customer's knowledge.

Internet Banking (IB) users are constantly reminded to be cautious and vigilant and to always observe the security measures prescribed by their banks. IB users should always type in the bank's Uniform Resource Locator (URL) in the browser and refrain from accessing their bank's internet banking portal via search engines to avoid clicking on bogus links and/or fraudulent websites that resemble the bank's actual website. The users should always ensure that the image and phrase chosen are correct before entering the password. IB users are reminded to read the contents of the TAC sent via SMS carefully before entering the TAC. The banks are also reminded to ensure that the information contained in the SMS alerts are short, precise and accurate so that the users are able to easily understand and contact their bank immediately when the purpose of the TAC differs from the intended transaction. We note that a large number of victims failed to read the SMS carefully and eventually fell victim by entering the TAC at the fake website (*refer to Case Studies B05*).

We also observed that the banks have continuously reminded their customers to refrain from responding to any SMS or phone calls informing them that they have won a cash prize from a certain contest. Those who respond would be lured by the fraudster to perform certain functions at the Automated Teller Machine (ATM) to purportedly enable the prize monies to be credited into their account. Instead, the victim had unknowingly registered for an Internet Banking facility which enabled the fraudster to perform unauthorised transactions. The bank should act promptly upon receiving IB complaints from their customers. On the other hand, customers should ensure that they report the facts clearly and accurately to the bank so that the attending officer could take the appropriate steps, including deactivating the internet banking facility immediately to prevent further unauthorised transactions (*refer to Case Studies B04*).

We commend the banks for their continuous effort to promote awareness to educate the public on the risk, precaution and best practices of IB usage through materials published in their website, newspaper articles and also on social media. It is heartening to note that the banks have also enhanced their system and controls to ensure that their customers do not fall victim to such scams.

Operational Issues

Out of a total of 40 cases handled as at 30 September 2016, 15 cases were carried forward from 2015 and 25 new cases registered up to 30 September 2016. The bulk of the new cases received in 2016 were related to mis-selling of the structured/investment linked/bancassurance involving disputes on dual currency, bancassurance, Floating Rate Negotiable Instrument of Deposit (FRNID) and investment linked products. With effect from 5 September 2016, all disputes relating to capital market products and services offered by banks pursuant to the Capital Markets and Services Act 2007 would be handled by the Securities Industry Dispute Resolution Center (SIDREC).

■ Operational Issues – Bancassurance/FRNID Products

In regard to the bancassurance and investment linked insurance products, the issues observed here involved allegations of mis-selling/misleading advice where the complainants alleged that they were tricked into opening a 'special savings and/or fixed deposit account' which was in fact an insurance related product. The complainants were also forced to pay exorbitant monthly/annual premiums which were sometimes beyond their financial capability. We wish to emphasise that the bank's sales staff should comply with the proper sales

procedures and guidelines prescribed to ensure that their customers/potential investors fully comprehend the product features and its inherent risks. The sales staff should also prepare a checklist at the point of investment to confirm that the full set of documents were furnished to the complainant before signing up for the product. **Bank Negara Malaysia's Guideline on Product Transparency and Disclosure (BNM/RH/GL 000-3)** emphasises the need for banks to increase product transparency and disclosure and ensure that the financial products marketed are suitable to the needs and resources of the customers.

Banks must ensure that pertinent documents such as the product disclosure sheet, terms and conditions and the sales illustration are signed by the customers/potential investors and copies of the same are given to them. Banks are also reminded to maintain a checklist of all executed documents. The customers/potential investors should initial against the relevant clauses/warning in the documents as an indication that these warnings were read and understood by the customers/investors. It is important for banks to conduct an independent post/after sale call back review to assess the investor's appreciation and understanding of the inherent risks of the investment. We suggest that these calls should be documented and/or recorded as proof of the customers' appreciation of the risk inherent in the investment-linked insurance products. On the other hand, customers are advised to read the application/account opening form/other documents and obtain independent financial advice before signing up for a product.

■ **Operational Issues – Payment on a Banker's cheque**

A point of concern that was raised in a cheque dispute was whether the bank could accept its customer's instruction to stop payment on a banker's cheque issued to the customer for payment made to a third party. We are of the view that since a banker's cheque constitutes a guaranteed payment to the payee it can only be cancelled if it was reported as lost, stolen, destroyed and/or found to be counterfeit. The banker's cheque should not be subjected to a countermand. According to **Bank Negara Malaysia's Guideline on Consumer Product and Market Conduct Department - Banking Products and Services (BNM/RH/GL 001-3)**, a cashier's order/banker's cheque issued by the bank can only be cancelled in instances where the ownership of the funds has not passed to the beneficiary. In one instance, we noted that the bank had cancelled its banker's cheque at the instruction of the purchaser after the banker's cheque was given to the beneficiary and the same has been deposited into his account (*refer to Case Studies B09*).

■ **Operational Issues – Fixed Deposit and Savings Account**

The Letter of Indemnity (LI) is a very important document to resolve disputes related to the withdrawal of cash from fixed deposit and savings account. The LI is pertinent evidence that the complainant had acknowledged that the fixed deposit certificate or the savings account passbook was lost and had requested for a replacement certificate or passbook. The LI is also proof that the certificate or passbook was cancelled and the complainant's undertaking to return the same to the bank if it was found and indemnify the bank against all claims, demands, losses, damages, cost, charges and expenses which the bank may sustain, incur or be liable. The banks are advised to keep the LI in perpetuity in the event of a dispute from their customers.

Contractual Issues

The common disputes handled under contractual issues are related to claims of excessive interest charged by the bank. During the review and investigation, we found that in one instance, the bank had miscalculated the instalment amount on the wrong loan tenure resulting in a shortfall in the repayment amount. In this case, even though the borrower had serviced the monthly instalments promptly according to the contract, the outstanding loan principal remained high at the end of the loan tenure. This led to the dispute on the excessive interest charged due to the short payment of instalment (*refer to Case Studies B10*). At times, the discrepancies between the instalment amount and the loan tenure were due to clerical errors in the manual input and/or a glitch on the loan system. It is imperative that banks set up an audit team to regularly review the loan accounts to ensure discrepancies in the loan repayment and loan tenure are detected and rectified at an early stage.

Automated Teller Machines and Cash Deposit Machine Issues

■ **Unauthorised ATM withdrawals**

The common disputes handled in 2016 were related to the loss of money arising from lost/stolen cards, compromised card/PIN and shoulder surfing at the ATMs.

As the bulk of the cases involved compromised card/PIN, we opine that upon receipt of a complaint, the banks should preserve the closed-circuit camera (CCTV) recording as this is an important evidence to help resolve such disputes. If the complainant does not recognise the withdrawer at the ATM, the CCTV footage would assist the complainant if he/she decides to pursue the case with the police.

It is also suggested that when the banks receive their customer's lost/stolen cards reports and request to block their cards, the banks should inquire the number of cards held by the customers and ensure that all the customer's cards that are lost/stolen are also blocked. We note that in one instance, the complainant who had lost her wallet containing her credit and ATM/debit cards to a snatch thief had reported it immediately to the bank. The complainant had also informed the bank that she had a savings account besides her credit card. However, the bank had only blocked her credit card but not her ATM/debit card. The bank's failure to block the complainant's ATM/debit card had resulted in substantial loss of money from the complainant's savings account (*refer to Case Studies B07*).

■ **Cash Deposit Machines**

The common complaint received under cash deposit machines (CDM) involved cash deposited into the CDM but the account was short credited. We observed that in many instances, the depositors did not count their cash before they deposited the money into the CDM. The banks are able to substantiate the number of notes inserted into the CDM through the record in the CDM Electronic Journal. Therefore, depositors are advised to diligently count their cash before depositing the amount into the CDM.

■ Non-dispensation and short dispensation of cash

From our investigation of non-dispensation of cash complaints, the recurring issue observed are the customers' failure to wait at the ATM for the cash to be dispensed. The Financial Service Providers' (FSPs) closed-circuit camera (CCTV) recordings revealed in many instances that the customers leave the ATM immediately after retrieving the card without waiting for the dispensation of cash. This normally occurs when the customer's first withdrawal attempt was unsuccessful due to a certain error, i.e. when the cash denomination requested was unavailable or the ATM card's embedded chip was unreadable. Subsequently, the customer performed a second withdrawal which was successfully executed. However, in a large number of cases, the customers mistakenly assumed that the second withdrawal was also unsuccessful and leave the ATM after retrieving the card without waiting for the cash to be dispensed. The dispensed cash was then taken by a subsequent customer (*refer to Case Studies B08*). In such circumstances, the FSPs are advised to trace and contact the customer who took the dispensed cash and endeavour to recover the cash.

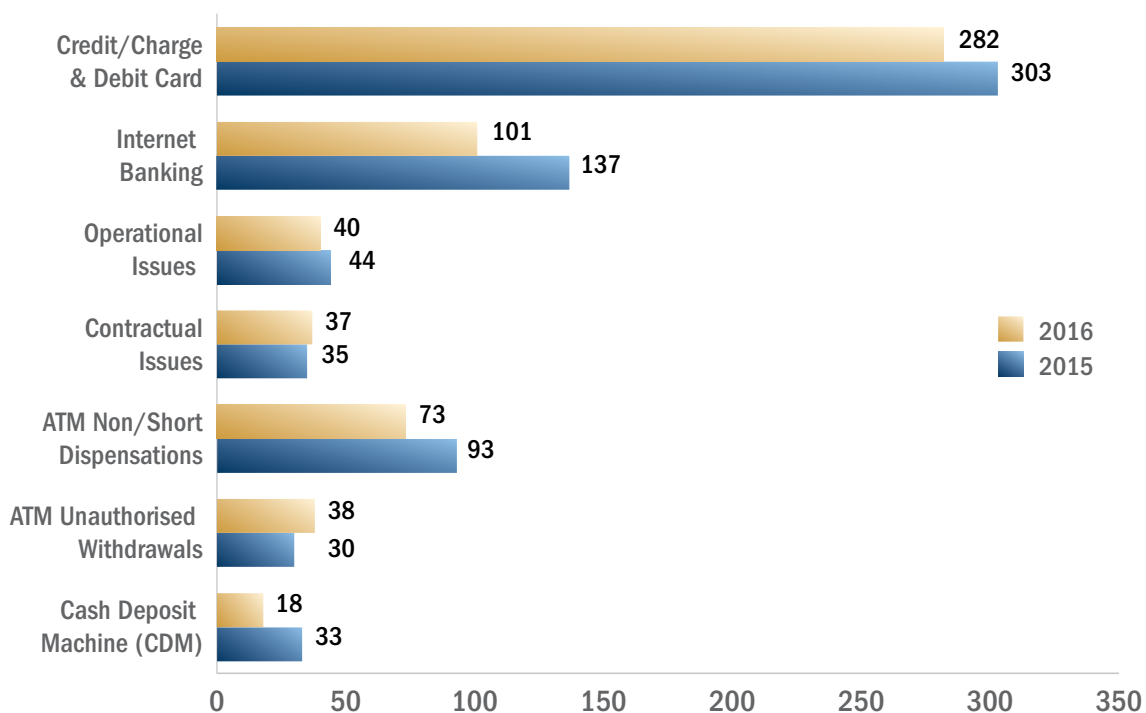
CASES RESOLVED

Table B3-Comparison of cases Handled and Resolved in 2016 (Predecessor Scheme)

Categories	Cases Handled in 2016			Cases Resolved in 2016		
	Cases Brought Forward	Cases Registered in 2016*	Total Cases Handled	Cases Brought Forward	Cases Registered in 2016	Total Cases Resolved
Credit/Charge and Debit Cards	59	240	299	59	223	282
Internet Banking	41	60	101	41	60	101
Operational Issues	15	25	40	15	25	40
Contractual Issues	14	27	41	14	23	37
ATM Short/Non Dispensations	15	64	79	15	58	73
ATM Unauthorised Withdrawals	8	30	38	8	30	38
Cash Deposit Machine (CDM)	6	12	18	6	12	18
TOTAL	158	458	616	158	431	589

(*Note: For the period 1 January – 30 September 2016)

Chart B4 - Comparison of Cases Resolved in 2015 and 2016 (Predecessor Scheme)



The total number of cases resolved in 2016 was 589 cases. All the outstanding cases brought forward from 2015 were resolved in 2016. As for the new cases registered in 2016, about 94% were resolved within the year. The respective mediation teams were very mindful of the timeline set to resolve cases registered under the predecessor scheme and had endeavoured to resolve the cases registered under the predecessor scheme by December 2016.

As at 31 December 2016, there were only 27 outstanding cases under the predecessor scheme which comprised Credit/Debit card cases, Non-dispensation of cash and Contractual Issues. There were no outstanding cases involving Internet Banking, Operational Issues, Unauthorised ATM Withdrawals and Cash Deposit Machines.

MANNER OF DISPOSAL

Table B5 – Analysis of Cases Resolved in 2016 (Predecessor Scheme)

Categories	Resolved through Mediation	Decision by Mediator		Sub-Total Cases Resolved	Others (No Response, Withdrawal)	Total Cases Resolved
		Mediator Revised FI Decision	Mediator Upheld FI Decision			
Credit/Charge and Debit Cards	186	26	58	270	12	282
Internet Banking	90	0	0	90	11	101
Operational Issues	27	7	5	39	1	40
Contractual Issues	27	6	4	37	0	37
ATM Short/Non Dispensations	33	2	33	68	5	73
ATM Unauthorised Withdrawals	25	1	10	36	2	38
Cash Deposit Machine (CDM)	2	4	11	17	1	18
Total	390	46	121	557	32	589

A total of 557 cases were resolved in the year 2016 (excluding cases with no response from or withdrawn by the complainants). Out of the 557 cases, 390 cases (70%) were amicably settled through negotiation and conciliation process. The remaining 167 (30%) cases were decided by the Mediator by either upholding the decision of the bank (121 cases: 72%) or revising the decision of the bank (46 cases: 28%).

For credit/debit card cases, 68.9% were resolved via mediation largely due to the willingness of the banks and customers to resolve disputes amicably. The slight increase was attributed to the willingness of the banks and customers to resolve disputes amicably through mediation. The number of cases where OFS had revised the bank's decision through adjudication was 26 cases in 2016. As for internet banking, 100% of the cases

were resolved by way of mediation in 2016, as well as in 2014 and 2015. This confirms that mediation is an effective tool to facilitate the resolution of cases expeditiously.

As for Operational Issues, out of the 39 cases resolved, 27 cases (69.2%) were resolved through mediation and 12 cases (30.8%) were adjudicated. Out of the 12 cases adjudicated, 41.7% were upheld whilst 58.3% of the cases were decided in favour of the complainants. It is noted that the bulk of the cases involving bancassurance, structured investments and investment-linked insurance disputes were resolved through negotiated settlement.

For disputes involving unauthorised ATM withdrawals, 25 out of 36 cases resolved (69.4%) were settled through mediation and 11 cases (30.6%) were adjudicated. Out of the 11 cases adjudicated, 10 cases (91%) were upheld and only 1 case was decided in favour of the complainant.

We are pleased to note that the successful resolution of the unauthorised withdrawal cases was largely attributed to the availability of the CCTV recordings. The CCTV recordings are often shown to the complainant during the mediation proceedings and the case is resolved immediately once the complainant recognises the withdrawer. With this, we are of the view that such cases can be resolved at the bank's level had the bank immediately preserved the CCTV recording and/or to obtain the recording from the respective MEPS bank where the ATM is involved upon receipt of a dispute on unauthorised ATM withdrawals and the CCTV recording was shown to the complainant.

FINANCIAL OMBUDSMAN SCHEME

BANKING AND ISLAMIC BANKING

With the implementation of the Financial Ombudsman Scheme (FOS) on 1st October 2016, the 27 banking cases which remained outstanding under the predecessor scheme were deemed transferred to the FOS.

Table B6 - Analysis of Cases Handled (Received, Resolved and Outstanding) - [FOS]

Categories	Received	Resolved	Outstanding
Credit/Charge & Debit Card	104	16	88
Internet Banking	11	0	11
Operational Issues	13	2	11
Contractual Issues	12	0	12
ATM Non/Short Dispensations	17	0	17
ATM Unauthorised Withdrawals	5	1	4
Cash Deposit Machine (CDM)	3	0	3
Total	165	19	146

Under the FOS, a total of 165 cases were received between October 2016 and December 2016. The bulk of the cases received are related to credit/debit cards. Out of the 165 cases received, 19 cases were resolved at the Case Management stage and 146 cases remained outstanding as at 31 December 2016.

The common disputes received under the credit/debit card category are lost/stolen cards, online transactions and chargeback issues relating to wine investment company scams.

The types of disputes handled under operational issues involved payment of altered cheques, interest paid on a savings account and alleged mis-selling of investment-linked insurance and bancassurance. The disputes dealt with under contractual issues category mainly related to excessive interest/profit on loan/financing.

The types of disputes received under the Internet Banking category consisted mainly of 'phishing' and SMS/phone scams.

The monetary limit for Conventional and Islamic Banking disputes under the FOS has increased from RM100,000.00 to RM250,000.00. Generally, the disputed amount for the majority of cases received under the FOS was less than RM100,000.00. Nevertheless, only two cases with the disputed amount above RM100,000.00 were received as follows:

No.	Types of Disputes	Number of Cases
1.	Credit Card	1
2.	Contractual Issues	1

Table B7 – Analysis of Cases Resolved in 2016 – [FOS]

Categories	Case Management		Adjudication		Sub-Total Cases Resolved	Others (No Response, Withdrawn)	Total Cases Resolved
	Settlement	Recommendation Accepted	Revised FSP's Decision	Upheld FSP's Decision			
Credit/Charge & Debit Card	14	0	0	0	14	2	16
Internet Banking	0	0	0	0	0	0	0
Operational Issues	2	0	0	0	2	0	2
Contractual Issues	0	0	0	0	0	0	0
ATM Non/Short Dispensations	0	0	0	0	0	0	0
ATM Unauthorised Withdrawals	1	0	0	0	1	0	1
Cash Deposit Machine (CDM)	0	0	0	0	0	0	0
TOTAL BANKING/ ISLAMIC BANKING	17	0	0	0	17	2	19

A total of 19 cases were resolved at the Case Management stage of which 17 cases were settled through successful mediation and 2 cases were withdrawn by the complainants. The majority of the cases resolved were under the credit/charge and debit card category. There were no cases referred to the Ombudsman for Adjudication.

Case Studies



Case Studies

INSURANCE (including TAKAFUL)

MOTOR

Case A01: Cheating

Background

The insured vehicle was stolen by a group of persons who had impersonated as policemen (perpetrators). The perpetrators who were in an MPV had overtaken the insured's vehicle and blocked his path. One of them wore a police vest and introduced himself as a policeman. He switched off the engine, instructed the insured to alight from the vehicle and asked the insured to produce his identity card. The insured was accused of carrying drugs in the vehicle. The insured denied the allegation and the perpetrator asked his accomplice to check the vehicle. The accomplice then entered the vehicle and drove the vehicle away whilst the perpetrator sped off in the MPV.

The insured submitted a theft claim to the insurer for the loss of the vehicle. The insurer rejected the claim on the recommendation of the licensed loss adjuster pursuant to Exception 4 (e) to section A of the policy which states:

We will not pay for:

(e) any loss or damage caused by or attributed to the act of cheating/criminal breach of trust by any person within the meaning of the definition of the offence of cheating/criminal breach of trust set out in the Penal Code.

Investigation and Findings

The Mediator noted that the issue to be determined is whether the factual circumstances of the case constituted 'theft' or 'cheating', as defined in the Penal Code.

The Mediator observed from the facts of the case that the incident had occurred at about 4.45am and the insured was alone. There were more than 2 perpetrators involved and they were wearing police vests. Further, the insured's path of travel was blocked by the perpetrators' MPV.

The Mediator made reference to the case of **Ayob Bin Salleh v Am General Insurance Bhd & Anor (2015) 6 CLJ**, whereby the plaintiff's vehicle was taken by three men who impersonated as motor re-possessor from a finance company where a hire purchase loan for the motor vehicle was taken. The alleged re-possessors were actually motor thieves. S. Nantha Balan, JC (as he then was) held:

The plaintiff had parted with the said vehicle as he genuinely believed that the three men were motorcar re-possessors from the finance company. By parity of reasoning, the three men in the instant case who

took the vehicle from the plaintiff could similarly be described as car thieves who pretended to be motor car re-possessors. The loss of the vehicle was due to an event of theft by three unknown persons who intended to and did steal the vehicle. Ultimately, the vehicles were stolen from the rightful owners.

Although the adjuster opined that the plaintiff 'voluntarily' handed over the keys, the plaintiff had no choice as he really did not know what he was dealing with. Hence, the safest thing to do would be to hand over the keys as there is no telling on what could have happened if he refused to give the keys. It would not be fair to say that the plaintiff voluntarily parted with the said vehicle. Rather, the said vehicle was taken from him by the three men who pretended to be re-possessors.

The plaintiff's reaction was normal, reasonable and sensible in light of all the circumstances, hence, the exception to the policy did not apply as this was a case of theft.

The court in the above case had also referred to the Federal Court case of **Malaysian Motor Insurance Pool v Naza Motor Trading Sdn Bhd [2011] 9 MLJ 605** and stated 'the facts of the present case are not very different from the Naza Motor case (supra). Just as the insured in the Naza Motor case had allowed the 'buyer' to take possession of the motorcar, here too the Plaintiff parted with the said vehicle as he genuinely believed that the three men were motorcar re-possessors from the finance company.'

Thus, the Mediator highlighted to the insurer that the circumstances leading to the loss of the insured's vehicle were similar to the above decided cases.

Settlement

The insurer agreed with the Mediator's observation and settled the claim with the insured.

Case A02: Breach of Limitation as to use

Background

The insured's motor lorry had caught fire and it was completely burnt beyond repair. The insured submitted an 'Own Damage' claim to the insurer for the cost of repair.

The adjuster appointed to investigate the loss reported that the vehicle was used for hire and reward at the material time of the accident. The insurer repudiated the claim pursuant to the 'Limitation as to use' clause in the Certificate of Insurance which reads as follows:

Limitation as to use

Use in connection with the Policyholder's business

Use for the carriage of passengers (other than for hire and reward) in connection with the Policyholder's business.

Use for social, domestic and pleasure purposes.

Investigations and Findings

The loss adjuster's findings revealed that the vehicle was used for hire and reward at the material time of the accident and furthermore, the commercial vehicle policy of the insured vehicle did not cover the usage for hire and reward. The insurer contended, based on the adjuster's report that they were not liable under the 'Own Damage' claim.

The insured on the other hand alleged that he had prior to the purchase of the policy disclosed to the insurer's agent all the material facts related to the nature of his business as '*Wakil Pengangkutan*' together with the necessary documents, including a copy of the Borang D (Registration Form) which the insured submitted to the Companies Commission of Malaysia (CCM).

At the request of the Mediator, the insurer furnished a detailed adjuster's report on the explanation from the agent and also clarification from the Land Public Transport Commission (SPAD) which are as follows:

- (a) There are two types of permit for the commercial vehicles, that is, 'A Permit' and 'C Permit'.
- (b) Vehicles under 'A Permit' can be used for delivering their own goods and/or others goods (clients' goods) while vehicles under 'C Permit' could only deliver their own goods.
- (c) For vehicles under 'C Permit' which is below 5000kg, SPAD do not issue any permit and/or letter. However, if the owner under a 'C Permit' is running a business for hire and/or reward, he must apply for a permit and/or letter from SPAD to change from 'C Permit' to 'A Permit'.
- (d) For vehicles under 'C Permit' which is above 5000kg, the owner has to apply for the permit and/or letter from SPAD.

According to the adjuster's report, the insured had registered his business with the Companies Commission of Malaysia stating its nature of business as '*Wakil Pengangkutan*'. Thus, the insured must apply and/or refer to SPAD to change the permit from 'C Permit' to 'A Permit' allowing him to conduct his business in accordance with the business registration. If the insured did not obtain a permit and/or letter from SPAD, then the insurer's agent who had issued the commercial vehicle policy would have to select the normal Commercial Vehicle under 'C Permit' which is a standard option in the system i.e. 'Agent Quotation for Motor Insurance'.

The adjuster concluded that the insured had not only breached the scope of cover provided under the commercial vehicle policy, but he had also contravened the Road Transport Act by carrying goods for hire and reward when the said vehicle had no valid permit issued by SPAD to carry such goods at the material time of loss.

In regard to the insurer's agent who had issued the policy for the insured, it was acknowledged that even though the agent's staff had followed the Standard Operating Procedure in issuing the commercial vehicle policy to the insured, the staff nevertheless was not well aware of the options available in the system and its requirement.

The Mediator observed that the agent's staff had issued a standard commercial vehicle policy even though the policyholder had submitted the necessary documents to apply for the 'A Permit'. The Mediator was of the view

that had the staff clarified further with the insured on the nature of his business as 'Wakil Pengangkutan' and advised him appropriately, then the dispute on the coverage issue could have been avoided upon submission of claim.

During the caucus session held with the insurer, the Mediator highlighted that while the insureds have a responsibility to read and understand the policy terms and conditions, insurers are equally responsible to ensure that pertinent information are made clear to the insureds prior to issuance of the insurance policy.

The Mediator noted that the agent's staff had not prior to the issuance of the standard policy informed the insured of the different types of the coverage available for commercial vehicles according to the nature of business and the types of permit, that is 'C Permit', 'C Permit With Trailer', 'A Permit' and 'A Permit With Trailer'.

The Mediator was of the view that in the circumstance of the dispute, the insured's appeal merits the insurer's consideration.

Settlement

The insurer concurred with the Mediator's observation and settled the claim on an ex gratia basis.

Case A03: Failure to Take Reasonable Precaution

Background

The insured had parked his vehicle in front of a shop and left the vehicle with the engine running when he went inside the shop. Whilst the insured was inside the shop, he saw his vehicle being driven away by an unknown person. The insured lodged a police report and submitted a 'theft claim' under the motor insurance policy to the insurer.

Investigation and Findings

The insurer repudiated the claim on the grounds that the insured had failed to take reasonable precaution to safeguard the vehicle from loss or damage pursuant to breach of policy condition 7(c) when he left his vehicle unattended (with the key in the ignition and with the engine running) when he went into the shop.

7. OTHER MATTERS

This policy will only be operative if:-

(c) *You have taken all reasonable precautions to safeguard Your vehicle from loss/damage.*

The Mediator observed that the insurer's decision was based on the insured's police report and the loss adjuster's findings. The issue to be determined is whether the insured had breached the above condition by acting recklessly or deliberately courted a danger by leaving the vehicle with the key in the ignition and the engine running.

Based on the photographs and the sketch plan of the location/position where the vehicle was parked and the insured's location inside the shop, the Mediator noted that the insured could not have a clear sight of the insured vehicle.

The Mediator was of the view that the insured was reckless by leaving his vehicle unattended, with the key in the ignition switch and the engine running while he was in the shop. The insured should have known the risk of his vehicle being stolen when the vehicle is left unattended.

Decision

The Mediator upheld the insurer's decision.

LIFE / MEDICAL

Case A04: Critical Illness Claim - Exclusion

Background

The assured's critical illness claim for '**Hodgkin Lymphoma BNL1 Grade 1**' was repudiated by the insurer on the grounds that his illness fell under the policy exclusion, as follows:-

CONDITIONS

4. CANCER

Cancer is defined as the uncontrollable growth & spread of malignant cells and the invasion & destruction of normal tissue for which major interventionist treatment or surgery (excluding endoscopic procedures alone) is considered necessary. The cancer must be confirmed by histological evidence of malignancy.

The following conditions are excluded:-

1. Carcinoma in situ including of the cervix.
2. Ductal carcinoma in situ of the breast.
3. Papillary carcinoma of the bladder and Stage 1 Prostate Cancer.
4. All skin cancer except malignant melanoma.
5. **Stage 1 Hodgkin's disease.**
6. Tumors manifesting as complications of AIDS.

Investigation and Findings

The Mediator observed that the assured had contended the following:

- (i) Grade 1 stated in the histopathology report was not similar to the Stage 1 stated in the policy; and
- (ii) The attending doctor had stated in the Cancer Doctor's Statement that the tumor was in Stage 2B.

The assured had furnished a clarification letter from the attending doctor which stated the following:

BNLI grading has nothing to do with the stage of the lymphoma which is Stage 2 confirmed on PET CT scan which showed enlarged nodes in the neck and mediastinum.

The Mediator highlighted the clarification by the attending doctor and requested the insurer to reassess the claim.

Settlement

Based on the Mediator's observation, the insurer, after obtaining further clarification from the attending doctor agreed to settle the claim.

Case A05: Death Claim – Policy Lapse

Background

The assured who was involved in a road accident had died on 23/5/2016 due to head injuries and poly trauma. The assured's wife submitted a death claim to the insurer. The insurer rejected the claim on the grounds that the policy had lapsed on 11/7/2015 due to non-payment of premium at the time of the assured's death.

Investigation and Findings

The claimant contended that the assured had paid the monthly premiums through salary deduction until May 2016. The assured's salary deduction and also payment history that was furnished by the assured's employer showed that the last premium payment was made in May 2016.

The Mediator highlighted the findings to the insurer who acknowledged that the premiums were received until May 2016 even though the assured's policy has lapsed. The insurer offered to refund the premiums paid from July 2015 to May 2016 to the claimant. However, the offer was rejected by the claimant.

The Mediator observed that:-

- (i) The insurer had issued a lapse notice dated 11/7/2015 to the assured, to inform him that the policy has lapsed on 11/7/2015. The notice had also stated '*Please ignore this Lapse Notice if payment has been made*';
- (ii) The assured had continued to pay the premiums to the insurer until before his death;
- (iii) The insurer had received the premiums unconditionally and had only agreed to refund the premiums received after the dispute was highlighted by the Mediator. The insurer should not have received the premiums after the policy had lapsed.

The Mediator was of the view that by accepting the premiums after the policy lapse date, the insurer had clearly waived the requirement of strict adherence to the payment terms, in particular, the terms as to the intervals within which payment of the premium (days of grace) was to be made. Therefore, it was inequitable for the insurer to accept the premium payments unconditionally from the assured during his lifetime, and to later avoid the policy on the grounds that the policy had lapsed at the date of death. The insurer's reasoning

that the insured had defaulted in the payment of premiums on or before its due date was incorrect as it was established that the premiums were paid until May 2016.

Settlement

The insurer agreed with the Mediator's observation and settled the claim.

Case A06: Hospitalisation Claim – Exclusion Clause

Background

The assured had undergone an executive screening program which revealed that he had an inconclusive stress test. The assured was then hospitalised for a Multi-Slice Computer Tomography (MSCT) Coronary Angiography. The outcome of the MSCT result was normal for both the left and right ventricles. The insurer had rejected the assured's hospitalisation claim on the grounds that his admission to the hospital was only investigatory in nature.

Investigation and Findings

The insurer in rejecting the assured's claim had referred to the following policy definition which states:-

1. DEFINITION

Medically Necessary shall mean a medical service which is:

- (a) *Consistent with the diagnosis and customary medical treatment for a covered Disability, and*
- (b) *In accordance with standards of good medical practice, consistent with current standard of professional medical care, and of proven medical benefits, and*
- (c) *Not for the convenience of the Life Assured or the Physician, and unable to be reasonably rendered out of hospital (if admitted as an Inpatient), and*
- (d) *Not of an experimental, investigational or research nature, preventive or screening nature, and*
- (e) *For which the charges are fair, reasonable and customary for the Disability.*

as well as the Exclusion no. 9 of the same policy which states:-

GENERAL EXCLUSIONS

The contract does not cover any hospitalisation, surgery or charges directly or indirectly, wholly or partly, by any one (1) of the following occurrences:

- 9) *Hospitalisation primarily for investigatory purposes, diagnosis, x-ray examination, general physical or medical examinations not incidental to the treatment or diagnosis of a covered Disability or any treatment which is not Medically Necessary and any preventive treatments, preventive medicines or examinations carried out by a Physician, and treatments specifically for weight reduction or gain;*

It was noted from the assured's medical report that he did not display any symptoms on admission but was advised to seek further investigation after the stress test revealed an inconclusive result.

The assured contended that his admission was medically necessary to determine the cause of his

inconclusive stress test results.

Decision

The Mediator noted that there was no specific-in-hospital treatment or surgery needed by the assured for the duration of his admission except the following diagnostic procedures, i.e. ECG, MSCT and Blood Test which was investigative in nature and could be done on an outpatient basis.

The Mediator was of the view that medically, diagnostic procedures are investigatory in nature as they are not therapeutic in nature as no healing effect are derived from it. The assured did not undergo any procedure/surgical intervention and/or any other form of active treatments.

Even though medications were prescribed to the assured, these were oral medications prescribed for the assured's existing illness, that is, diabetes mellitus and which can be administrated on an outpatient basis.

The Mediator observed that medical insurance policies were intended to cover admissions for covered disabilities or illness in accordance to or consistent with the diagnosis and not to cater for investigatory procedures. As the assured's admission was to cater solely for investigation procedure, it was not medically necessary and fell under the Exclusion no. 9 of the policy.

The Mediator upheld the insurer's decision.

Case A07: Hospitalisation Claim – Exclusion Clause

Background

The assured met with an accident while riding a motorcycle and was admitted at KPJ Specialist Hospital. The assured's claim for hospitalisation was rejected by the insurer on the grounds that the assured did not possess a valid driving licence and was excluded under the following policy exclusion:

EXCLUSION

This contract does not cover any hospitalisation, surgery or charges caused directly or indirectly, wholly or partly, by any one (1) of the following occurrences:

Sickness or Injury arising from racing any kind (except foot racing), hazardous sports such as but not limited to skydiving, water skiing, underwater activities requiring breathing apparatus, winter sports, professional sports and illegal activities;

Investigation and Findings

The Mediator observed that the insurer had repudiated the claim under 'illegal activities' for riding a motorcycle without a valid driving licence. There was no definition of illegal activities in the policy.

The Mediator highlighted to the insurer that riding a motorcycle without a valid licence was not an illegal activity such as theft, murder, illegal logging or smuggling which was punishable under the Penal Code.

The Mediator also highlighted the 'Ejusdem Generis' rule whereby when a group of specific words or phrases is followed by general words or phrases, then regard must be made to the genus or common character of the preceding words when construing the general words. The test applicable here was whether the specified things which preceded the general words could be placed under a common category. The question that arose was whether 'riding a motorcycle without a valid licence' belonged to the same genus and characteristics of '*racing any kind (except foot racing), hazardous sports such as skydiving, underwater activities requiring breathing apparatus, winter sports and professional sports*'.

The Mediator further emphasised that the sporting activities referred to racing of any kind or hazardous sports such as skydiving, underwater activities which required breathing apparatus, winter sports and professional sports. Thus, according to the 'Ejusdem Generis' principle the words 'illegal activities' should be interpreted in accordance to these sporting activities. Riding a motorcycle without a valid licence was not of the same genus or character of the other activities listed in the same clause.

As such, in the absence of a clear policy provision to exclude a claim for driving without a valid driving licence, the insurer cannot rely on the above provision to reject the claim on the grounds the assured had no valid driving licence.

Settlement

The insurer concurred with the Mediator's observation and settled the claim.

Case A08: Hospitalisation Claim: Non-Disclosure

Background

The assured had undergone an eye laser surgery at a specialist hospital on 30/10/2016 due to a left retinal tear. However, the assured's hospitalisation claim was rejected on the grounds that the assured had failed to disclose her medical history for treatment of sigmoid colitis and piles since 28/5/2013 in the proposal form dated 9/9/2015.

The insurer's decision was based on the medical questionnaire prepared by a doctor from the hospital which reported that the assured had sought consultation for sigmoid colitis and piles since 28/5/2013.

However, the assured contended that she was never diagnosed and treated for sigmoid colitis and piles and she did not meet any physician from the hospital prior to 2016.

Investigation and Findings

A copy of the medical questionnaire was furnished to the assured to seek further clarification from the hospital on the content.

The hospital acknowledged that the medical questionnaire was erroneous as it was prepared based on the records of another patient with a similar name as the assured. The hospital also confirmed that the assured had only met the physician on 31/5/2016 and not on 28/5/2013 as reported in the medical questionnaire. The hospital had also mistakenly sent the medical report which was meant for another patient based on the

different identification number stated in the questionnaire.

Based on the clarification letter obtained from the specialist hospital to the insurer, the Mediator opined that since there was no misrepresentation or non-disclosure in the proposal form dated 9/9/2014, the assured's claim should be honored and the policy reinstated.

Settlement

The insurer concurred with the Mediator's observation to reinstate the assured's policy to its original terms and settled the claim.

GENERAL INSURANCE (NON-MOTOR)

Case A09: Travel Insurance

Background

While the insured was overseas, he discovered that his wallet containing cash and credit cards were missing when he disembarked from a train. The insured submitted a claim for the loss of personal money and documents. The insurer agreed to pay the claim but subject to the limits stipulated in the policy. However, the insured rejected the offer because it was not in accordance with the limit stated in the Policy Schedule.

The insurer referred to **Section 13 of the Policy - Personal Money and Documents** which states as follows:-

*We will reimburse up to **RM1,000.00** for loss of an **Insured Person's** cash, banknotes or traveler's cheques carried for social and domestic purposes arising out of robbery, burglary or theft while the Insured Person is outside Malaysia during the journey.*

We will also reimburse the reasonable additional accommodation, travel expenses and communication expenses incurred in obtaining new passport or visa and/or travel documents due to loss by robbery, burglary or theft while the Insured Person is outside Malaysia during the Journey.

Any loss due to the negligence of the Insured Person will not be covered.

Provided such losses are not recoverable from any other source, the loss must be reported to the Police having jurisdiction at the place of loss not more than 24 hours after the incident. Any claim must be accompanied by written documentation from the Police.

Excess of RM50 for each and every incident giving rise to a claim is applicable to this **Section 13**.

Limit of Benefit Payable

This will depend on the Cover Type as indicated in the Schedule.

Investigation and Findings

The insured contended that the limit of RM1,000.00 contradicted Section 13 of the Policy Schedule which states as follows:

Section 13 – Personal Money and Documents – Up to a maximum of RM3,750.00

The Mediator highlighted the discrepancy to the insurer. Upon investigation, the insurer confirmed that the Travel Package purchased by the insured had the loss benefit limit of RM3,750.00.

The Mediator opined that the insurer should ensure that the terms in the Policy Jacket and Schedule do not contradict each other.

Settlement

The insurer agreed with the Mediator's view and revised its offer. The dispute was amicably resolved.

Case A10: Travel Insurance

Background

The insured had suffered an injury before a scheduled departure for his overseas trip. As result of the injury, he could not go for his trip. The insured submitted a claim for loss of deposit or cancellation of travel.

The claim was rejected by the insurer based on the terms stated in **Section 15 – Loss of Deposit or cancellation** which reads as follows:-

We will reimburse the unused travel fare, accommodation charges and deposits the Insured Person has paid or payments which the Insured Person is legally obliged to pay and which are not recoverable from any other source, if the journey is unavoidably cancelled due to any of the following reasons provided the Insured Person has purchased this Insurance within 7 days from payment of deposits or payment of full whichever is earlier:-

- 1) *Death, serious injury or serious illness of the Insured Person or his/her spouse, parent, parent-in-law, grandparent, child or their spouses, grandchild, brother, sister or Travel Companion or of any person with whom the Insured Person have arranged to stay with, provided such Serious Injury or Serious Illness **requires hospitalisation of no less than 3 days:***

Investigation and Findings

The Mediator observed that the insurer's agent did not furnish the Policy Jacket to the insured. The agent had only furnished the Policy Schedule and brochure to the insured.

The Mediator was of the view that the insurer should ensure that the Policy Jacket containing the full policy terms and conditions was made available to the insured for their reference.

Decision

The insurer agreed with the Mediator's observation and the dispute was amicably resolved.

TAKAFUL

Case A11: Takaful General (Damage to water tank area due to natural causes)

Background

Due to heavy rain, water had over-flowed from the retention water tank area to the family hall and surrounding walls of the participant's home. The Participant had appointed a contractor to carry out the repair works. The contractor discovered that the extensive growth of plants on the roof had caused the pipe to burst and the roots of the plants had entered the water outlet. The participant made a claim under the Houseowner/ Householder Takaful Certificate for the costs of the repair works.

The takaful operator rejected the claim as the Certificate provided coverage for the loss or damage as a result of bursting or overflowing domestic water tanks, apparatus or pipes and not to the damaged water tank or pipe itself.

The Certificate states:

THE COMPANY will by payment or at its option by reinstatement or repair INDEMNIFY the Participant against loss or damage to the property covered caused by any of the undermentioned Perils:

PERILS

1. FIRE, LIGHTNING, THUNDERBOLD, SUBTERRANEAN FIRE.
2. EXPLOSION.
3. AIRCRAFT and other aerial devices and/or articles dropped therefrom.
4. IMPACT with any of the buildings by any road vehicles or animals not belonging to or under the control of the Participant or any member of his family.
5. BURSTING OR OVERFLOWING OF DOMESTIC WATER TANKS, APPARATUS OR PIPES excluding:
 - (a) in respect of each and every loss the amount stated in the Schedule.
 - (b) destruction or damage occurring while the Private Dwelling house is left untenanted.
6. THEFT but only if accompanied by actual forcible and violent breaking into or out of a building or any attempt thereat.
PROVIDED that in the event of the private dwelling being left without an inhabitant therein for more than ninety (90) days whether consecutively or not in any one period of Takaful the cover against this Peril shall, unless otherwise agreed by Endorsement hereon, be entirely suspended in respect of any period or periods during which the Private Dwelling may be unoccupied in excess of the aforesaid ninety (90) days.
7. HURRICANE, CYCLONE, TYPHOON, WINDSTORM subject to the following Excess Clause.
8. EARTHQUAKE, VOLCANIC ERUPTION subject to the following Excess Clause.
9. FLOOD but excluding loss or damage caused by subsidence or landslip; subject to the following Excess Clause.

Investigation & Findings

The loss adjuster's findings and the participant's contractor confirmed that the excessive growth of plants had damaged the pipe and caused the flooding.

The takaful operator explained that they would indemnify the participant for the resultant damage to the covered property caused by/due to the burst pipes or water tank for example damage to the wall paintings, ceiling and kitchen cabinets or flooring. The takaful operator advised that the water tank or the pipe itself and the hacking of the wall to repair the damaged pipes/tanks were not covered.

During the mediation proceedings, the participant had explained that he had repainted the walls because it was discoloured due to the flooding and the parquet floor was slightly damaged but no repairs works were done.

The takaful operator agreed to reimburse the cost for repainting the walls if the participant could provide the receipts. However the participant was unable to produce the receipts for the repainting works.

Decision

The Mediator confirmed the takaful operator's decision.

Case A12: Takaful Family (Claim does not fall within the Certificate's definition of overseas treatment)

Background

The participant claimed that she was suffering from 'cancer' and had sought treatment from a hospital in Singapore. She submitted a claim for 'overseas treatment' under the Certificate.

Investigation and Findings

The participant had gone overseas to seek medical treatment based on a letter from the National Cancer Centre Singapore. The participant's claim was repudiated on the grounds that her condition did not fulfill the Certificate's definition of overseas treatment which reads as follows:

2. Description of benefit

5. Overseas Treatment

5.1 If the Participant seeks treatment overseas, benefits in respect of the treatments shall be covered subject to the exclusions, limitation and conditions specified in this contract and all benefits will be payable based on the official exchange rate... provided:

- (a) **a participant traveling abroad for a reason other than for medical treatment, needs to be confined to a hospital outside Malaysia as a consequence of a medical emergency; or**
- (b) **a participant upon recommendation of a physician and has to be transferred to a hospital outside**

Malaysia because the specialised nature of the treatment, aid, information or decision required can neither be rendered nor furnished nor taken in Malaysia.

The Mediator noted that the benefits under clause 5.1(a) were payable only if the admission in overseas hospital was a result from an emergency health condition and the trip overseas was not solely for the purpose of seeking medical treatment, i.e. a leisure or business trip or for studies, etc. The treatment sought overseas must be based on the recommendation made by a physician to confirm that such treatment or specialised nature of the treatment was not available in Malaysia.

The Mediator noted that the participant had travelled to Singapore primarily to seek medical treatment for her illness. This was supported by her statements in her letter whereby it was stated that she had sought treatment from a hospital in Singapore due to *'immense distress both physically and mentally'*. The Mediator observed that for the participant to be able to claim under clause 5.1(b), the treatment sought overseas must be based on the recommendation made by a physician that such treatment or specialised nature of the treatment is not available in Malaysia. In this case, the Mediator noted from the supporting documents furnished by the participant, there was no evidence to justify that the treatment received in Singapore was not available in Malaysia. Therefore, the claim did not fulfil the Certificate's definition of 'overseas treatment'.

Decision

Based on the facts and circumstances of the case, the Mediator upheld the takaful operator's decision.

Case A13: Takaful General (Claim does not fall within ambit of Certificate's coverage)

Background

The participant made a claim for the loss/damage to his retaining wall. The participant alleged that the retaining wall had collapsed due to heavy rain which had occurred earlier.

Investigation and Findings

The Mediator observed from the evidence adduced that the takaful operator's decision to repudiate was on the grounds that the loss does not fall within the ambit of the Certificate's coverage.

The Mediator noted that the Certificate document covered the following perils:-

1. **FIRE, LIGHTNING, THUNDERBOLT, SUBTERRANEAN FIRE**
2. **EXPLOSION**
3. **AIRCRAFT** and other aerial devices and/or articles dropped therefrom
4. **IMPACT** with any of the buildings:
 - (i) For private dwelling, by any road vehicle or animals not belonging to or under the control of your or your family member...
 - (ii)
5. **BURSTING OR OVERFLOWING OF DOMESTIC WATER TANKS, APPARATUS OR PIPES.**

6. **THEFT** but only if accompanied by actual forcible and violent breaking into or out of a building or any such attempt thereat
7. **HURRICANE, CYCLONE, TYPHOON, WINDSTORM**
8. **EARTHQUAKE, VOLCANIC ERUPTION**
9. **FLOOD**
10. **ROBBERY and hold up** in the premises of your property.

The Mediator also noted that based on the Schedule, the Certificate only covers 'building' in the event of loss or damage due to stipulated perils subject to the terms and conditions therein. The definition of buildings in the Certificate states as follows:-

'Buildings' means buildings of a private dwelling house at the premises and includes:

1. *all domestic offices, stable,*
2. *garages and out building on the same premises used solely in connection to it and on the same premises,*
3. *fixtures and fittings,*
4. *walls, gates and fences around the premises.*

The Mediator observed from the adjusters' findings that, the retaining wall had collapsed due to voluminous amount of rainwater accumulated in the soil which had caused subsidence and/or ground heaving, thus, destabilizing the wall structure. The adjusters' findings were supported by photographs depicting damages to the surrounding area. According to the adjusters, the circumstances of the event that led to the loss did not correspond with the perils stipulated above and therefore, did not fall within the ambit of the Certificate's perils or coverage. The adjusters found that liability was not apparent.

Based on the supporting documents submitted, the Mediator was unable to find any evidence to indicate that the incident or the loss was attributed to any of the perils covered by the Certificate. In the absence of evidence to the contrary, the Mediator was inclined to believe that the collapse of the retaining wall was attributed to the subsidence and/or ground heaving as opined by the adjusters. This was also in line with the adjusters' findings that at the time of inspection, the surrounding area of the risk premises was soggy with high presence of water in the soil, likely to be contributed by the series of downpours prior to the incident. Heavy rain or downpour was not a peril covered by the Certificate.

The Mediator noted from the terms and conditions of the Certificate that the loss event claimed did not correspond with the perils covered.

Decision

Based on the facts and circumstances of the case, the Mediator upheld the decision of the takaful operator.

BANKING (including ISLAMIC BANKING)**DEBIT AND CREDIT CARDS****Case B01: Stolen Credit Card at Overseas
(Unauthorised Retail Transactions)****Background**

During Mr X's stay in Thailand from 28/8/2016 to 31/8/2016, he had kept his personal belongings in a safe box provided by the hotel. When Mr X returned to Malaysia on 31/8/2016, he was not aware that his credit card was not in his possession. Mr X only realised that his card was stolen in Thailand when he received 5 short message service (SMS) alerts from Bank Z on 31/8/2016 at about 10.45pm to inform him that 7 retail transactions were performed via his credit card at several merchant outlets in Thailand between 8.44pm to 10.17pm on 31/8/2016. Mr X immediately lodged a police report and submitted a 'lost/stolen' card report with Bank Z and disputed the unauthorised credit card transactions. Mr X contended that Bank Z should have blocked his credit card earlier and not after the seventh transaction. Mr X stated that he was a victim of a theft and therefore he should not be held liable for the disputed amount.

Investigation and Findings

Bank Z's investigation revealed that the bank had tried to contact Mr X on 31/8/2016 at 9.03pm and 10.04pm to verify the alleged unauthorised transactions. Bank Z had temporarily blocked the credit card at 10.25pm as the Bank was unable to contact Mr X on his handphone and prevented two further attempts to use his credit card. Bank Z received a 'lost/stolen' card report from Mr X on 31/8/2016 at 11.09pm.

During the mediation session, Bank Z offered to waive 70% of the disputed amount. However, the offer was rejected by Mr X.

The Mediator observed that the 7 alleged unauthorised transactions were performed in Thailand almost 5 hours after Mr X had arrived in Malaysia. It was also noted that Bank Z had sent its first SMS to notify Mr X of the transaction at 8.51pm. The Mediator was of the view that had Mr X promptly responded to Bank Z's SMS alert and contacted the bank, he could have averted the subsequent unauthorised transactions.

The Mediator also noted that Bank Z had tried to call Mr X at 9.03pm and 10.04pm and had sent 5 SMS alerts to his handphone. Bank Z's action to block the card prior to the 'lost/stolen' card report which was received at 11.09pm had prevented further losses.

Decision

Based on the above, the Mediator held that Bank Z's offer to waive 70% of the disputed amount was fair and reasonable. Bank Z agreed to waive all related finance charges.

Case B02: Compromised Debit Card (Unauthorised Online Transactions)

Background

Ms E who was studying in Taiwan disputed the 3 unauthorised online transactions performed using her debit card on 14/10/2015 and 17/10/2015. Ms E said that she only discovered these unauthorised transactions upon her return to Malaysia in 2016. According to Ms E, she was unable to access her account details online when she was in Taiwan because her online banking facility could only be activated at Bank F's ATM in Malaysia.

Ms E stated that her debit card was in her possession at all times. She normally used the card to make ATM cash withdrawals in Taiwan and only for purchases of flight tickets. Ms E denied performing the alleged unauthorised online transactions and requested for a full refund from Bank F.

Bank F rejected the claim on the grounds that Ms E was late in reporting the disputed online transactions. Ms E reported the unauthorised transactions to Bank F on 10/3/2016 which is more than 4 months after the disputed transactions were performed. As a result of the delay, Bank F was unable to perform a chargeback recovery on the disputed transactions. Bank F referred to the 100 days timeframe requirement for a chargeback recovery pursuant to Clause 8 of the Terms & Conditions of the Cardholder Agreement.

Investigation and Findings

Bank F's investigation revealed that the 3 disputed online transactions were performed via a non 3D secure platform which did not require a One Time Password (OTP) authentication to be performed prior to authorising the transactions. Bank F had in October 2015 sent 3 short message services (SMS) notifications to Ms E's handphone number registered in Bank F's system to notify her of the online transactions. However, Ms E did not receive the SMS notifications as her handphone was kept by her sister in Malaysia.

Bank F contended that Ms E had failed to notify the bank that she was studying in Taiwan and she did not update her new Taiwan handphone number. Bank F was unable to refund Ms E the disputed sum as the chargeback process could not be done because it was beyond the 100 days timeframe requirement under Clause 8 of the Cardholder Agreement.

Decision

The Mediator upheld Bank F's decision. Ms E's debit card details were compromised and used to perform the alleged unauthorised online transactions via non 3D secure platform which did not require OTP authentication. Although Ms E alleged that she was unable to access her online banking details in Taiwan, she did not notify Bank F of the matter via email or telephone. The report was only made more than 4 months after she knew that her account balance was depleted. As a result, Bank F was unsuccessful with the chargeback recovery. Ms E was also uncontactable as her mobile phone number registered in Bank F's system was with her sister in Malaysia.

Case B03: Compromised Credit Card (Unauthorised Online Transactions)

Background

Ms N alleged that while she was working in the United States (USA), there were 7 unauthorised online transactions performed using her credit card on 27/8/2016 and 1/9/2016. Ms N came to know about these transactions only after her parents who are residing in Malaysia had informed her that Bank D's solicitor had sent her a letter of demand on 20/12/2016. Ms N then called Bank D to dispute the transactions and informed the bank that she was overseas at the material time. In February 2016, when Ms N returned to Malaysia, she lodged a police report and submitted an official dispute for Bank D to perform a chargeback on her claim. The chargeback could not be performed as it was beyond the timeframe for the chargeback recovery (exceeded the 120 days timeframe).

According to Ms N, the credit card was in her possession at the material time when the unauthorised transactions were performed. Ms N claimed that before leaving for the States at the end of 2015, she had instructed Bank D to cancel her credit card and she had also updated her contact number in the USA. However, Ms N did not receive any calls from Bank D to verify the disputed online transactions. Upon further checking with Bank D, Ms N discovered that her contact number in the USA was not updated in the bank's system.

Ms N stated that she did not check her credit card statement as she rarely used her credit card. The alleged unauthorised online transactions were not her normal spending pattern. Ms N denied liability on the disputed online transactions.

Investigation and Findings

Findings from Bank D's investigation revealed that Ms N's valid card and password were used to perform the alleged unauthorised online transactions. The bank's telephone recordings of Ms N's call to the bank before she left for overseas revealed that she had merely requested for a waiver on the annual fee and GST, updated her employer's detail in the bank's records and also requested for her renewal card to be delivered to her address in USA. There were no instructions received from Ms N to cancel her credit card.

Bank D had sent the credit card statements to Ms N's Malaysian address which was also the same address their solicitor's letter of demand was sent. The bank stated that had Ms N reported the disputed transactions in September 2016, the bank could have performed the chargeback recovery on the disputed amount. However, Ms N had only contacted the bank in December 2016 after receipt of the solicitor's letter of demand, by which time it had exceeded the chargeback timeframe as per the Visa/Master Card International Operating Regulations on Dispute Resolution. Thus, Bank D was unable to reverse the disputed transactions.

Decision

The Mediator upheld Bank D's decision. Bank D agreed to waive all finance and late charges on the total disputed amount.

INTERNET BANKING

Case B04: Internet Banking: SMS - Phone Scam

Background

Mr X maintained a savings account with XYZ Bank since 2011. Mr X received a short message service (SMS) on 14/6/2016 to notify him that he had won a cash prize of RM15,000.00 under a Shell Petrol Station contest. As instructed in the SMS, Mr X contacted the personnel in charge to claim the prize money. Mr X was unaware he had contacted a fraudster. The fraudster obtained Mr X's essential credentials such as his debit card number and his Personal Identification Number (PIN). The fraudster then instructed Mr X to visit the nearest Automated Teller Machine (ATM) to purportedly process and finalise the payment of the cash prize. However, Mr X became suspicious and ended the call when the fraudster asked him to transfer RM2,000.00 as processing fees.

In August 2016, when Mr X intended to perform an EPF withdrawal for the sum of RM31,153.56, he visited XYZ Bank to seek clarification on the status of his account. Mr X explained in detail the Shell Petrol Station contest scam to Ms Y, a bank officer of XYZ Bank. Mr X was informed that he should cancel his debit card. As advised, Mr X cancelled his debit card.

When Mr X visited XYZ Bank on 12/9/2016 to update his passbook, he discovered that the sum of RM31,153.56 was credited to his account on 26/8/2016. However, at the same time, a total of RM31,150.00 had been withdrawn from his account via internet banking, as follows:

Date	Time	Transaction Type
29/8/2016	11:47hrs	Interbank Giro for RM10,000.00
29/8/2016	17:54hrs	3 rd party Fund Transfer for RM10,000.00
30/8/2016	01:25hrs	3 rd party Fund Transfer for RM10,000.00
30/8/2016	01:25hrs	Interbank Giro for RM1,110.00
3/9/2016	11:07hrs	Prepaid Purchase for RM20.00
3/9/2016	11:07hrs	Prepaid Purchase for RM20.00

Mr X denied he had performed the above transactions. He emphasised that he is computer illiterate and he did not apply for any internet banking facility with XYZ Bank. He lodged a police report and filed an official complaint with XYZ Bank to dispute the online transactions that were performed via the bank's internet banking.

XYZ Bank rejected the claim on the basis that the disputed transactions were performed using Mr X's valid essential credentials (his username and password). Furthermore, the Transaction Authorisation Code (TAC) was sent to the mobile number registered by Mr X via the ATM on 14/6/2016.

Mr X contended that XYZ Bank and the bank officer, Ms Y should be liable as he had reported the scam to the bank earlier in August 2016 before making arrangements for his EPF withdrawal.

Investigation and Findings

XYZ Bank's investigation revealed that Mr X was a victim of a SMS-phone scam. Mr X was deceived by the fraudster's SMS into believing that he had won the prize money. During Mr X's phone conversation with the fraudster, he had revealed his debit card number and disclosed his PIN number which enabled the fraudster to register the internet banking facility via XYZ Bank's website. Mr X had also unknowingly entered the fraudster's mobile number at the ATM on 14/6/2016 and the TAC was sent to the fraudster's mobile phone.

XYZ Bank contended that the bank had put in place numerous warnings and security alerts on their website, ATM screens, branches, phone banking and also on TV and radio to warn customers of the risk and dangers of such scams.

Ms Y, the bank officer, clarified that Mr X did not inform her that he was scammed and had merely asked her to cancel his debit card. However, Ms Y was unable to remember the exact conversation with Mr X in view of the numerous customers she had handled at the branch on that day. Ms Y stressed that if Mr X had informed her of the scam, she would have advised him to cancel his debit card and also the internet banking facility in accordance to XYZ Bank's standard operating procedure.

Mr X reiterated that he had given a detailed account of the scam to Ms Y but he was only advised to cancel his debit card.

The Mediator noted that Mr X had compromised his essential personal credentials when he revealed his debit card and PIN number to the fraudster.

Settlement

Notwithstanding the conflicting versions received from Mr X and Ms Y in August 2016, the parties agreed to resolve the matter amicably.

Case B05: Internet Banking (Username, Password & TAC compromised)

Background

Mr A maintained a current account with XYZ Bank since 14/2/2001. He applied for the internet banking facility on 1/4/2016.

Mr A claimed that he had on 15/5/2016 at about 9.20am logged onto XYZ Bank's internet banking website to make an online credit card payment by typing the bank's name on the URL address of the internet browser. After Mr A entered his username and password, he could not proceed further with the transaction as a popped out page required Mr A to enter the Transaction Authorisation Code (TAC). Shortly after Mr A received the TAC on his handphone, he proceeded to key in the TAC.

Thereafter, Mr A received a short message service (SMS) from XYZ Bank to inform him that a third party online fund transfer for RM3,000.00 was performed at 9.27am. He immediately contacted XYZ Bank to dispute the transaction. Mr A lodged a police report and submitted an official complaint to XYZ Bank.

Mr A alleged that the money was transferred from his account without his consent. He wanted XYZ Bank to compensate him for the losses as he did not authorise the transaction.

XYZ Bank rejected the claim on the grounds that the disputed transaction was successfully performed with Mr A's valid username, password and TAC which was sent to his handphone number maintained in the bank's records.

Investigation and Findings

Upon receiving Mr A's report, XYZ Bank proceeded to deactivate his internet banking facility and blocked the third party account. However, XYZ Bank could not recover the amount as the RM3,000.00 was immediately withdrawn by the fraudster.

XYZ Bank clarified that this was a 'phishing' case whereby Mr A was deceived by the fraudster into entering a fake website which was identical to the bank's genuine website. When Mr A entered his username and password into the fake website, his credentials were immediately retrieved by the fraudster and the information was entered by the fraudster into the bank's genuine website which prompted a TAC to be sent to Mr A's handphone number that was registered with the bank. When Mr A entered the TAC into the fake website, the fraudster retrieved the TAC and entered it in the genuine website to perform the online third party fund transfer of RM3,000.00 without Mr A's knowledge.

XYZ Bank contended that they have taken steps to continuously notify their customers of such scams and constantly reminded their customers to type XYZ Bank's URL address in full in the internet browser at all times. Customers were advised not to click on any URL or links in e-mails purportedly sent by XYZ Bank under any circumstances. The reminders on security alerts were published in the bank's official website, internet banking page, self-service terminal area, and also aired on radio.

XYZ Bank further contended that Mr A should have been alerted when he received the TAC on his handphone. The Mediator noted that the message in the bank's SMS notification had clearly informed Mr A that the purpose of the TAC was to perform a fund transfer for RM3,000.00 to a named third party. The bank was of the view that Mr A should not have entered the TAC if he did not request for it and ought to report the incident to the bank immediately.

Case withdrawn

During the mediation session, the Mediator noted that the Mr A's username, password and TAC had been compromised, and it was Mr A's duty to ensure and observe all security measures prescribed by XYZ Bank to safeguard his credentials at all times. On this note, the Mediator referred to Clause 15(1) of the **Bank Negara Malaysia's Guidelines on Consumer Protection on Electronic Fund Transfer [BNM/GP11] dated 10 December 1998**, which stated as follows:

15 (1) A customer shall not –

- (a) *directly or indirectly disclose to any person the access code of his card or any electronic device used to effect an electronic fund transfer ; or*
- (b) *fail to take reasonable care to keep the access code secret.*

Mr A was reminded to be alert of internet banking scams at all times and advised to manually type in the full

XYZ Bank's URL address on the internet browser and also observe important security alerts such as (https, lock icon, secure word etc) before entering his username and password.

Mr A should have read the contents of the SMS notification sent to his handphone carefully before he proceeded to enter the TAC which had facilitated the fraudster to successfully perform the third party fund transfer via the bank's genuine website.

After hearing the bank's explanation and the Mediator's views, Mr A acknowledged his fault and agreed to withdraw his claim against XYZ Bank.

CASH DEPOSIT MACHINE (CDM)

Case B06: Discrepancy in the Amount Deposited into the Cash Deposit Machine

Background

Mr ML claimed that his son had deposited RM550.00 consisting of 11 pieces of RM50.00 notes into his savings account through a Cash Deposit Machine (CDM) at Bank B. Mr ML produced a receipt as proof that the deposit of RM550.00 at the CDM was successful. However, upon checking the account, Mr ML noted that only RM50.00 was credited into his account. Mr ML wanted Bank B to credit the balance of RM500.00 into his account. Bank B rejected the claim on the grounds that only RM50.00 was deposited at the CDM and not RM550.00.

Investigation and findings

Bank B's CDM Electronic Journal revealed that 1 piece of RM50.00 note was inserted into the CDM and the transaction was successfully processed without any error. The sum of RM50.00 was then credited into Mr ML's account.

The cash balancing conducted by Bank B further confirmed there was no excess cash found. The Mediator observed from the CCTV footage that Mr ML's son, had inserted only one piece of RM50.00 note into the CDM. The Mediator further observed that there was a discrepancy in the record of the number of notes deposited into the CDM and the corresponding deposited amount printed on the photocopied receipt furnished by Mr ML:

CASH DEPOSIT / NON CARD			
RM10 x 0	=	0	
RM20 x 0	=	0	
RM50 x 11	=	50	
RM100 x 0	=	0	
TOTAL	=	11	= RM550

The photocopied receipt produced by Mr ML showed that the CDM had purportedly accepted 11 pieces of RM50.00 but the actual amount recorded by the CDM Electronic Journal was RM50.00 only. Mr ML was not able to produce the original deposit receipt for the Mediator to verify the amount deposited at the CDM.

Based on the above findings, the Mediator concluded that the amount deposited into the CDM was RM50.00, and the said amount was also credited into Mr ML's account.

Decision

The Mediator upheld Bank B's decision.

AUTOMATED TELLER MACHINE (ATM)

Case B07: Unauthorised Cash Withdrawals via ATM/Debit Card

Background

Ms WF fell prey to a snatch thief who stole her briefcase containing her wallet, ATM/Debit card and several credit cards on 15/2/2016. Ms WF contacted CB Bank's Call Centre immediately and requested for her card to be blocked. CB Bank's officer had inquired whether Ms WF had maintained any other accounts with the bank aside from the credit card which was reported stolen. Ms WF informed the officer that she had a savings account and other investments placed with CB Bank. Ms WF assumed that the bank had blocked her credit card and also her ATM/debit card which was tagged to her savings account. She then proceeded to contact other banks to cancel her stolen credit cards. A police report was made on the theft.

Ms WF subsequently discovered there were several unauthorised ATM withdrawals from her savings account totalling RM5,000.00 on 16/2/2016. She discovered that CB Bank had failed to block her ATM/debit card even though she had informed the officer on 15/2/2016 that she had a savings account with the bank.

CB Bank rejected the claim on the grounds that Ms WF's card and Personal Identification Number (PIN) had been compromised. The bank averred that Ms WF had instructed the bank to cancel her credit card only on 15/2/2016. The telephone recording was furnished as proof of Ms WF's instruction to the bank.

CB Bank clarified that the officer who had attended to Ms WF's 'lost/stolen' card report could only access the credit card system and not the details of the customer's banking accounts. The details of Ms WF's savings and other banking accounts, which include ATM/debit card numbers, were only available in the banking system.

Investigation and Findings

The Mediator noted that Ms WF had recorded her PIN on a piece of paper which was kept in her wallet together with her ATM/Debit card because she suffered from an ailment which affected her ability to remember her PIN. The Mediator highlighted to the complainant that the PIN should not be recorded and kept together with the card to avoid the PIN from being compromised.

Upon reviewing the evidence adduced which included the telephone call recording from CB Bank, the Mediator was of the view that the bank officer should have inquired further whether Ms WF had any other card(s) with the bank after Ms WF had informed the officer that she had a savings account with the bank. The Mediator opined that the officer should have alerted the relevant department to cancel Ms WF's ATM/debit card to avert further losses. Alternatively, CB Bank should put in place suitable mechanisms to alert the relevant departments to take immediate action after receiving customers' 'lost/stolen' cards reports especially after banking hours. The Mediator opined that as Ms WF had reported the 'lost/stolen' card immediately to CB Bank, the bank ought to have exercised due diligence by inquiring further and cancelling the ATM/Debit card on 15/2/2016.

Settlement

The parties agreed with the Mediator's observations and resolved the dispute amicably.

Case B08: Cash Dispensed from the ATM Machine as Evidenced by the CCTV Recording

Background

Mr MN attempted to withdraw RM500.00 from AB Bank's Automated Teller Machine (ATM) on 1/5/2016. Mr MN said that he left the ATM when the ATM failed to dispense the cash after he had waited for a while. Mr MN returned to the same ATM about 10 minutes later to withdraw RM500.00. However, the second withdrawal attempt was also unsuccessful. Mr MN stated that he had waited at the ATM for about 2 minutes for the cash to be dispensed but no cash was dispensed by the ATM. Mr MN alleged that the amount totalling RM1,000.00 had already been deducted from his savings account even though both his withdrawal attempts were unsuccessful.

Investigation and Findings

According to AB Bank's ATM Electronic Journal and Host Report, Mr MN's withdrawals were successfully executed and 10 pieces of RM50.00 notes totalling RM500.00 each were dispensed during the first and second withdrawals. The bank's investigation revealed that during the second withdrawal, RM500.00 was dispensed but the cash was retracted by the ATM after 30 seconds. AB Bank refunded RM500.00 to Mr MN. However, Mr MN claimed for the balance of RM500.00 which he contended that he did not receive from the ATM during the first withdrawal.

The Mediator observed from the closed circuit television (CCTV) recording that Mr MN had moved away from the ATM immediately after retrieving his ATM card. The cash was dispensed after Mr MN had left the ATM and a subsequent customer had removed the cash from the dispenser. Unfortunately, the bank was unable to trace the subsequent customer as the said customer did not perform any transaction at the ATM after taking the cash. The CCTV footage showed that Mr MN had returned to the same ATM to perform a second withdrawal. It was observed that Mr MN had similarly left the ATM immediately after retrieving his card and without waiting for the cash to be dispensed from the ATM. The dispensed cash was retracted into the ATM machine as it was not taken after 30 seconds. The retracted cash of RM500.00 was refunded to Mr MN's account.

After viewing the CCTV recording, Mr MN admitted that he was in a hurry during the material time. He also acknowledged his fault as he had left the ATM immediately after retrieving the card without waiting for the cash to be ejected by the ATM.

Decision

The Mediator upheld AB Bank's decision.

OPERATIONAL ISSUES

Case B09: Countermand Payment on a Banker's Cheque

Background

In January 2016, V Sdn Bhd, an accounting firm, was engaged by RSB Sdn Bhd to prepare the company's accounts for taxation purposes. The parties had agreed that the fee for the audit work was RM20,000.00 of which RSB Sdn Bhd had settled RM10,000.00 upfront. The balance of RM10,000.00 would be paid on completion of the audit work.

On completion of the company's account in June 2016, Mr BK the director of V Sdn Bhd requested RSB Sdn Bhd to settle the balance of RM10,000.00 via a banker's cheque. RSB Sdn Bhd agreed and purchased a banker's cheque for RM10,000.00 on 30/6/2016 at ABC Bank's Ampang branch.

RSB Sdn Bhd gave the banker's cheque to Mr BK and collected the finalised accounts from V Sdn Bhd's premises on 1/7/2016 at about 12.00 noon. Mr BK deposited the banker's cheque over the counter at ABC Bank Petaling Jaya branch on 1/7/2016 at about 1.00pm. The bank officer informed Mr BK that the banker's cheque would be cleared after 4 days. As the banker's cheque was deposited on Friday, 1/7/2016 the funds would only be available on the following Tuesday, 5/7/2016.

Mr BK checked the company's account online on 4/7/2016 at about 4.00pm and he saw that the sum of RM10,000.00 was marked under 'float'. Mr BK waited for the following day to withdraw the money from the account to pay his staff's salary.

On the morning of 5/7/2016, ABC Bank Petaling Jaya branch informed Mr BK that the said banker's cheque had been returned. Mr BK was told to seek further clarification on this matter from ABC Bank's Ampang branch. ABC Bank's Ampang branch notified Mr BK that RSB Sdn Bhd had instructed them to stop the payment of the banker's cheque on 1/7/2016 at 2.45pm. According to ABC Bank, RSB Sdn Bhd alleged that V Sdn Bhd had cheated them. RSB Sdn Bhd had submitted a copy of a police report to ABC Bank's Ampang branch on 1/7/2016 at 4.00pm and a stop payment was made on the banker's cheque.

ABC Bank clarified that in this instance the banker's cheque was treated like a local bank cheque because the issuing and collecting branches were different. Therefore, it was subjected to the clearing process under Bank Negara Malaysia's eSpick guideline. After the payment of the banker's cheque was stopped, ABC Bank

Ampang branch had placed the money in its suspense account for 2 months pending resolution of the dispute between RSB Sdn Bhd and V Sdn Bhd. Thereafter, ABC Bank returned the money to RSB Sdn Bhd as there was no resolution between RSB Sdn Bhd and V Sdn Bhd.

Investigation and Findings

During the mediation session with both parties, Mr BK produced the invoice issued by RSB Sdn Bhd as proof of the payment due to V Sdn Bhd for the accounting services rendered to RSB Sdn Bhd. The Mediator noted that the banker's cheque which was issued by ABC Bank in favour of V Sdn Bhd was for the payment of the balance fees for the accounting services rendered.

The Mediator further noted that the banker's cheque was written and issued by ABC Bank and was to be paid to the order of V Sdn Bhd. The banker's cheque was given to V Sdn Bhd and the same had been deposited into V Sdn Bhd's account. The Mediator highlighted that the banker's cheque issued by ABC Bank constitutes a guaranteed payment to the payee. A banker's cheque can only be cancelled if it was reported as lost, stolen, destroyed or a counterfeit. In this instance, the banker's cheque issued by ABC Bank was a genuine instrument and it was deposited into the account of V Sdn Bhd. Therefore, the said banker's cheque was not subjected to a countermand.

Decision

The Mediator revised ABC Bank's decision and allowed the claim in full.

CONTRACTUAL ISSUES

Case B10: Error in the Computation of Housing Loan Instalment Amount

Background

On 1/9/2000, Mr JN was granted a housing loan of RM160,000.00 by BC Bank to finance the purchase of a property. The loan was repayable over 15 years at RM1,250.00 per month.

After paying the monthly instalments promptly for 14 years, Mr JN received the housing loan statement which showed an outstanding balance of RM69,223.00 as at 30/6/2015. When Mr JN questioned the bank on the high outstanding loan balance despite making prompt payments for 14 years, he was informed that the original loan tenure was for 25 years and not 15 years as stated in the Letter of Offer. Mr JN was further informed that the monthly instalment as stated in the Letter of Offer was inadvertently computed based on a loan tenure of 25 years. Mr JN contended that the loan should have been fully repaid by the end of 2015. He wants the bank to waive the entire loan outstanding upon the expiry of the loan tenure of 15 years.

Investigation and findings

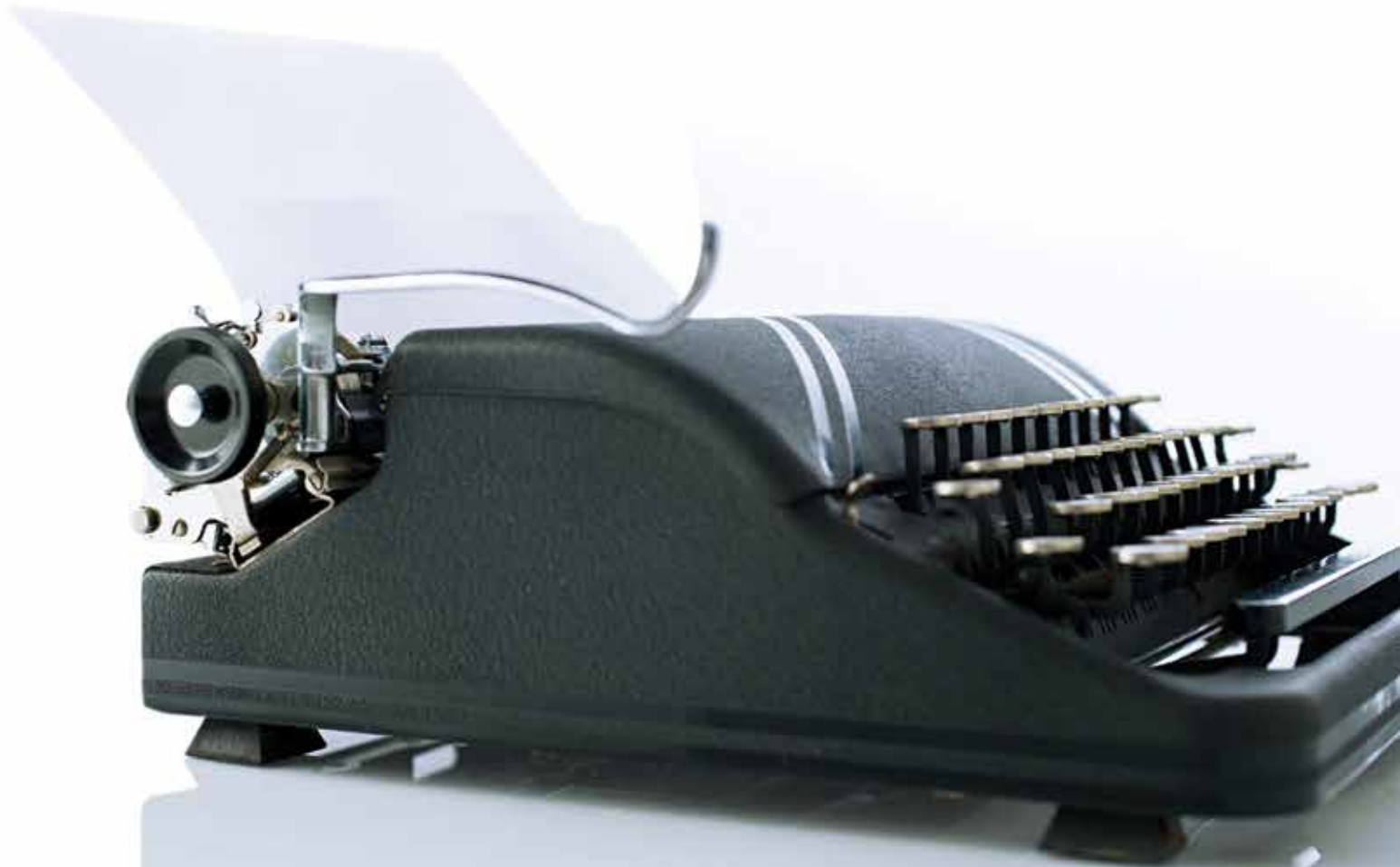
BC Bank acknowledged that the monthly instalment of RM1,250.00 was computed based on the loan tenure of 25 years but the loan tenure stated in the Letter of Offer was erroneously stated as 15 years. The Mediator observed from Mr JN's loan application that he had originally applied for a loan tenure of 15 years and not 25 years. The correct monthly instalment payment based on the 15 years tenure should be RM1,560.00 per month.

Mr JN has been servicing the instalments on a lower amount of RM1,250.00 as stated in the Letter of Offer for the past 14 years and the loan outstanding still remained high at RM69,223.00 at the end of the 14th year. Had the bank computed the monthly instalment correctly, Mr JN would have completed the repayment of his loan over 15 years.

Decision

The Mediator opined that BC Bank had erroneously calculated the repayment amount and it would only be fair if BC Bank collected the principal amount of RM160,000.00 and interest for 15 years. Mr JN was required to pay the shortfall in the repayment arising from payment of a lower instalment amount. Upon settlement of the shortfall by Mr JN, BC Bank was required to waive the balance of the loan outstanding.

Consumer Awareness



Consumer Awareness

As in the past years, the Ombudsman for Financial Services (OFS) continued with its ongoing participation in the various exhibitions and talks to instil awareness among the financial consumers of its role as the alternative dispute resolution channel in the financial industry.

Prior to the launching of the Financial Ombudsman Scheme (FOS) on 3 November 2016, briefing sessions were held with the media to create awareness on the OFS' role, functions and jurisdiction as the operator of the FOS.

During the year, OFS had participated in nationwide roadshows and exhibitions to educate and instil awareness among consumers and staff of FSPs on its jurisdiction in regard to financial disputes on the banking and insurance products and services.

Participants:

- FSPs' employees and agents
- Employees of Government departments
- College and university students
- Small Medium Enterprises (SMEs)
- Foreign Banking Institutions
- Non-Governmental Organisations
- General Public

Seminars & Events:

No	Event	2016
1	Briefing to Agrobank on OFS' services, Bangunan Agrobank, Kuala Lumpur	15 January
2	13 th Malaysia International Halal Showcase 2016 (MIHAS 2016), KL Convention Centre, Kuala Lumpur	30 March – 2 April
3	The 6th International Claims Convention 2016, 'Reshaping Claims in Complex and Ambiguous Times', Pullman Kuala Lumpur City Centre, Kuala Lumpur	13 – 14 April
4	Study Visit by the Egyptian Banking Institute, Egypt	24 May
5	Claims Forum Asia, Intercontinental Hotel, Kuala Lumpur	2 August
6	5 th Halal Fiesta Malaysia (HALFEST 2016), Mines Exhibition and Convention Centre (MIECC), Seri Kembangan, Selangor	31 August – 4 September
7	Media Briefing on OFS' operationalisation	21 & 26 October
8	Briefing for delegates from the State Bank of Vietnam, Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur	21 October



Some of the issues raised are:

- How many cases are resolved in favour of the complainants?
- Does the Ombudsman give detailed reasoning on the disputes during the adjudication stage?
- Are the Recommendation of the Case Manager and Decision of the Ombudsman binding on all parties?
- What is OFS' jurisdiction?
- What are the types of complaints/disputes handled by OFS?
- Is there any time frame to lodge a complaint/dispute with OFS?
- Who funds the OFS?
- What is the qualification and experience of the Ombudsman?
- What is the difference between the FOS and the predecessor scheme?
- Are SMEs eligible complainants?

Appendices

- 1 Members**
- 2 Organisation Structure**
- 3 Dispute Resolution Process**
- 4 Media Broadcast**
- 5 Staff Activities**



Members of OFS as at 31 December 2016

COMMERCIAL BANKS (27)

1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. AmBank (M) Berhad
4. Bangkok Bank Berhad
5. Bank of America Malaysia Berhad
6. Bank of China (Malaysia) Berhad
7. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
8. BNP Paribas Malaysia Berhad
9. CIMB Bank Berhad
10. Citibank Berhad
11. Deutsche Bank (Malaysia) Berhad
12. Hong Leong Bank Berhad
13. HSBC Bank Malaysia Berhad
14. India International Bank (Malaysia) Berhad
15. Industrial and Commercial Bank of China (Malaysia) Berhad
16. J. P Morgan Chase Bank Berhad
17. Malayan Banking Berhad
18. Mizuho Bank (Malaysia) Berhad
19. National Bank of Abu Dhabi Malaysia Berhad
20. OCBC Bank (Malaysia) Berhad
21. Public Bank Berhad
22. RHB Bank Berhad
23. Standard Chartered Bank Malaysia Berhad
24. Sumitomo Mitsui Banking Corporation Malaysia Berhad
25. The Bank of Nova Scotia Berhad
26. The Royal Bank of Scotland Berhad
27. United Overseas Bank (Malaysia) Berhad

ISLAMIC BANKS (18)

28. Affin Islamic Bank Berhad
29. Alkhair International Islamic Bank Berhad
30. Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
31. Alliance Islamic Bank Berhad
32. AmBank Islamic Berhad

33. Asian Finance Bank Berhad
34. Bank Islam Malaysia Berhad
35. Bank Muamalat Malaysia Berhad
36. CIMB Islamic Bank Berhad
37. Hong Leong Islamic Bank Berhad
38. HSBC Amanah Malaysia Berhad
39. Kuwait Finance House (Malaysia) Berhad
40. Maybank Islamic Berhad
41. OCBC Al-Amin Bank Berhad
42. PT Bank Muamalat Indonesia, Tbk
43. Public Islamic Bank Berhad
44. RHB Islamic Bank Berhad
45. Standard Chartered Saadiq Berhad

DEVELOPMENT FINANCIAL INSTITUTIONS (6)

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

LIFE INSURANCE COMPANIES (10)

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

GENERAL INSURANCE COMPANIES (18)

62. AIG Malaysia Insurance Berhad
63. Allianz General Insurance Company (Malaysia) Berhad

64. AmGeneral Insurance Berhad
65. AXA Affin General Insurance Berhad
66. Berjaya Sompo Insurance Berhad
67. Chubb Insurance Malaysia Berhad
68. Liberty Insurance Berhad
69. Lonpac Insurance Berhad
70. MPI Generali Insurans Berhad
71. MSIG Insurance (Malaysia) Berhad
72. Overseas Assurance Corporation (Malaysia) Berhad
73. Pacific & Orient Insurance Co. Berhad
74. Progressive Insurance Berhad
75. QBE Insurance (Malaysia) Berhad
76. RHB Insurance Berhad
77. The Pacific Insurance Berhad
78. Tokio Marine Insurans (Malaysia) Berhad
79. Tune Insurance Malaysia Berhad

COMPOSITE INSURANCE COMPANIES (4)

80. AIA Berhad
81. Etiqa Insurance Berhad
82. Prudential Assurance Malaysia Berhad
83. Zurich Insurance Malaysia Berhad

TAKAFUL OPERATOR (11)

84. AIA PUBLIC Takaful Berhad
85. AmMetLife Takaful Berhad
86. Etiqa Takaful Berhad
87. Great Eastern Takaful Berhad
88. Hong Leong MSIG Takaful Berhad
89. HSBC Amanah Takaful (Malaysia) Berhad
90. Prudential BSN Takaful Berhad
91. Sun Life Malaysia Takaful Berhad
92. Syarikat Takaful Malaysia Berhad
93. Takaful Ikhlas Berhad
94. Zurich Takaful Malaysia Berhad (*formerly known as MAA Takaful Berhad*)

APPROVED DESIGNATED PAYMENT INSTRUMENT ISSUERS (NON-BANKS)**E-MONEY ISSUERS (21)**

95. AEON Credit Service (M) Berhad
96. Bandar Utama City Centre Sdn Bhd
97. Celcom eCommerce Sdn Bhd
98. Chevron Malaysia Limited
99. Numoni DFS Sdn Bhd (*formerly known as Com2U Sdn Bhd*)
100. Finexus Cards Sdn Bhd (*formerly known as MAA Cards Sdn Bhd*)
101. ManagePay Services Sdn Bhd
102. Maxis Mobile Services Sdn Bhd
103. Merchantrade Asia Sdn Bhd
104. Mobile Money International Sdn Bhd
105. MOL AccessPortal Sdn Bhd
106. Mruncit Commerce Sdn Bhd
107. PayPal Pte Ltd
108. Petron Fuel International Sdn Bhd
109. Raffcomm Sdn Bhd
110. Shell Malaysia Trading Sdn Bhd
111. Silverlake Global Payments Sdn Bhd
112. Touch 'n Go Sdn Bhd
113. TPaaY Asia Sdn Bhd (*formerly known as Tune Money Sdn Bhd*)
114. Valyou Sdn Bhd
115. Webonline Dot Com Sdn Bhd

CREDIT CARD ISSUERS (2)

116. AEON Credit Service (M) Bhd
117. Synergy Cards Sdn Bhd

CHARGE CARD ISSUERS (5)

118. Boustead Petroleum Marketing Sdn Bhd
119. Chevron Malaysia Limited
120. Petron Fuel International Sdn Bhd
121. Petronas Dagangan Berhad
122. Shell Malaysia Trading Sdn Bhd

APPROVED INSURANCE AND TAKAFUL BROKERS (28)

123. Alloy Insurance Brokers Sdn Bhd
124. Anika Insurance Brokers Sdn Bhd
125. Antah Insurance Brokers Sdn Bhd
126. Aon Insurance Brokers (Malaysia) Sdn Bhd
127. BIB Insurance Brokers Sdn Bhd
128. CIMB Howden Insurance Brokers Sdn Bhd
129. Hayat Insurance Brokers Sdn Bhd
130. IIB Insurance Brokers Sdn Bhd
131. Insurepro Sdn Bhd
132. Jardine Lloyd Thompson Sdn Bhd
133. KSDC Insurance Brokers Sdn Bhd
134. Malene Insurance Brokers Sdn Bhd
135. MIT Insurance Brokers Sdn Bhd
136. MMS (Insurance Brokers) Sdn Bhd
137. MP Insurance Brokers (Malaysia) Sdn Bhd
138. Perinsu (Broker Insurans) Sdn Bhd
139. Perinsuran (Brokar) Sdn Bhd
140. PNSB Insurance Brokers Sdn Bhd
141. Protac Insurance Brokers Sdn Bhd
142. Rosegate Insurance Brokers Sdn Bhd
143. Sime Darby Lockton Insurance Brokers Sdn Bhd
144. SP&G Insurance Brokers Sdn Bhd
145. State Insurance Brokers Sdn Bhd
146. Sterling Insurance Brokers Sdn Bhd
147. Tradewinds International Insurance Brokers Sdn Bhd
148. Transnational Insurance Brokers (M) Sdn Bhd
149. Willis (Malaysia) Sdn Bhd
150. YPM Insurance Brokers (1974) Sdn Bhd

APPROVED INSURANCE BROKER

151. Marsh Insurance Brokers (Malaysia) Sdn Bhd

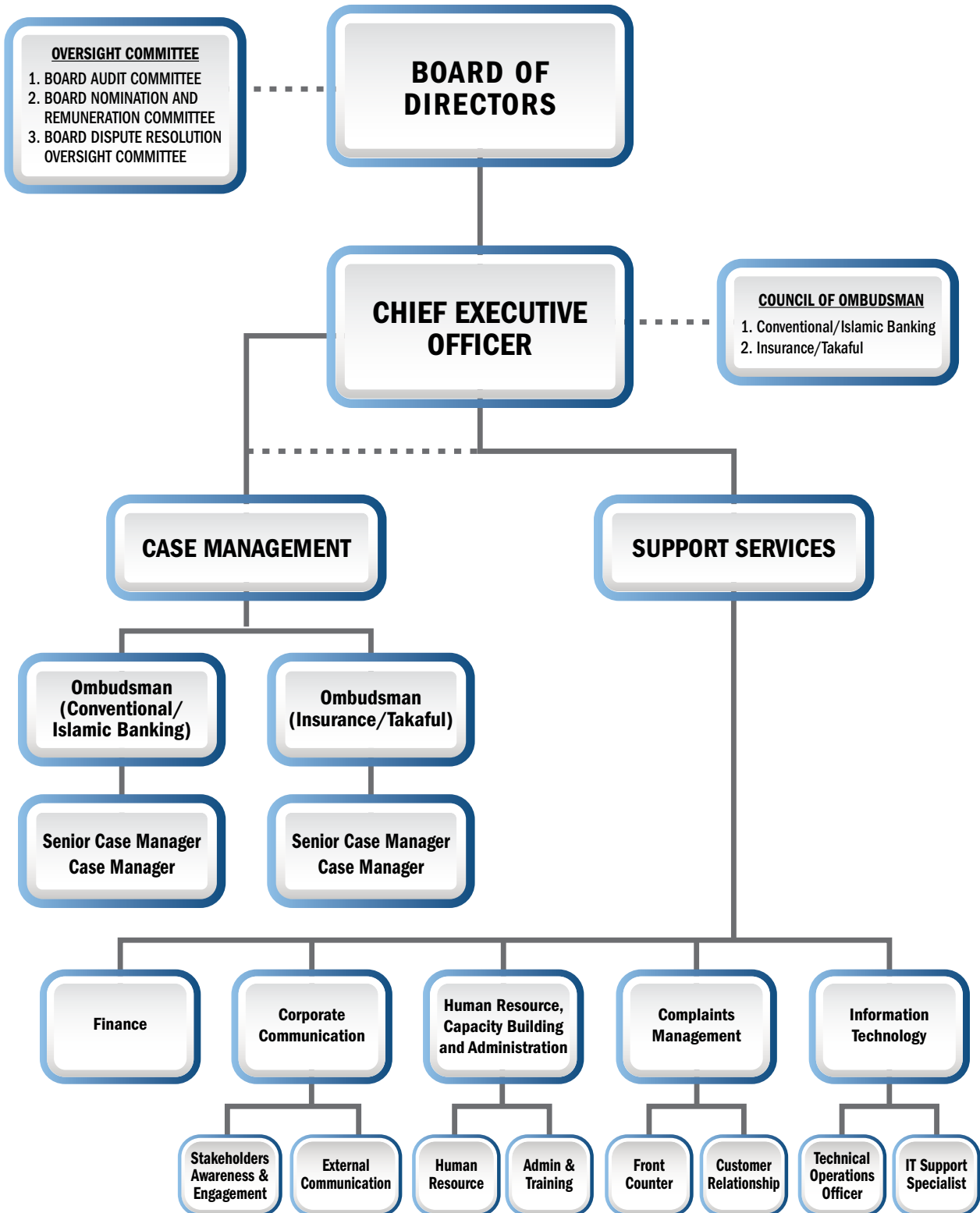
APPROVED TAKAFUL BROKER

152. Marsh Takaful Brokers (Malaysia) Sdn Bhd

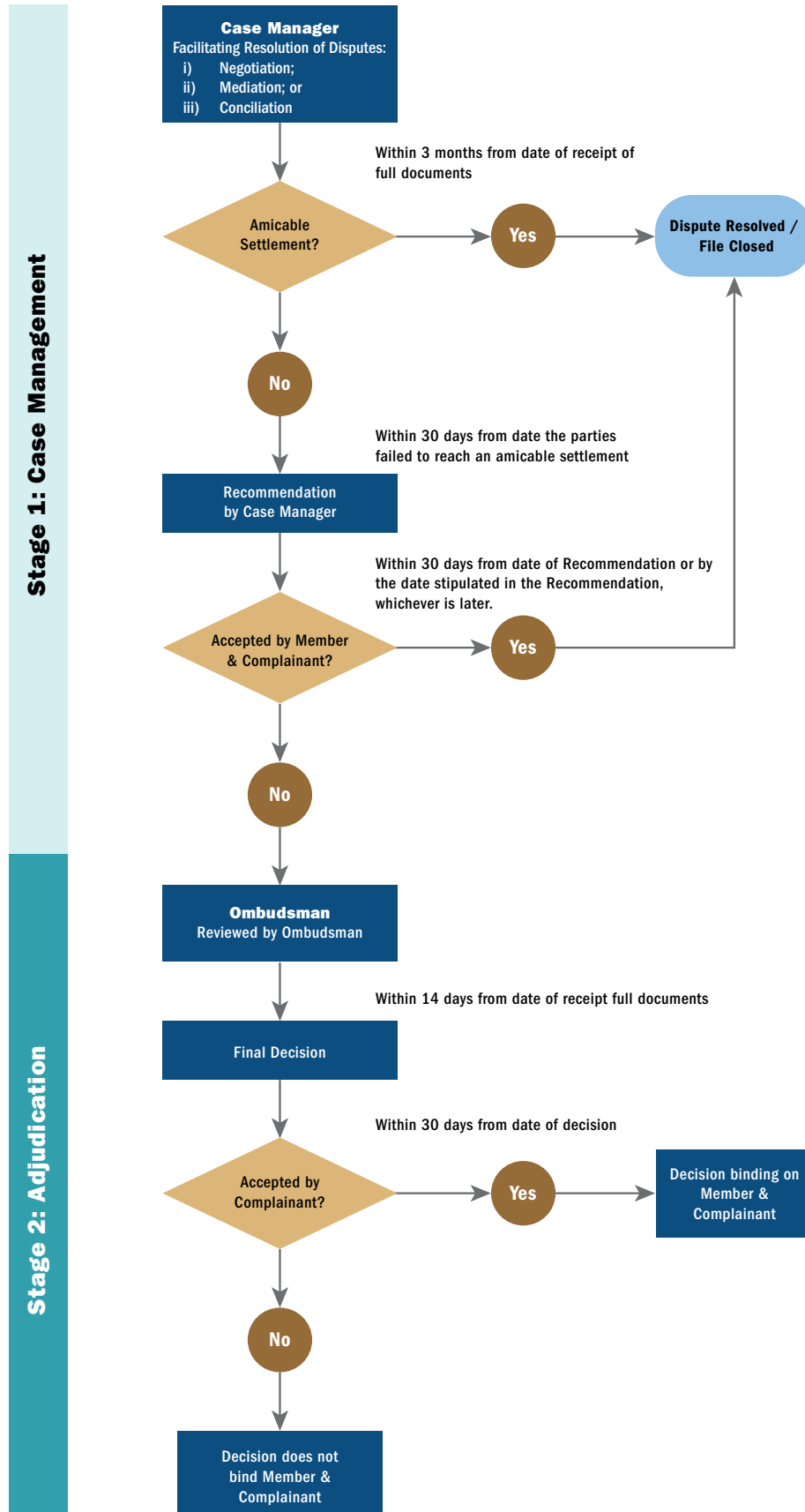
APPROVED FINANCIAL ADVISERS AND ISLAMIC ADVISERS (25)

153. A.D. Avallis Financial Sdn Bhd
154. Axcelink Wealth Advisory Sdn Bhd
155. Blueprint Planning International Sdn Bhd
156. Capspring Sdn Bhd
157. Easi Wealth Management Sdn Bhd
158. ECL Advisory Sdn Bhd
159. Etalage Sdn Bhd
160. Excellentte Consultancy Sdn Bhd
161. FA Advisory Sdn Bhd
162. Fin Freedom Sdn Bhd
163. Genexus Advisory Sdn Bhd
164. Harveston Financial Advisory Sdn Bhd
165. I-Max Financial Sdn Bhd
166. iFAST Capital Sdn Bhd
167. InsureDIY Sdn Bhd
168. ISK Planner Sdn Bhd
169. KC Planning & Consultancy Sdn Bhd
170. Legacy Advisory Sdn Bhd
171. Money Sense Advisory Sdn Bhd
172. Phillip Wealth Planners Sdn Bhd
173. Premier Financial Advisers Sdn Bhd
174. Standard Financial Adviser Sdn Bhd
175. Steadfast Advisory (Malaysia) Sdn Bhd
176. VKA Wealth Planners Sdn Bhd
177. Whitman Independent Advisors Sdn Bhd

Ombudsman for Financial Services



Dispute Resolution Process



Media Broadcast



Muhammad (kiri) bersama Foong merasmikan majlis pelancaran OPK di Kuala Lumpur, semalam.

OPK tangani aduan babit bank, insurans

Berita Harian

31 October 2016

PICK OF THE WEEK 本週精選

2016.10.31 zbz

消費者申訴有管道 OFS 排解金融糾紛

林迪升 | 报导

信用卡、转账卡 (debit card)、自动出钞机 (ATM)、车险、人寿保险等各种金融服务, 已经完全融入现代人的生活中, 成为不可分割的一部分。

金融消费者最头痛的事, 莫过于自己和金融服务提供者 (financial services provider, FSP), 如银行等发生纠纷时, 该如何去申诉, 以保护自己的权益?

OFS 首席执行官李永安在接受《资》访问时表示, 作为一个调解金融消费者与金融服务提供者之间的单位, OFS 是家独立机构, 并不偏袒任何一方。

「与法庭不同, 向 OFS 申诉的消费者无需付费, 无需请律师, 亦无需具备金融法律知识, 我们一旦接手案件后, 将负责调查, 致力为双方提供一个满意的解决方案。」

只接会员的金融纠纷

不过, 他指出, 根据国际行 (Financial Ombudsman Scheme, FOS), OFS 只能接协会会员, 即符合方案条款的金融服务供应应相关的纠纷案件。

「所有与非会员之间的金融纠纷, 比如私人放贷公司, 获得放贷执照的发展商和金融科技公司 (FinTech), 都不受理。」

同时, 他补充道, 与证券、股票或服务有关的金融纠纷, OFS 同样不会接。这类纠纷是由证券业纠纷调解中心 (SIDREC) 负责。

根据 OFS 提供的资料, 目前 FOS 旗下共有 176 家会员, 包括商业银行和伊斯兰银行、保险公司和伊斯兰银行。

国内各家主要银行, 如马来银行 (MAYBANK), 1155, 主板金融股、大众银行 (PBBANK), 1295, 主板金融股、联昌国际 (CIMB), 1023, 主板金融股和兴业银行 (RHBANK), 1066, 主板金融股等皆是 FOS 会员。

主理保險銀行業糾紛

OFS 主要处理 2 个金融领域的纠纷, 即保险业和银行业。

OFS 的前身为金融调解局 (Financial Mediation Bureau, FMB), 在 FOS 成立后, 该局同时更名为 OFS, 以更好地反映其前身身份, 李永安称, 除了改之外, OFS 现今拥有比 FMB 更高的权限, 可以提供更广泛的服务。

「以金额上限为例, 与 FMB 在负责解决银行和保险产品, 以及服务相关纠纷时, 只能接受涉及金额在 10 万令吉以下的案件, 如今, OFS 可以接手金额最高达 25 万令吉的案件, 受理范围更广泛了。」

至于涉及金额超过上限的金融纠纷, 他表示, 消费者可透过过国的 LINK (Laman Informasi Nashat dan Khidmat) 网页提出申诉。

同时, 他亦点出消费者在向 OFS 求助前, 首先必须完成的事项。

「当金融消费者与 FOS 会员

发生纠纷时, 消费者必须先与对方交涉, 若金融机构给了回应, 惟消费者并不满意, 可在 6 个月内向 OFS 求助; 或是对方超过 260 天无回应, 那么消费者可直接向 OFS 投报。」

被投诉机构须付费

他透露, 在明年 10 月 1 日之后, 只有 OFS 持牌案, 被投诉的持牌会员 (licensed person, 如银行、保险公司等) 与合格会员 (approved person, 如保险经纪、金融顾问等), 就必须分别支付 1500 令吉和 100 令吉的不可退还处理费。

其中, 若涉及会员的案件进入第 2 阶段, 那么除了支付 100 令吉外, 还将再次支付 500 令吉的费用。

「向会员收取费用有助改善服务水平, 促使他们正视顾客的投诉, 进而降低被投诉的几率。」

对此, 他指出, OFS 调解

OPK selesai pertikaian pengguna kewangan

Syarikat perkas kestabilan kewangan dari perspektif perkukuhkan rangka kerja perlindungan

Diah Nurhayati Abilah
nurhayatiabilah@bhm.com.my

Ombudsman Perkhidmatan Kewangan (OPK), pemertua skema ombudsman kewangan berprestasi untuk memelihara kestabilan sistem kewangan terutama dari perspektif memperkukuhkan rangka kerja perlindungan pengguna.

Ini adalah platform terbaru yang menyediakan perkhidmatan penyelesaian pertikaian alternatif di antara pengguna kewangan dan penyedia perkhidmatan kewangan yang diluluskan oleh RSM, secara adil dan saksama.

Bank Negara Malaysia, Jeremy Lee, berkata sejak ini, jumlah kes diterima OPK bermula 2012 hingga 30 September lalu adalah sebanyak 8,404 kes dan 10,457 kes berjaya diselesaikan, manakala 487 kes dalam proses penyelesaian.

“Darpada jumlah keseluruhan kes berkenaan, 5,536 kes diselesaikan daripada skema insurans dan 2,868 kes lagi daripada sektor bank.”

“Menurut platform terbaru ini, membolehkan kira-kira 70 peratus kes yang diterima berjaya diselesaikan,” katanya dalam sesi penerangan bertajuk OPK di Kuala Lumpur, semalam.

OPK beroperasi sebagai perantara untuk menyelesaikan pertikaian antara pengguna kewangan dan penyedia perkhidmatan kewangan. OPK beroperasi di bawah skema RSM dan mempunyai kuasa untuk memanggil pihak-pihak yang terlibat dalam pertikaian.

“Kami menawarkan bagi pertikaian rasmi kesekian antara pengguna kewangan dan penyedia perkhidmatan kewangan pada kadar yang rendah atau tidak berbayar,” katanya.

“Masuklah had memuat naik pertikaian yang menyabitkan insurans tanpa kebenaran seperti memuat naik permohonan insurans perkhidmatan kewangan yang disahkan atau dibatalkan oleh RSM.”

Improving financial decision-making

COLLABORATION: Ombudsman for Financial Services and FSPs play key role in enhancing consumer awareness, says Bank Negara chief

International Bureau of Adult Financial Education Commission.

“OFS also noted its focus on greater participation from users in general protection and dispute resolution. It should all go on the basis of fairness, equity and justice.”

“This is the very reason behind Bank Negara’s efforts to create an independent and impartial ombudsman for financial services and insurance companies.”

Bank Negara is pleased to announce the creation of the OFS, a neutral and impartial ombudsman for financial services and insurance companies. It is a key role in enhancing consumer awareness, says Bank Negara chief.



Setakat ini, jumlah kes diterima OPK bermula 2012 hingga 30 September lalu adalah sebanyak 8,404 kes dan 10,457 kes berjaya diselesaikan, manakala 487 kes dalam proses penyelesaian.

Jeremy Lee, Ketua Pegawai Eksekutif OPK

Skim ombudsman kewangan dilaksana 1 Oktober

Ombudsman Perkhidmatan Kewangan, yang dahulunya dikenali sebagai Biro Pengurusan Kewangan, diluluskan pengendali skema ombudsman kewangan.

Ini bagi menyediakan perkhidmatan penyelesaian pertikaian alternatif di antara pengguna kewangan dan penyedia perkhidmatan kewangan yang diluluskan oleh Bank Negara Malaysia secara adil dan saksama.

Pelaksanaan skema ombudsman kewangan pada 1 Oktober ini bertepatan dengan pelaksanaan pemertuaan perkhidmatan kewangan, terutama dari perspektif memperkukuhkan rangka kerja perlindungan pengguna.

Sebagai pengendali skema yang baharu ini dan berdasarkan pengalaman sebagai satu badan penyelesaian pertikaian alternatif untuk pengguna kewangan dan penyedia perkhidmatan kewangan, Ombudsman Perkhidmatan Kewangan membertingkatkan kecekapan orang awam bahawa ia akan terus menyelesaikan pertikaian di bawah bimbingan mereka adil dan saksama.

Dalam menyelesaikan pertikaian, Ombudsman Perkhidmatan Kewangan berpegang kepada enam prinsip yang ditrafikan pada peringkat antarabangsa iaitu keadilan, keadilan dan keabsahan, keabsahan, keberkesanan, ketekunan dan keberkesanan, ketekunan dalam satu kesatuan kesatuan.

Sebagai dengan prinsip antarabangsa, berbilang kemudiannya akan, Ombudsman Perkhidmatan Kewangan akan terus mempromosikan perkhidmatannya secara terbuka kepada pengguna kewangan.

Ombudsman Perkhidmatan Kewangan menerima akan keberkesanan dengan pihak berkepentingan, termasuk Bank Negara Malaysia, pemertua perkhidmatan kewangan dan SIDREC, dalam menyelesaikan pertikaian kewangan secara adil dan saksama.

Maklumat lanjut berkenaan skema ombudsman kewangan dan terma rujukan Ombudsman Perkhidmatan Kewangan (OPK) boleh dipelajari di laman web OPK di www.ofs.org.my.

Orang awam juga boleh mempromosikan sebarang pertikaian kepada OPK di www.ofs.org.my atau menghubungi OPK di talian (03) 27272811 ketika waktu pejabat (9.30 pagi hingga 5.00 petang, hari-hari bekerja).



Financial Mediation Bureau to become FOS operator

Move to enhance jurisdiction on a wider scope for banking and insurance industries

by ANNA CHIDAMBAR

THE Financial Mediation Bureau (FMB), the alternative dispute resolution provider for the banking and insurance industries, will transform into the operator of the Financial Ombudsman Scheme (FOS).

This will give it jurisdiction over a wider scope of disputes and awards.

"Our services are provided free of charge to financial consumers and we are fully funded by our members, the financial service providers (FSPs). Consumers benefit as they don't have to engage lawyers or legal firms in filing their disputes with us," FMB CEO Jeremy Lee told The Malaysian Reserve (TMR).

FMB's scope of coverage includes disputes regarding transactions involving current accounts, automated teller accounts, fixed deposits, remittances and Internet banking.

Currently, its disputes on arising from banking and Islamic banking services and products, the monetary threshold is RM100,000.

For the insurance and takaful sector, he said the monetary threshold differs, depending on the type of insurance claims.

The threshold for the motor and fire insurance is set at RM200,000.



To reflect FMB's new role as the operator of the FOS, a new name is being considered, says Lee

"Under the approved FOS, the enhanced governance and operational arrangements will be in line with international best practices to promote a fair, effective and independent resolution process," he said.

and proposing a new name for the consideration of the relevant authorities," Lee said.

He said the FOS framework was formulated based on the six internationally acceptable principles: independence, fairness and impartiality, accessibility, accountability, transparency and effectiveness.

FMB bakal berubah kepada pengendali FOS sepenuhnya

KUALA LUMPUR 18 April - Biro Pengurusan Kawangan (FMB) akan melalui proses transformasi daripada penyedia penyelesaian alternatif bagi industri perbankan dan insurans kepada pengendali Skim Ombudsman Kawangan (FOS) sepenuhnya.

Ketua Pegawai Eksekutif FMB, Jeremy Lee berkata, FOS adalah sebahagian daripada usaha Bank Negara Malaysia (BNM) untuk meningkatkan lagi pengurusan penyelesaian pertikaian kewangan semasa bagi pengguna selain meningkatkan lagi pemfahaman kewangan pengguna.

Menurut beliau, rangka kerja FOS dilaksanakan oleh pemegang asas atau kebajikan, kendalian dan keselamatan, ketekunan dan keberkesanan yang bakal menyediakan skop lebih luas terhadap pertikaian dan insurans.

"Perkhidmatan yang disediakan ditajari sepenuhnya secara percuma kepada para pengguna yang dapat memperoleh faedah seperti tidak perlu melantik peguam atau firma undang-undang dalam memfaktakan pertikaian mereka.

"Menurut pelancongan FOS tahun ini, mekanisme penyelesaian pertikaian kewangan ditargetkan kepada tahap yang lebih tinggi dalam jangka masa terdekat seperti sebagai skim bebas dan saksama yang boleh dipercayai," katanya kepada



Menerusi pelancongan FOS tahun ini, mekanisme penyelesaian pertikaian kewangan ditargetkan kepada tahap yang lebih tinggi dalam sejarah selain mendapat reputasi sebagai skim bebas dan saksama yang boleh dipercayai

JEREMY LEE, Ketua Pegawai Eksekutif FMB

Utusan Malaysia di sini hari ini.

Skop liputan FMB termasuk pertikaian mengenai transaksi yang melibatkan akaun semasa, akaun simpanan automatik, deposit tetap, kiriman wang dan perkhidmatan Internet.

Pada masa ini, bagi pertikaian yang timbul daripada perkhidmatan dan produk perbankan serta perkhidmatan insurans dan takaful ialah, nilai had bantuan kewangan adalah berbeza-beda bergantung kepada jenis tuntutan insurans.

Nilai had motor dan kebakaran insurans ditetapkan pada RM200,000 manakala tuntutan insurans dan takaful lain pada RM100,000 dan tuntutan pihak ketiga bagi kerosakan harta benda kira-kira RM5,000.

Lee berkata, mengenai proses pengantaraan, sebagai sasaran awal dan penilaian pertikaian atau tuntutan bagi memastikan bahawa ia jatuh dalam bidang kuasa FMB dan semua dokumentasi asas disediakan oleh pengguna sebelum diterima sebagai pengantaraan.

"Pengantaraan kemudian akan memulakan dan mengadakan perbincangan antara penyedia perkhidmatan kewangan serta pengguna untuk menubuhkan mereka mencapai penyelesaian secara baik dan adil," katanya.

OFS uruskan pertikaian kewangan

Oleh ZUNAIHAH ZAINON

KUALA LUMPUR 20 OKT. PERTIKAIAN yang difailkan melalui Ombudsman Perkhidmatan Kawangan (OFS) tidak boleh melebihi RM250,000.

Ketua Pegawai Eksekutif OFS, Jeremy Lee berkata, ini kerana bagi pertikaian tuntutan insurans motor bagi kerosakan harta pihak ketiga dan rusuk riaga tanpa bebanan melibatkan instrumen dan saluran pembayaran.

Beliau berkata, pengguna boleh merujuk pertikaian melibatkan bank, syarikat insurans, pengendali takaful, institusi kewangan pembangunan, pengeluar instrumen pembayaran, broker insurans dan akaun serta perkhidmatan kewangan kepada OFS untuk penyelesaian.

Katanya, sebagai pengendali skim tersebut dengan pengalaman sebagai badan penyelesaian pertikaian alternatif untuk pengguna dan industri kewangan melebihi 10 tahun, OFS membenarkan keyakinan kepada orang awam bahawa ia akan menyelesaikan pertikaian di bawah bidang kuasanya secara adil dan saksama.

"Dalam menyelesaikan pertikaian, OFS beroperasi kepada prinsip yang dikitar di peringkat



antara-bangsa iaitu kebebasan, kendalian dan kesaksamaan, kemudahan akses, kebertanggungjawaban, ketekunan dan keberkesanan.

"Atas sebab itu, saya melihat pelaksanaan skim ombudsman kewangan pada 1 Oktober 2016 adalah tepat pada waktunya kerana berupaya memperkasa sistem kewangan dan memperkukuh rangka kerja perlindungan pengguna," katanya di sini hari ini.

OFS yang sebelum ini dikenali sebagai Biro Pengurusan Kawangan telah dilantik sebagai pengendali skim ombudsman kewangan oleh Bank Negara Malaysia (BNM) di bawah Akta Perkhidmatan Kawangan 2013 dan Akta Perkhidmatan Industri Sekuriti (SIDREK).

"Sejajar dengan prinsip antara-bangsa bertimbang bertenang akses, OFS akan terus menyediakan perkhidmatan secara percuma kepada pengguna kewangan.

"OFS bersedia bekerjasama dengan pihak-pihak berkepentingan termasuk BNM, penyedia perkhidmatan kewangan dan SIDREK dalam menyelesaikan pertikaian kewangan," katanya.



BNM governor launches the Ombudsman for Financial Services

Bank Negara Malaysia Governor Datuk Muhammad Ibrahim together with the Ombudsman for Financial Services (OFS) chairman and former Federal Court Judge Tan Sri James Foong launch the Financial Ombudsman Scheme at Sasana Kijang, Kuala Lumpur here yesterday. OFS adopts an alternative dispute resolution approach to mediate between customers of banks and insurance or takaful providers, as an alternative to going to court. — Picture by Aneel Usani

BNM kendalikan 6,695 kes aduan bank pada 2015

Oleh ZUNAIHAH ZAINON

KUALA LUMPUR 3 Nov. - Bank Negara Malaysia (BNM) telah mengendalikannya untuk melihat pelbagai aduan berkaitan pertikaian kewangan dan insurans sepanjang 2015, lebih rendah berbanding 7,937 bagi tahun sebelumnya.

Gabernornya, Datuk Muhammad Ibrahim berkata, BNM menjangkakan jumlah tersebut akan berkurangan apabila Penyedia Perkhidmatan Kawangan (FSP) meningkatkan dan memantapkan baik amalan pengendalian aduan.

Katanya, FSP perlu mengurus data aduan pengguna dan mengemukakan untuk melihat pelbagai aduan berkaitan, meningkatkan perkhidmatan dan menjalin hubungan jangka panjang dengan pengguna.

Pada masa depan, BNM akan mempertimbangkan untuk menubuhkan indeks perkhidmatan pengguna FSP yang boleh men-

jana manfaat jangka panjang kepada pengguna.

"Atas sebab itu, bank pusat amat menggalakan semua institusi kewangan di Malaysia untuk mempertimbangkan mewujudkan unit aduan khusus dengan tambahan saluran daripada penutupan industri berkaitan seperti BNM LINK dan juga Perkhidmatan Kawangan Ombudsman (OFS)," katanya.

Beliau berkata demikian pada majlis pelancaran Skim OFS di sini hari ini, yang turut dihadiri, Pengurus OFS, Tan Sri James Foong dan Ketua Pegawai Eksekutif OFS, Jeremy Lee.

OFS sebelum ini dikenali sebagai Biro Pengantaraan Kawangan dan bermula 1 Oktober lalu, ia dilantik sebagai pengendali skim ombudsman kewangan oleh BNM di bawah Akta Perkhidmatan Kawangan 2013 dan Akta Perkhidmatan Industri Sekuriti 2013.

Pengguna kewangan boleh merujuk pertikaian yang layak

melibatkan bank, syarikat insurans, pengendali takaful, institusi kewangan pembangunan, pengeluar instrumen pembayaran yang ditetapkan, broker insurans dan broker takaful serta penasihat kewangan kepada OFS untuk penyelesaian.

Menurus perkhidmatan itu, pertikaian kewangan yang difailkan melalui OFS hendaklah tidak melebihi RM250,000 dan pengadu boleh memfailkan pertikaian itu dalam tempoh enam bulan daripada tarikh keputusan oleh pihak atau anggota penyedia perkhidmatan kewangan yang disesatkan atau diluluskan oleh BNM.

Menurut Muhammad, penubuhan Skim Kawangan Ombudsman berupaya mengubah keyakinan pengguna dan memperkukuhkan pasaran dalam sektor kewangan sekali gus menyedai pengguna dengan mekanisme penyelesaian pertikaian yang efisien.

Katanya, mekanisme ini akan terus memberi manfaat kepada pengguna dan juga FSP.



MUHAMMAD IBRAHIM

BNM menjangkakan jumlah tersebut akan berkurangan apabila Penyedia Perkhidmatan Kawangan (FSP) meningkatkan dan memantapkan baik amalan pengendalian aduan.

Katanya, FSP perlu mengurus data aduan pengguna dan mengemukakan untuk melihat pelbagai aduan berkaitan, meningkatkan perkhidmatan dan menjalin hubungan jangka panjang dengan pengguna.

Pada masa depan, BNM akan mempertimbangkan untuk menubuhkan indeks perkhidmatan pengguna FSP yang boleh men-

BNM jangka kadar aduan menurun

Oleh HAIKAL RAMAN

KUALA LUMPUR - Bank Negara Malaysia (BNM) menjangkakan kadar aduan perbalahan dan insurans akan terus menurun selepas penyedia perkhidmatan kewangan (FSP) bertindas meningkatkan pelaksanaan kawalan aduan.

Gabenor BNM, Datuk Muhammad Ibrahim berkata, bank pusat itu pada tahun 2015 telah menguruskannya sebanyak 6,695 kes aduan perbalahan dan insurans berbanding 7,937 kes yang direkodkan pada tahun sebelumnya.

"FSP wajar memberi fokus berhubung data aduan pelanggan dan menggunakan perkara berkaitan untuk meninjau pelbagai pelbagai aduan bagi mengubungakan, mempelajari dan meningkatkan perkhidmatan selain jalinan tempoh jangka panjang bermula pelanggan.

"Melihat masa hadapan, BNM akan mengumpul data untuk memaparkan hasil indeks perkhidmatan pelanggan FSP dalam menghasilkan manfaat



MUHAMMAD (kiri) bersama Pengurus OFS, Tan Sri James Foong (kanan) bergambar pada pelancaran Skim OFS di Kuala Lumpur semalam.

jangka panjang kepada para pengguna yang boleh membuat keputusan bermaklumat dan membuat pilihan," katanya.

Beliau berkata demikian ketika berucap pada majlis pelancaran Skim Ombudsman Perkhidmatan Kawangan (OFS) di Sasana Kijang di sini semalam.

Menurut Muhammad, bank pusat itu turut menggalakan institusi kewangan untuk mempertimbangkan dalam mewujudkan unit aduan yang berdekatan.

"Rangkaian tambahan ini akan menyediakan maklumat penting bagi meningkatkan keyakinan sektor pembangunan kewangan yang akan digunakan untuk memuktamadkan peraturan positif dan keutamaan penyelesaian," katanya.

Staff Activities



The Ombudsman for Financial Services Recreational Club (OFSRC) had a hectic year organising activities to enhance teamwork among staff and to ensure staff welfare is adequately taken care of. The OFSRC kept the staff spirit on the upbeat with the quarterly birthday celebrations, creative indoor games and movie night out organised for the staff.

The highlight of the year was the OFS Family Day at the Lost World of Tambun in Ipoh. The trip was well received by staff and their families. A total of 120 guests comprising staff and their families participated in this two-day one-night event. The family day which was a much anticipated event for the year was filled with fun activities like the fire show (flaming percussion) and tales of tribe show in the park. During dinner, the guests were entertained by a karaoke session belted out by the staff and some family members. Every staff returned home with a lucky draw prize. The night ended with a dip at the hot spring and spa to the delight of all. It was a fantastic night to remember.



Ombudsman for Financial Services [664393P]

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Menara Takaful Malaysia
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50000 Kuala Lumpur

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03 2272 1577 (14th Floor)

E enquiry@ofs.org.my

W www.ofs.org.my

Operating Hours

Monday - Thursday
8.30am - 1.00pm
2.00pm - 5.30pm

Friday
8.30am - 12.15pm
2.30pm - 5.30pm

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

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

REPORTS AND FINANCIAL STATEMENTS

31 DECEMBER 2016

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OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)
(Incorporated in Malaysia as a company
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CORPORATE INFORMATION

DIRECTORS

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman)
(Appointed on 17 August 2016)
Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)
Ong Chong Hye
Mohd Radzuan bin Ab Halim
Prof Datuk Dr Marimuthu A/L Nadason
Datin Veronica Selvanayagy A/P S. Mudiappu
Chua Seck Guan
Tan Sri Dato' Sri Zaleha Binti Zahari
(Appointed on 20 July 2016)
Chuah Mei Lin (Deceased on 6 January 2017)

**CHIEF EXECUTIVE
OFFICER**

Lee Eng Huat

OMBUDSMEN

Kalyana Kumar a/l Sockalingam
Marina binti Baharuddin

SECRETARIES

Won Swee Hwan
Jasni bin Abdul Jalil

AUDITORS

SJ Grant Thornton
(Member Firm of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

**REGISTERED OFFICE/
PRINCIPAL PLACE
OF BUSINESS**

Level 14, Main Block, Menara Takaful Malaysia
No 4, Jalan Sultan Sulaiman, 50000 Kuala Lumpur

BANKER

Public Bank Berhad

OMBUDSMAN FOR FINANCIAL SERVICES

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of Ombudsman for Financial Services ("OFS") for the financial year ended 31 December 2016.

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.

RESULTS

	RM
Surplus for the financial year	<u>643,243</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The Directors in office since the date of the last report are as follows:

Tan Sri Datuk Seri (Dr) Foong Cheng Yuen (Chairman) (Appointed on 17 August 2016)

Tan Sri Dato' Sri Tay Ah Lek (Deputy Chairman)

Ong Chong Hye

Mohd Radzuan bin Ab Halim

Prof Datuk Dr Marimuthu A/L Nadason

Datin Veronica Selvanayagy A/P S. Mudiappu

Chua Seck Guan

Tan Sri Dato' Sri Zaleha Binti Zahari (Appointed on 20 July 2016)

Chuah Mei Lin (Deceased on 6 January 2017)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which OFS is a party, with the object or objects of enabling Directors of OFS to acquire benefits by means of the acquisition of interest in OFS or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than as disclosed in Notes 8 and 14 to the financial statements) by reason of a contract made by OFS with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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 OFS; or
- (b) which would render the values attributed to current assets in the financial statements of OFS misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of OFS misleading or inappropriate; or
- (d) not otherwise dealt with in this report of the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of OFS which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of OFS which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION (CONT'D)

In the opinion of the Directors:-

- (a) no contingent 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, in the opinion of the Directors, will or may affect the ability of OFS to meet its obligations as and when they fall due;
- (b) the results of OFS' 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 financial year in which this report is made.

OMBUDSMAN FOR FINANCIAL SERVICES
(formerly known as Financial Mediation Bureau)
(Incorporated in Malaysia as a company
limited by guarantee and not having a share capital)
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements of OFS set out on pages 12 to 39 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of OFS as at 31 December 2016 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of the Directors in accordance with a resolution of Board of Directors.



TAN SRI DATUK SERI (DR)
FOONG CHENG YUEN



ONG CHONG-HYE

Kuala Lumpur

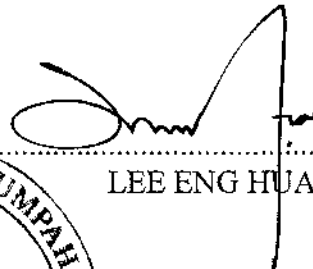
22 March 2017

STATUTORY DECLARATION

I, Lee Eng Huat, being the Officer responsible for the financial management of Ombudsman for Financial Services (formerly known as Financial Mediation Bureau), do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 39 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.


Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)

22 March 2017

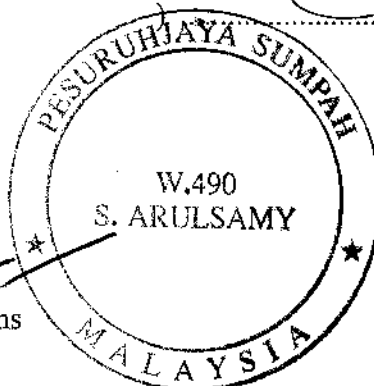


LEE ENG HUAT

Before me:



Commissioner for Oaths



16 - Tingkat Bawah Jalan Pudu
55100 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)
(Incorporated in Malaysia as a company
limited by guarantee and not having a share capital)
Bureau No: 664393 P

SJ Grant Thornton (AF:0737)

Level 11 Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

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F +603 2691 5229
www.grantthornton.com.my

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ombudsman for Financial Services (formerly known as Financial Mediation Bureau), which comprise the Statement of Financial Position as at 31 December 2016, and the 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 financial statements including a summary of significant accounting policies as set out on pages 12 to 39.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of OFS as of 31 December 2016, and of its financial performance and its 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 1965 in Malaysia.

Basis of 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 the Company 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Bureau No: 664393 P

Report on the Audit of the Financial Statements (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of OFS are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of OFS and our auditors' report thereon.

Our opinion on the financial statements of OFS does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of OFS, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of OFS or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of OFS are responsible for the preparation of financial statements of OFS that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 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.

Bureau No: 664393 P

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of OFS, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OFS' 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' 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.

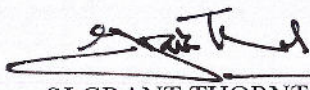
Bureau No: 664393 P

Report on Other Legal and Regulatory Requirements

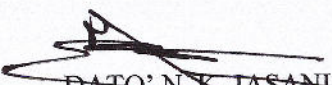
In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and registers required by the Act to be kept by OFS has been property kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of OFS, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



SJ GRANT THORNTON
(NO. AF: 0737)
CHARTERED ACCOUNTANTS



DATO' N. K. JASANI
(NO: 708/03/18(J/PH))
CHARTERED ACCOUNTANT

Kuala Lumpur
22 March 2017

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
ASSETS			
Non-current asset			
Property, plant and equipment	4	256,762	357,528
Total non-current asset		<u>256,762</u>	<u>357,528</u>
Current assets			
Other receivables, deposits and prepayments	5	178,053	294,902
Fixed deposits with a licensed bank		970,473	-
Cash and bank balances		269,498	415,841
Total current assets		<u>1,418,024</u>	<u>710,743</u>
Total assets		<u><u>1,674,786</u></u>	<u><u>1,068,271</u></u>
MEMBERS' FUND AND LIABILITIES			
Members' fund			
Balance as at 1 January		976,354	1,462,748
Surplus/(Deficit) for the financial year		643,243	(486,394)
Balance as at 31 December		<u>1,619,597</u>	<u>976,354</u>
LIABILITIES			
Current liabilities			
Other payables and accruals		54,339	91,819
Provision for taxation		850	98
Total current liabilities		<u>55,189</u>	<u>91,917</u>
Total liabilities		<u>55,189</u>	<u>91,917</u>
Total members' fund and liabilities		<u><u>1,674,786</u></u>	<u><u>1,068,271</u></u>

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

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
Revenue	6	6,432,000	5,400,000
Other operating income		34,902	14,916
Staff costs	7	(4,121,305)	(3,906,983)
Depreciation of property, plant and equipment	4	(123,834)	(158,265)
Other operating expenses		<u>(1,577,670)</u>	<u>(1,836,186)</u>
Surplus/(Deficit) before tax	8	644,093	(486,518)
Tax (expense)/income	9	<u>(850)</u>	<u>124</u>
Net surplus/(deficit) for the financial year		643,243	(486,394)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the financial year		<u><u>643,243</u></u>	<u><u>(486,394)</u></u>

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

OMBUDSMAN FOR FINANCIAL SERVICES

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(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	Members' <u>fund</u> RM	<u>Total</u> RM
Balance at 1 January 2015	1,462,748	1,462,748
Total comprehensive loss for the financial year	<u>(486,394)</u>	<u>(486,394)</u>
Balance at 31 December 2015	976,354	976,354
Total comprehensive income for the financial year	<u>643,243</u>	<u>643,243</u>
Balance at 31 December 2016	<u><u>1,619,597</u></u>	<u><u>1,619,597</u></u>

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

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> RM	<u>2015</u> RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) before tax		644,093	(486,518)
Adjustments for:-			
Depreciation of property, plant and equipment	4	123,834	158,265
Gain on disposal of property, plant and equipment		(900)	(100)
Interest income from fixed deposits		(34,002)	(14,816)
Surplus/(Deficit) before working capital changes		733,025	(343,169)
Changes in working capital:-			
Receivables		116,849	(101,603)
Payables		(37,480)	48,810
Net cash from operation		812,394	(395,962)
Tax paid		(98)	(412)
Net cash generated from/(used in) operating activities		812,296	(396,374)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		900	100
Purchase of property, plant and equipment	4	(23,068)	(35,821)
Interest received		34,002	14,816
Net cash generated from/(used in) investing activities		11,834	(20,905)
CASH AND CASH EQUIVALENTS			
Net changes		824,130	(417,279)
At beginning of the financial year		415,841	833,120
At end of the financial year	A	1,239,971	415,841

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)**

NOTE TO STATEMENT OF CASH FLOWS

A. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:-

	<u>2016</u> RM	<u>2015</u> RM
Fixed deposits with a licensed bank	970,473	-
Cash and bank balances	<u>269,498</u>	<u>415,841</u>
	<u><u>1,239,971</u></u>	<u><u>415,841</u></u>

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

OMBUDSMAN FOR FINANCIAL SERVICES

(formerly known as Financial Mediation Bureau)

(Incorporated in Malaysia as a company

limited by guarantee and not having a share capital)

NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2016

1. GENERAL INFORMATION

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.

OFS is a limited by 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 financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2017.

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 ("IFRS") and the requirements of the Companies Act, 1965 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.

2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is OFS' functional currency.

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 periods presented in these financial statements.

At the beginning of current financial year, OFS adopted amendments/improvements to MFRSs which are mandatory for the financial period beginning on or after 1 January 2016.

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

Nature and the impacts of the amendments to MFRS are:-

2.4.1 Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiatives

The amendments to MFRS 101 clarify, rather than significantly change, existing MFRS 101 requirements. The amendments clarify:

- The materiality requirements in MFRS 101;
- That specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the note to the financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments do not have any impact to OFS.

2. **BASIS OF PREPARATION (CONT'D)**

2.4. **Adoption of New Amendments/Improvements MFRSs (cont'd)**

Nature and the impacts of the amendments to MFRS are (cont'd):-

2.4.2 *Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment may only be used in very limited circumstances to amortise intangible assets.

The amendments are applied prospectively and do not have any impact on OFS, given that it has not used a revenue-based method to depreciate its non-current assets.

2.5 **Standards Issued But Not Yet Effective**

OFS has not applied the following new standards and amendments to standards that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective, and have not been adopted early by OFS.

Management anticipates that all of the relevant pronouncements will be adopted in OFS’ accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to have financial impact to OFS’ financial statements are provided below. Certain other new standards and interpretations have been issued but not expected to have a material impact on OFS’ financial statements.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 9 Financial Instruments-effective 1 January 2018

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

OFS plans to adopt the new standards on the required effective date. During 2016, OFS has performed a high-level impact assessment of all three aspects of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to OFS in the future.

Overall, the Bureau expects no significant impact on its statement of financial position.

(i) Classification and measurement of financial assets

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). Under MFRS 9, derivative embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instruments as a whole is assessed for classification.

Based on the preliminary assessment, OFS does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of MFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, OFS expects that these will continue to be measured at amortised cost under MFRS 9. However, OFS will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under MFRS 9.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 9 Financial Instruments-effective 1 January 2018 (cont'd)

(ii) Impairment of financial assets

MFRS 9 replaces the 'incurred loss' model in MFRS 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under MFRS 9, loss allowances will be measured on either of the following bases:-

- 12-months ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-months ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

MFRS 9 requires OFS to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. OFS expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

OFS expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 9 Financial Instruments-effective 1 January 2018 (cont'd)

(iii) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

OFS has not designated any financial liabilities at FVTPL and OFS has no current intention to do so. OFS' preliminary assessment did not indicate any material impact if MFRS 9's requirements regarding the classification of financial liabilities is applied.

(iv) Disclosures

MFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. OFS' preliminary assessment included an analysis to identify data gaps against current processes and OFS plans to implement the system and controls changes that it believes will be necessary to capture the required data.

(v) Transition

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

- OFS plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 15 Revenue from Contracts with Customers-effective 1 January 2018

MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under MFRS, including MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.

Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, with early adoption permitted. OFS plans to adopt the new standard on the required effective date using the full retrospective method.

OFS has completed an initial assessment of the potential impact of the adoption of MFRS 15 on its financial statements, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, OFS is considering the clarifications issued by MASB on 16 June 2016 and will monitor any further developments.

(i) Sale of goods

Contracts with customers in which the sale of goods are generally expected to be the only performance obligation are not expected to have any impact on OFS' profit or loss. OFS expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to MFRS 15, OFS considers variable consideration of the sales transaction. Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, OFS recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, OFS defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under MFRS 15, and will be required to be estimated at contract inception.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 **Standards Issued But Not Yet Effective (cont'd)**

MFRS 15 Revenue from Contracts with Customers-effective 1 January 2018
(cont'd)

(i) Sale of goods (cont'd)

MFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. OFS continues to assess individual contracts to determine the estimated variable consideration and related constraint. OFS expects that application of the constraint may result in more revenue being deferred than is under current MFRS.

(ii) Presentation and disclosure requirements

MFRS 15 provides presentation and disclosure requirements, which are more detailed than under current MFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in OFS' financial statements. Many of the disclosure requirements in MFRS 15 are completely new. OFS is in the progress of developing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

MFRS 16 Leases – effective 1 January 2019

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 16 Leases – effective 1 January 2019 (cont'd)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, OFS plans to assess the potential effect of MFRS 16 on its financial statements.

Amendments to MFRS 107 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

On initial application of the amendments, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure to be provided by OFS.

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' 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.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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

3.1 Property, plant and equipment and depreciation

Property, plant and equipment are initially stated at cost. 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.

All property, plant and equipment, are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, OFS recognises such costs as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

The principal annual depreciation rates used are as follows:-

Computers	33 1/3%
Motor vehicles	20%
Equipment	20%
Furniture and fittings	10%
Renovation	10%
Books	10%

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Property, plant and equipment and depreciation (cont'd)

Restoration cost relating to an item of property, plant and equipment is capitalised only if such expenditure is expected to increase the future benefits from the existing property, plant and equipment beyond its previously assessed standard of performance.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the financial year the asset is derecognised.

3.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, 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.

3.3 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to OFS and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received and receivable.

Levy income is recognised on accrual basis to the extent declared by the Directors and the right to receive the payment is established.

Interest income on fixed deposits placed with a licensed bank is recognised on accrual basis.

3.4 Tax expense

Current and deferred tax is recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Tax expense (cont'd)

Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted by the reporting date. Current tax for current and prior periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax liabilities and assets are provided for under liability method in respect of all temporary differences at reporting date between carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.5 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit.

An impairment loss is recognised as an expense in the profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of non-financial assets (cont'd)

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the profit or loss immediately.

3.6 Employee benefits

3.6.1 Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by 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 occur.

3.6.2 Defined contribution plans

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

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employee Provident Fund ("EPF").

3.7 Financial instruments

Financial assets and financial liabilities are recognised when OFS becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.1 Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- (i) loans and receivables;
- (ii) financial assets at fair value through profit or loss;
- (iii) held to maturity investments; and
- (iv) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that OFS commits to purchase or sell the asset.

At the reporting date, OFS carries only loan and receivables on its statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. OFS' cash and cash equivalents and other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.2 Financial liabilities

After the initial recognition, financial liability is classified as:

- (a) financial liability at fair value through profit or loss;
- (b) other liabilities measure at amortised cost using the effective interest method; and
- (c) financial guarantee contracts

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Other liabilities measured at amortised cost

OFS' other liabilities only include other payables.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Other payables are classified as current liabilities unless OFS has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.7.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable 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.

3.8 Impairment of financial assets

OFS assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

3.8 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, OFS first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OFS determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in OFS of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to OFS. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Computers RM	Motor vehicles RM	Equipment RM	Furniture and fittings RM	Renovation RM	Books RM	Total RM
At 1 January 2015	574,868	147,550	267,256	676,448	611,178	150,000	2,427,300
Additions	31,896	-	3,925	-	-	-	35,821
Disposal	(4,374)	-	-	-	-	-	(4,374)
At 31 December 2015	602,390	147,550	271,181	676,448	611,178	150,000	2,458,747
Additions	2,833	-	14,335	5,900	-	-	23,068
Disposal	(38,098)	-	-	-	-	-	(38,098)
At 31 December 2016	567,125	147,550	285,516	682,348	611,178	150,000	2,443,717
Accumulated depreciation							
At 1 January 2015	540,293	88,530	235,237	477,898	455,370	150,000	1,947,328
Charge for the financial year	45,208	29,510	13,561	37,554	32,432	-	158,265
Disposal	(4,374)	-	-	-	-	-	(4,374)
31 December 2015	581,127	118,040	248,798	515,452	487,802	150,000	2,101,219
Charge for the financial year	11,576	29,510	12,442	38,144	32,162	-	123,834
Disposal	(38,098)	-	-	-	-	-	(38,098)
31 December 2016	554,605	147,550	261,240	553,596	519,964	150,000	2,186,955
Net carrying amount							
At 31.12.2016	12,520	-	24,276	128,752	91,214	-	256,762
At 31.12.2015	21,263	29,510	22,383	160,996	123,376	-	357,528

5. **OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<u>2016</u> RM	<u>2015</u> RM
Other receivables	5,966	157,220
Deposits	121,510	87,867
Prepayments	50,577	49,815
	<u>178,053</u>	<u>294,902</u>

Included in other receivables are amounts due from members is Nil (2015: RM156,000) which are interest-free, unsecured and repayable on demand.

6. **REVENUE**

Revenue represents levy income received from members.

7. **STAFF COSTS**

	<u>2016</u> RM	<u>2015</u> RM
Salaries, wages and bonus	3,346,138	3,160,577
Employees Provident Fund	431,814	408,115
Social security contributions	23,645	19,789
Other benefits	319,708	318,502
	<u>4,121,305</u>	<u>3,906,983</u>

8. **SURPLUS/(DEFICIT) BEFORE TAX**

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

	<u>2016</u> RM	<u>2015</u> RM
Auditors' remuneration		
- current financial year	12,500	12,500
- under provision in prior year	-	1,000
Depreciation of property, plant and equipment	123,834	158,265
Directors' emoluments	117,200	153,800
Office rental	821,283	812,070
Rental of equipment	9,720	9,720
Gain on disposal of property, plant and equipment	900	100
Interest income from fixed deposits	(34,002)	(14,816)

9. TAX EXPENSE/(INCOME)

	<u>2016</u> RM	<u>2015</u> RM
Current year	<u>850</u>	<u>(124)</u>

There is no tax reconciliation being presented as OFS has no chargeable income.

The levy incomes are tax exempted under Income Tax (Exemption) (No.19) Order 2005.

Income tax expense is in respect of interest income.

10. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as loans and receivables ("L&R") and other financial liabilities measured at amortised cost ("AC"):

	Carrying amount RM	L&R RM	AC RM
2016			
Financial assets			
Other receivables and deposits	127,476	127,476	-
Fixed deposit with licensed bank	970,473	970,473	-
Cash and bank balances	269,498	269,498	-
	<u>1,367,447</u>	<u>1,367,447</u>	<u>-</u>
Financial liabilities			
Other payables and accruals	54,339	-	54,339
2015			
Financial assets			
Other receivables and deposits	245,087	245,087	-
Cash and bank balances	415,841	415,841	-
	<u>660,928</u>	<u>660,928</u>	<u>-</u>
Financial liabilities			
Other payables and accruals	91,819	-	91,819

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk

OFS is exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of OFS' operations whilst managing its credit risk, liquidity risk, and interest rate risk. 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 policy 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 counterparty to a financial instrument fails to meet its contractual obligations. It is OFS' policy to enter into financial instrument with a diversity of creditworthy counterparties. OFS does not expect to incur material credit losses of its financial assets or other financial instruments.

(i) Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is limited to the carrying amounts in the statement of financial position and there is no concentration of credit risk.

(ii) Cash and cash equivalents

Cash balances and fixed deposits placed with a reputable licensed bank with high credit ratings and no history of default.

(b) Liquidity risk

Liquidity risk is the risk that OFS will not be able to meet its financial obligations as they fall due as a result of to shortage of funds.

In managing its exposures to liquidity risk arises 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 when they fall due.

(c) Interest rate risk

OFS' interest bearing assets such as fixed deposits with a licensed bank is exposed to interest rate risk due to the impact of rate changes.

11. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

Financial Risk (cont'd)

The main areas of financial risks faced by OFS and the policy 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' significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting period was:

	<u>2016</u> RM	<u>2015</u> RM
Fixed rate instruments:		
Financial asset		
Financial deposits with a licensed bank	<u>970,473</u>	<u>-</u>

Fair value sensitivity analysis for fixed rate instruments:

OFS does not account for any fixed rate financial assets and liability at fair value through profit or loss, and OFS does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates as at the end of the reporting period would not affect profit or loss.

(d) **Fair value of financial instruments**

The carrying amounts of short term receivables and payables and cash and cash equivalents approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

12. **COMMITMENTS**

Non-cancellable operating commitments

	<u>2016</u> RM	<u>2015</u> RM
Not later than 1 year	474,116	784,707
Later than 1 year but not later than 2 years	438,912	35,204
Later than 2 years but not later than 5 years	<u>402,336</u>	<u>-</u>
	<u>1,315,364</u>	<u>819,911</u>

13. FUND MANAGEMENT

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

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

Total fund managed at Bureau level is the member's funds as shown in the statement of financial position.

14. RELATED PARTY DISCLOSURES

There were no related party transactions during the financial year.

The remuneration of Directors and other members of key management personnel during the financial year are as follows:-

	<u>2016</u> RM	<u>2015</u> RM
Directors' emoluments	<u>117,200</u>	<u>153,800</u>

15. LITIGATIONS

There were two litigations noted during the financial year which are as follows:-

1) Darmawatti Binti Dahri ("the Claimant") v Biro Pengantaraan Kewangan

The case above was filed by the Claimant for unfair dismissal under Section 20 of the Industrial Relations Act 1967. The Claimant was appointed as Mediator under a fixed term contract with effect from 1 July 2006. The Claimant ceased to be a Mediator consequent to the expiry of their fixed term contract on 30 June 2012.

The case is currently pending the Award to be handed down by the Industrial Court.

2) Audrey Yeoh Peng Hoon (" the Appellant") v Financial Mediation Bureau & Anor

The above case is pursuant to Audrey Yeoh Peng Hoon's appeal against the decision of the High Court, wherein the High Court quashed the decision of the Industrial Court in Award No. 657 of 2015, which upheld the appellants claim for the unfair dismissal under Section 20 of the Industrial Relations Act 1967 and awarded back wages and compensation in lieu of reinstatement in the sum of RM145,000.00.

15. LITIGATIONS (CONT'D)

- 2) Audrey Yeoh Peng Hoon (“the Appellant) v Financial Mediation Bureau & Anor (cont'd)

The appeal was heard on 6 December 2016 wherein the Court of Appeal upheld the decision of the High Court. The Court of Appeal ordered that the Appellant’s appeal be dismissed with costs of RM5,000.00 to be paid by the Appellant to OFS.

As at date of reporting, the case has been settled.