

Financial services complaints handling and redress mechanism.

One of the sectors that have seen massive development in recent years is finance and banking. Our world is fast-migrating from cash to cashless economy and this has necessitated integration of banks and mobile phone networks through mobile banking or online banking.

As much as this integration has simplified movement of cash and enabled online purchase, the same is not without pitfalls as manifested in the influx of complaints occasioned by the use of these online cash transfer services.

The Bank of Tanzania as the regulator of banks and all financial institutions saw the need of putting in place regulations which protect consumers of these financial services in Tanzania under the Bank of Tanzania (Financial Consumer Protection) of 2019.

This article focuses on complaint handling and redress mechanism as provided under the Bank of Tanzania (Financial Consumer Protection) of 2019. Part IX which is comprised of sections 42 to 59 is the one dealing with complaints handling and redress mechanism for the consumers of financial services.

The Law and mechanisms

Regulation 42 of this law gives the consumer the right to lodge a complaint against a financial service provider upon being aggrieved contrary to the regulations.

This provision is non-discriminatory in the sense that it does not provide specific type of consumer or service consumed but rather all consumers have been given the liberty to lodge complaint.

In order to ensure effective handling of consumer complaints, regulation 43 (1) up to (3) has made it mandatory for every financial service provider to establish a mechanism for receiving, processing and determining consumer complaints.

It further provides that such mechanism for receiving complaints shall have multiple channels with clear procedures, including telephone numbers, help desk, dedicated email addresses and web chat.



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Also, such mechanism is required to be free, fair, accessible, timely, transparent and independent with the ability to acknowledge complaint, keep the complainant updated throughout the process and keep records of all complaints.

What can be grasped from the above provision is that having multiple channels of handling consumer complaints is meant to ensure that consumers from all walks of life can access these services.

This means that a person who cannot send an email or make a phone call can still walk into the offices of the financial institution and lodge complaint and from such lodgment the consumer is entitled to receive updates of how the complaint is being handled throughout the process. There is no specialized procedure for the customer to address complaints..

Complaint resolution timeframe

Lodging complaints would not make sense if financial institutions were allowed to drag the same indefinitely and without consumers being updated on the progress being made in resolving the complaints.

Therefore, among pieces of information the financial institution is required to give the consumer upon lodging of the complaint is the expected time frame within which such complaint will be resolved.

Timeframes for resolving complaints are regulated and provided under the first schedule of these regulations. For example, payment products such as mobile financial services, interbank payments (TISS) and instant payment (TIPS) are required to be resolved within six hours from reporting a complaint while banking products like credit facilities require 14 days to be resolved and foreign exchange services and remittances are to be resolved within 24 hours of reporting.

Upon going through timeframes provided by the regulations, one will note that they differ based on the nature or complexity of each particular complaint.

Another thing to take note of is that regulation 49 (1) and (2) provides for a room to extend time for resolving a consumer complaint which has been lodged and the duty of giving notification and extension of time lays upon the financial service provider.

Such financial service provider is required to notify the Bank of Tanzania and the complainant before the expiration of the specified time on the reasons for the inability to resolve the dispute and measures taken to resolve the matter.

However, upon giving such notification, and after expiry of the stipulated period, the financial service provider is required to determine the matter within the time not exceeding half of the period specified.

This means that if for example the specified period was 14 days, extension of time will be for seven days only. Requirement of notifying the regulator is meant to increase accountability of financial services providers to their customers.

Appeals to the Bank of Tanzania

Like any other dispute resolving mechanisms, these regulations have taken cognizance of the fact that there could be scenarios in which financial service providers are unable to resolve certain complaints due to various reasons or the customer is not satisfied with the decision made by the financial institution or complaints have not been entertained within the statutory time and there is no reason supplied to the customer.

Under such circumstances, regulations 50 to 59 stipulate the involvement of the Bank of Tanzania in handling these kinds of disputes as the appellat board.

Regulation 51 stipulates complaints which qualify to be handled by the Bank of Tanzania as (i) scenarios which the complainant has not received a response as stipulated by regulation 46 (ii) or such complaint not being attended to in the manner provided under such regulation (iii) upon lapse of specific time provided (iv) not later than 14 days from the lapse of the specific time stipulated (v) the complainant is dissatisfied with the decision of the financial service provider (vi) in case the 14 days (time) has lapsed.

Appeals to the Bank of Tanzania are required to be in a prescribed form which is provided under the third schedule of the regulations. It should be noted that the Bank of Tanzania only admits complaints which have not been subject to legal proceedings or any other competent authority and a complainant has suffered financial loss or material inconvenience.

Another thing to note is that determination of the Bank of Tanzania of appeals shall be binding and conclusive but in case the appellant is dissatisfied, they may lodge an application for judicial review to the competent court of law.

In circumstances where in the process of handling the lodged appeal, Bank of Tanzania forms an opinion that there are matters which by their nature require the court's guidance or interpretation then refer such complaint to a court of law.

Conclusion

This article has only given a brief synopsis of the law related to consumer protection as stipulated under the Bank of Tanzania (Financial Consumer Protection) regulation.

We strongly advise consumers of financial services to engage this mode of resolving complaint as provided by these regulations as it saves time and costs compared to court cases.

But for consumers to be able to utilize this avenue effectively, they need to familiarize themselves with the mechanisms put in place by their financial service providers such as conditions and timeframe for handling each specific complaint.

Note: *The material and information contained in this article are for general information purposes only. They only provide either elementary or basic legal knowledge on the above subject. Anyone considering legal action should consult an experienced lawyer to understand current laws and how they may affect a case in question.*