

Summary of FIDReC's Annual Report 2014/2015

FIDReC's 10th Anniversary

The Financial Industry Disputes Resolution Centre Ltd (FIDReC) was launched on 31 August 2005 by Mr Heng Swee Keat, the then Managing Director of the Monetary Authority of Singapore (MAS).

This year 2015 marks the 10th Anniversary of FIDReC's launch.

10-year Statistics:

Cases (1 September 2005 to 30 June 2015)

From 1 September 2005 to 30 June 2015, FIDReC dealt with 32,533 cases, of which 21,481 were disposed of as inquiries, 2,268 were resolved by case management and 8,784 were dealt with as claims. Of these, 8,598 proceeded to mediation, and where mediation was unsuccessful, to adjudication. Of the remaining 186 claims, 180 claims were either outside FIDReC's jurisdiction or referred back to the financial institutions in question and 6 were at the pre-acceptance stage.

Cases resolved (1 September 2005 to 30 June 2015)

From 1 September 2005 to 30 June 2015, FIDReC resolved a total of 8,260 claims. Out of the 8,260 claims resolved, 80.44% of the claims were resolved within six months and 92.93% of the claims were resolved within nine months. 42.94% of the claims were resolved within a mere three months.

Out of these 8,260 claims, 5,547 claims were resolved by mediation and 2,713 claims proceeded to adjudication. Awards were made in 853 out of the 2,713 claims which proceeded to adjudication.

The Global Financial Crisis of 2008 and the collapse of Lehman Brothers

In September 2008, Lehman Brothers filed for Chapter 11 bankruptcy protection in the United States. This resulted in a massive number of Credit Linked Notes (CLN) claims being filed at FIDReC.

FIDReC implemented a slew of initiatives. FIDReC boosted its adjudication capacity and resources, set up the dedicated FIDReC Complaints Centre and launched the FIDReC e-Complaints Filing System (eCFS). With the eCFS, complainants with CLN claims had the option of conveniently lodging their complaints online from any computer connected to the internet.

All in all, FIDReC handled a total of 2,386 CLN claims which arose from the collapse of Lehman Brothers during the Global Financial Crisis of 2008.

Breakdown of complaints handled

Between 1 September 2005 to 30 June 2015, 46.50% or 3,998 complaints lodged at (and handled by) FIDReC were against banks and finance companies, while 23.67% or 2,035 complaints were against life insurers. The rest of the complaints were made against general insurance companies (15.70% or 1,350 complaints), licensed financial advisers and insurance intermediaries (4.59% or 395 complaints) and capital markets services licensees (9.54% or 820 complaints).

The main categories of the complaints that were handled by FIDReC are as follows:

- 1) Market Conduct (5,608 complaints, 65.22% of total number of complaints)
- 2) Financial Institutions' Practice / Policies (2,439 complaints, 28.37% of total number of complaints)
- 3) Service Standards (550 complaints, 6.40% of total number of complaints)

(Please refer to Appendix 1 for an explanation of the types of complaints for each category.)

The breakdown of the categories of complaints by the categories of financial institutions is shown in the table below.

	Banks and Finance Companies	Life Insurers	General Insurers	Capital Markets Services Licensees	Licensed FAs and Insurance Intermediaries	Total
Market Conduct	3336	1137	39	709	387	5608
FI Practice / Policies	393	742	1278	26	0	2439
Service Standards	269	156	32	85	8	550
Others	0	0	1	0	0	1
Total	3998	2035	1350	820	395	8598

A further breakdown of the types of complaints by category for each type of financial institution can be found at pages 34-41 of the FIDReC Annual Report.

The FIDReC Annual Report can also be viewed in its entirety on www.fidrec.com.sg

FY 2014-2015

Cases in FY 2014/2015

From 1 July 2014 to 30 June 2015, its tenth financial year, FIDReC dealt with 3,220 cases, of which 2,311 were disposed of as inquiries with 909 dealt with as claims at FIDReC.

In addition, FIDReC handled another 2 claims which were at the Pre-Acceptance Stage in the previous financial year.

Out of these 911 claims, 903 proceeded to mediation, and where mediation was unsuccessful, to adjudication. Of the remaining 8 claims, 2 were outside FIDReC's jurisdiction and 6 were at the pre-acceptance stage.

Cases resolved in FY 2014/2015

In financial year 2013/2014, FIDReC resolved a total of 981 claims.

86.44% of the claims were resolved within six months, 99.59% of the claims were resolved within nine months and 43.53% of the claims were resolved within 3 months.

Out of the 981 claims that were resolved, 673 cases were resolved by mediation, while 308 cases proceeded to adjudication. Awards were made in 46 out of the 308 claims which proceeded to adjudication.

Breakdown of complaints handled

Between 1 July 2014 and 30 June 2015, 36.66% or 331 complaints lodged at (and handled by) FIDReC were against life insurers, while 33.11% or 299 complaints were against banks and finance companies. The rest of the complaints were made against general insurance companies (22.48% or 203 complaints), licensed financial advisers and insurance intermediaries (4.76% or 43 complaints) and capital markets services licensees (2.99% or 27 complaints).

The categories of the complaints that were handled by FIDReC are as follows:

- 1) Financial Institutions' Practice / Policies (485 complaints, 53.71% of total number of complaints)
- 2) Market Conduct (322 complaints, 35.66% of total number of complaints)
- 3) Service Standards (96 complaints, 10.63% of total number of complaints)

(Please refer to Appendix 1 for an explanation of the types of complaints for each category.)

The breakdown of the categories of complaints by the categories of financial institutions is shown in the table below.

	Banks and Finance Companies	Life Insurers	General Insurers	Capital Markets Services Licensees	Licensed FAs and Insurance Intermediaries	Total
Market Conduct	137	133	2	7	43	322
FI Practice / Policies	112	173	194	6	0	485
Service Standards	50	25	7	14	0	96
Total	299	331	203	27	43	903

A further breakdown of the types of complaints by category for each type of financial institution can be found at [pages 27-33 of the FIDReC Annual Report](#).

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Appendix 1: CATEGORISATION FOR COMPLAINTS

Nature of Dispute	Definitions / Examples
<p><u>Service Standards</u></p> <p><i>Staff-related issues</i></p> <p><i>Delay / failure in processes</i></p> <p><i>General industry feedback</i></p>	<p>Dissatisfaction with FI's standard of service (e.g. rude or incompetent staff); Mistake or oversight by staff.</p> <p>Delay or inability of FI to perform certain services due to system problems or inflexible procedures. Delays in processing and settlement of insurance claims should be included here.</p> <p>General feedback on service standards of the financial services industry, not targeted at any particular FI.</p>
<p><u>Financial Institutions Practice / Policies</u></p> <p><i>Pricing policies / premiums / interest rates / fees & charges</i></p> <p><i>Policy values & investment returns</i></p> <p><i>Disputes on liability</i></p> <p><i>Disputes on claim amount awarded</i></p> <p><i>Other contractual matters</i></p> <p><i>Rejection of new applications / underwriting decisions (new applications)</i></p>	<p>Disputes over interest rates on credit facilities, savings accounts and other banking facilities; insurance premiums; and fees & charges of investment products and services (e.g. subscription fees, fees and charges for opening of accounts etc.).</p> <p>Lower policy values (including bonus cuts, dividends etc); Poor investment returns (not relating to misrepresentation by adviser).</p> <p>FI has repudiated liability but complainant argues that it is a valid claim.</p> <p>Complainant is unhappy with the claim amount awarded.</p> <p>Disputes relating to the terms & conditions of contractual agreements (except pricing matters, which should be classified under "Pricing Policies").</p> <p>Disputes over FI's assessment / underwriting decisions leading to a rejection of new applications for credit cards, loans, insurance policies and other financial products and services.</p>

Nature of Dispute	Definitions / Examples
<p><i>Non-renewal of services / underwriting decisions (renewal)</i></p> <p><i>Debt Restructuring</i></p> <p><i>General industry feedback</i></p>	<p>Disputes over FI's assessment / underwriting decisions leading to FI's refusal to renew existing insurance policies or other financial products or services, or inclusion by FI of additional costs or exclusion clauses in view of higher claims / higher risks assumed (except matters on pricing / premiums, which should be classified under "Pricing Policies").</p> <p>Appeals to have debts restructured due to complainants' inability to service their debts.</p> <p>General feedback on commercial practices and business decisions of the financial services industry, not targeted at any particular FI.</p>
<p><u>Market Conduct</u> <i>Unauthorised transactions / fraud / forgery</i></p> <p><i>Inappropriate advice / misrepresentation / disclosure issues</i></p> <p><i>Unregulated / unlicensed activities</i></p> <p><i>Issues on fitness and propriety of licensees / regulated persons</i></p> <p><i>Aggressive sales tactics</i></p> <p><i>Other misconduct</i></p> <p><i>General industry feedback</i></p>	<p>Allegations of unauthorised/dishonest transactions by FIs / FI's staff and cases of cheating & fraud.</p> <p>Making recommendations without due consideration to the client's financial objectives, financial situation and particular needs (insufficient explanation of product features / risks or insufficient fact-find analysis); Making deceptive, false and misleading statements; Not making full and / or adequate disclosure of all facts for clients to make an informed decision.</p> <p>Unlicensed persons carrying on licensable activities; Regulated entities carrying on activities without proper licence / authorization.</p> <p>Complaints about the integrity / fitness and propriety of licensees / persons providing financial advisory services.</p> <p>Aggressive product pushing and marketing of financial products and services; Nuisance calls and hard selling by advisers.</p> <p>Misconduct other than those described above. Examples of such misconduct include 'pooling' (Agent A submits a new application under Agent B in order to help Agent B reach his quota), 'financing' (Agent is subsidising the payment of premiums for policyholder in order to close sales and achieve production quota), 'phantom policy' (Agent submits proposal using fictitious policyholder name in order to achieve production quota) and 'replacement of policy'.</p> <p>General feedback on market conduct issues relevant to the financial services industry including unfair / unethical practices undertaken by industry as a whole (e.g. cartel pricing).</p>

Nature of Dispute	Definitions / Examples
<u>Enquiries</u> <u>Others</u>	General enquiries on procedures for filing a dispute, when to file a dispute, operating hours etc. Other types of disputes not listed above.