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PUNJAB PROVINCIAL COOPERATIVE BANK LTD.

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FINANCIAL CONSUMER PROTECTION FRAMEWORK

INTRODUCTION:

Today's banking customers are more demanding than ever. They want products and services that are tailored to their specific needs, delivered through the channels that are most convenient to them. Many consumers also want to be able to control the way they interact with their banks, while many financial institutions are striving to meet these needs.

PPCBL realizes the need for a well defined consumer protection and customer severance policy to ensure prompt and inclusive services to all customers within the prescribed regulatory framework as well as defined processes of the Bank. In this regard, in pursuance of policy guidelines by State Bank of Pakistan, the PPCBL has developed certain important themes which have been incorporated to design the policy towards comprehensive coverage and implementation of customer acceptance, consumer protection/customer service in the bank. Through this Policy the bank shall ensure that the recommendations as well as relevant regulatory and other requirements are implemented in letter and spirit.

Broadly, a consumer can be defined as a user or a potential user of bank services. So defined, a 'Consumer' may include:

- A person or entity that maintains an account and/or has a business relationship with the bank;
- One on whose behalf the account is maintained (i.e. the beneficial owner);
- Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, Surveyors etc., as permitted under the law, and;
- Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

SLOGAN:

Consumer's Money, Consumer's Rights

OBJECTIVES:

- To create awareness among Banking Consumer about their rights and remedies available in case of irregular/unsatisfactory service by banking companies.
- Against misleading information regarding price, product, quality and quantity of the product.
- To ensure compliance of prudential obligations and relevant laws;
- To enhance consumers' confidence in PPCBL by creating awareness among them of their rights and obligation.
- To review and prepare consumer protection policies and guidelines.
- To create consumer awareness and transparency - financial products and services offered by the banks.

BENEFITS OF EFFECTIVE CONSUMER PROTECTION

- Reducing incidence of unfair or deceptive practices.
- Promoting improved products/services.
- Increasing fair competition and efficiency.
- Encouraging trust/confidence in the whole financial system.
- Promote system stability and soundness.

PPCBL Consumer Protection Framework:

Vision:

To provide high quality, accessible and responsive services, designed to effectively redress the grievances of consumers of bank and other stakeholders through devising proactive policies and efficient complaint resolution mechanism

Mission:

To be at the forefront of State Bank's efforts in addressing concerns of consumers & other stakeholders of the bank.

THE POLICY SEEKS TO ENSURE THE OBJECTIVE HEREIN:

Policy framework around Consumer Acceptance:

- The bank welcomes new relationship / extension of the existing relationship in all areas of the bank's business (Deposits, Advances, Credit Cards etc.). At the time of starting a new relationship/ extending the existing relationship with the consumers, the bank shall evaluate the profile of the applicant in line with the extent regulatory as well as internal guidelines.
- The bank shall upfront intimate all applicable Terms & Conditions, Charges / Fees etc. at the beginning of a new relationship. Consumers' consent shall be taken in the form of a written agreement. Wherever applicable, copies of the agreement shall be provided to the consumer for reference.
- Bank shall provide the Most Important Documents in the desired font as per guidelines and shall take consumer agreement in writing as applicable for the relevant products.
- In the event that the bank is not in a position to enter into a relationship with the applicant, the same shall be communicated to the applicant within reasonable timeframe alongwith reason for the same.

Employee Training / Education around Consumer Service:

- The Bank shall ensure clear guidelines towards their staff. Bank shall put in place well defined mandatory training programs for Induction and Refresher Training. This shall take into account the sensitivity of soft skills needed for consumer interaction and to render the highest degree of professional standards conforming consumer care and related requirements.
- The Bank clearly recognizes grievance redressal as a vital component to consumer service and has in place a well defined approved Grievance Redressal Policy.
- In addition to implementing the approved Grievance Redressal Policy, the bank shall ensure implementation of following key elements with regards to effective grievance redressal across the channels:
 - o The Bank has invested in a full-fledged state of the art Consumer Protection System (CPS) to receive, record and track consumer issues and complaints. Bank will thus ensure effective usage of the Consumer Protection System (CPS).

o The Bank shall ensure that the CPS and related processes are implemented to resolve grievance raised by consumers and non consumers.

o Bank shall ensure that CPS not only allows well defined mechanism for recording and resolving consumer complaints, it will also allow enough intelligence availability with respect to the type of complaints at the Bank level. This shall ensure timely, adequate resolution of complaints. Using this intelligence the bank shall continuously strengthen its internal redressal mechanism, thereby reducing the extent of escalation to external fora and regulatory bodies.

o Bank shall put in place a clear escalation mechanism if complaints are not resolved. Bank shall also give wide publicity to the escalation mechanism available to the consumers through posters/website etc.

o The Bank shall ensure well set mechanism which allows review, by the Top Management of the Bank, of the quality of consumer service rendered which would include quality and timeliness of resolution.

o Bank shall ensure that analysis of frequent areas of complaints and root cause remedial steps are tabled to the Standing Committee for Consumer Protection for review, guidance and conclusive implementation.

o In order to infuse greater consumer confidence, the Bank shall give wide visibility to the Banking Ombudsman and its applicability by way of campaigns and communication through multiple channels.

o The Head Operations shall collaborate with consumer organizations across regions with a view to understand consumer issues and for disseminating consumer education.

Review of Financial Consumer Production Framework:

□ The internal inspection / audit of the bank will address, attribute on financial consumer production framework and complaints management and give due representation to these elements in final audit rating.

Policy framework around Consumer Severance:

□ The bank shall ensure implementation of the well laid guidelines and processes in relation to Consumer Severance situations e.g. account closure, loan termination, loan foreclosure etc. The relevant processes for account closure shall be followed in

letter and spirit in all possible instances e.g. either consumer induced or bank induced.

□ In cases of consumer induced account closure the bank shall, as a prudent practice, attempt to understand the underlying issues, if any leading to the separation. The Bank shall make all reasonable efforts to retain the consumer by eliminating the product / service issues, if any. This shall be used to bridge gaps in process and service, if any.

□ Under all circumstances, the bank shall honour the consumer's free will and ensure hassle-free closure of account within the framework of extant regulatory guidelines.

□ The bank shall carry out review of relationship at regular frequency. In the event consumer's account behaviour is in contravention to the extant regulatory guidelines e.g. AML, Transaction pattern not matching with the profile etc., the bank shall take necessary steps to intimate the consumer with a request to provide evidences in support of transaction pattern / account behaviour etc. In the event that the consumer is unable to provide appropriate evidences or the consumer is not traceable beyond a reasonable time-frame, the bank will take steps to cease the relationship by obtaining due internal approvals and by issuing proper notice(s) to that effect.

GENERAL

Policy for general management of the branches

PPCBL's systems should be oriented towards providing better Consumer Protection and periodical study / review of the systems will be done to evaluate its impact on Consumer Protection.

CONSUMER PROTECTION: INSTITUTIONAL FRAMEWORK

Monitoring the implementation of awards under the Banking Ombudsman Scheme

The Scheme of Banking Ombudsman was introduced by SBP with the objective of enabling resolution of complaints relating to provision of banking services and resolving disputes between a bank and its constituents through the process of conciliation, mediation and arbitration in respect of deficiencies in consumer

service.

STANDING COMMITTEE ON CONSUMER PROTECTION

The State Bank of Pakistan examined the issues relating to the continuance or otherwise of Consumer protection and observed that there should be a dedicated focal point for Consumer protection in banks, which should have sufficient powers to evaluate the functioning in various departments. To address the matter, a Standing Committee on Consumer protection will be created at Head Office level in the bank.

Such Committee will be named Standing Committee on Consumer protection and it will comprise of Business Head, Head Operations and Head IC&C Division, with the provision to co-opt. any other Executive of the Bank also, if an when so needed.

The Standing Committee will also act as a bridge between the various departments of the bank and the President / Board.

Zone Level Consumer Protection Committees

All the Zonal Heads are advised to establish Consumer Protection Committees at their level. In order to encourage a formal channel of communication between the consumer and the bank at the branch level, Zone Level Committee should take necessary steps in this regard. The Zone Level Consumer Protection Committee may meet at least once a month to study complaints/ suggestions, cases of delay; difficulties faced / reported by consumers / members of the Committee and evolve ways and means of improving Consumer protection.

The zone level committees may also submit quarterly reports giving input / suggestions to the Standing Committee on Consumer protection thus enabling the Standing Committee to examine them for necessary policy / procedural action.

Board approved policies to support Consumer protection.

Consumer protection should be projected as a priority objective of the bank along with profit, growth and fulfillment of social obligations. PPCBL will have a Board approved policy for the consumer protection.

Printed material in bilingual form

In order to ensure that banking facilities percolate to the vast sections of the population, bank shall make available all printed material used by retail consumers including account opening forms, pay-in-slips, passbooks etc., in bilingual form i.e., English &, Urdu.

Opening / Operation of Deposit Accounts Consumer Identification Procedure for individual accounts

PPCBL will be generally guided by SBP instructions on KYC / AML for opening of accounts.

Notifying the change in profit rates

Change in profit rate on deposits should be made known to consumers as well as bank branches expeditiously.

LEVY OF SERVICE CHARGES

Fixing service charges by banks

The practice of SBP fixing the benchmark service charges on behalf of member banks has been done away with and the decision to prescribe service charges has been left to individual banks. While fixing service charges for various types of services like charges for cheque collection, etc., PPCBL Operation Division would ensure that the charges are reasonable and in accordance with the guiding principles of SBP circulated vide No.CPD Circular No. 1 of 2015 dated January 26, 2015. Banks would also take care to ensure that consumers with low volume of activities are not penalized.

PPCBL Operation Division would make arrangements for working out charges with prior approval of the Board of Directors as recommended above and operationalize them in their branches as early as possible.

Other issues

Branches will propose to the Sanding Committee on their promotional and product information displays after recommendation of Zonal Head. However, the mandatory displays may not be obstructed in anyway. As consumer interest and financial education are sought to be achieved by the mandatory display requirements, they should also be given priority over the other display boards. Information relating to Government sponsored schemes as applicable location-wise may be displayed according to their applicability.

Display of information relating to Profit Rates and Service Charges – Rates at a quick glance

A format has been devised by PPCBL for display of information relating to profit rates and service charges which would enable the consumer to obtain the desired information at a quick glance.

PPCBL's I.T Division may also ensure that only latest updated information in the above format is placed on Bank's web-site and the same is easily accessible from the Home Page of the Bank's web-site.

Disclosure of Information by branches in the public domain

Disclosure of information on products and services on websites is found to be an effective channel for reaching out to customers and the public at large. Such disclosures increase transparency in operations and also helps to create awareness among consumers about the products and services offered by banks. Some of the details, which could be at appropriate level be made available for public viewing through website by IT Division and Notice Board.

DEALING WITH COMPLAINTS AND IMPROVING CONSUMER RELATIONS

Complaints/suggestions box

Complaints/suggestions box will be provided at each office/branch of the PPCBL. Further, at every office/branch of the bank a notice requesting the consumers to see

the branch manager may be displayed, if the grievances remain unaddressed at counter/any section of the branch.

Complaint Register

All PPCBL branches would maintain a separate complaints register in the prescribed format for entering all complaints/grievances received by them directly or through their Head Office.

The complaint register maintained by branches should be examined by the concerned Zonal Head / Auditors during their periodical visits to the branches and their observations/comments shall be recorded in the relative visit reports.

Branches having computerized operations may adopt the afore-said format and generate copies electronically.

Grievance Redress Mechanism

Branches will ensure that a suitable mechanism exists for receiving and addressing complaints from consumers / constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of the source and nature of the complaint.

Further, as stated above, branches are required to disclose brief details regarding the number of complaints along with their financial impact, if any. This statement should include all the complaints received at the Head Office / Zonal Office level as also the complaints received at the branch level. However, where the complaints are redressed within 24 hours of their receiving, branches need not include the same in the statement of complaints. This is expected to serve as an incentive to the branches to redress the complaints promptly. However, in case where a complaint is not redressed, the concerned branch / dealing officer should forward a copy of the same to the Committee and keep the committee updated about the status of the complaint. Further, it is also necessary that the consumer is made aware of his rights to approach the concerned Banking Ombudsman in case he is not satisfied

with the bank's response. As such, in the final letter sent to the consumer regarding redressal of the complaint, the branch should indicate that the complainant can also approach to the Banking Ombudsman, in case of non satisfaction.

Review of grievances redress machinery in PPCBL.

- o PPCBL will critically examine on an on-going basis as to how Grievance Redressal Machinery is working and that the same effective enough in achieving desired improvements in consumer service in different areas.

- o Branches will identify areas where number of complaints is large and circumstances / causes for such increase together with suggested remedial measures.

- o PPCBL may consider shifting the managers/officers of branches having large number of complaints to other branches/regional offices/departments at Head Offices where contacts with public may be relatively infrequent.

Consumer Confidentiality Obligations

The scope of the secrecy laws in Pakistan is generally followed the common law principles based on implied contract and equity. The bankers' obligation to maintain secrecy arises out of the contractual relationship between the banker and customer, and as such no information should be divulged to third parties except under circumstances which are well defined under the law/policy of the bank.

Various Working Groups / Committees on Consumer Service in Banks - Implementation of the Recommendations

In order to keep a watch on the progress achieved by the bank in the implementation of the recommendations of various working groups/Committees on consumer service, PPCBL H.O may examine the recommendations which have relevance in the present day banking and continue to implement them. Branches may consider submitting periodically to their Zonal Consumer Protection Committee a progress report on the steps/measures taken in that regard.