

FINANCIAL CUSTOMER PROTECTION FRAMEWORK



Version: 1.0

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SECTION A: PRELIMINARY

Title

“Policy & Procedures in relation to Financial Customer Protection Framework”

Authorization

This document sets out the minimum standards on financial customer protection that Vallibel Finance PLC (hereafter referred to as “the Company”) shall adhere into.

This document has been prepared based on the provisions of the Direction on Financial Customer Protection Framework (Direction No. 01 of 2018) issued by the Monetary Board in accordance with the Section 12 of the Finance Business Act, No. 42 of 2011.

Scope of Application

Every LFC shall ensure the adherence to the Financial Customer Protection Framework set out in the Finance Business Act Direction No. 1 of 2018 - Financial Customer Protection Framework.

As a Licensed Finance Company, Vallibel Finance PLC is determined to adopt the said standards of best practices which are expected by customers when they undertake transactions with us.

Objective

Objective of the Financial Customer Protection Framework is to safeguard the interests of customers, maintaining a healthy relationship and strengthening the customer confidence on the Company to ensure the stability and soundness of the Financial Sector.

SECTION B: GOVERNANCE

The Board of Directors (Board) is responsible to ensure that all employees and appointed agents are adhering to minimum standards on customer protections as set out in the Finance Business Act Direction No 01 of 2018 - Financial Customer Protection Framework and an appropriate monitoring mechanism is in place to ensure compliance with the above Direction.

Financial customer protection should be an integrated part of the corporate governance, culture and strategic decision making of the Board.

Senior management is responsible for the effective implementation of Financial Customer Protection Framework and ensures the protection of rights and interests of the financial customers.

It is the responsibility of every employee to carry out their duties in accordance with the Financial Customer Protection Framework.

SECTION C: CONSUMER PROTECTION STANDARDS

1. Disclosure and Transparency

Customers should be given complete, clear, concise, accurate and not misleading information about our financial products and services. The information provided should be available in the languages preferred by the customers.

1.1 Key Information about the Product/Service

1.1.1 Advertisements Stage

- a) All advertisements made by the Company, in any form should be; accurate, understandable and contain factual information on products/services offered in view of not misleading the customers. Clarification on any advertisements published should also be provided up on request.
- b) All advertisements made shall be in accordance with the general and product-specific advertising regulation and guidelines issued by the Central Bank of Sri Lanka from time to time.

1.1.2 Pre-contractual Stage

- a) The company should have a standardized document in the form of “**Key Facts Document**” for its products/services in either printed or electronic form and this should be available to prospective customers and should be displayed in the corporate website.

This document should contain the following basic information for **Loan Products**:

- Key features of the product/service
- Procedures to be followed to obtain the product/service
- Main terms and conditions
- Applicable legal provisions
- Complaint handling procedure

This document should contain the following basic information for **Deposit Products**:

- Financial and other benefits to customers
- The minimum balance requirements
- Account opening/ maintenance/ closure fees, as applicable and
- Availability of deposit insurance coverage
- Any restrictions on opening/ closing of accounts, transfer of funds by customers and policies and procedures on dormant accounts and abandoned properties.

- b) Prospective customers should not be forced to enter into a contract and should be allowed a reasonable period to make an informed decision about the product/service.

1.1.3 Contractual Stage

- a) The Company should disclose the information on products/services as required by the relevant Acts/Directions, where applicable.
- b) The Terms and Conditions and features of the product/service should be clearly explained to the customers covering the following.
- Details of general charges such as interest rates, fees and commissions, if any, required to be paid by the customer including the method of computing interest charges.
 - The Company’s procedure for receiving complaints and the resolution mechanism.

- The course of recovery actions the Company may follow in the event of any default by the customer on his/her obligations and Company's expenses that will be claimed from the customer.
 - Any restrictions on opening/maintaining/closing of accounts, transfer of funds by customer and policies and procedures on dormant accounts and abandoned property.
 - Penalties and early settlement charges to be paid by the relevant customer in case of premature withdrawal/termination of participation in a product/ service by the customers.
 - The rules regarding, reporting of suspicious transactions and above the threshold transactions to the Financial Intelligence Unit.
 - The reporting procedure that the customer should follow in case of stolen financial instruments and liability of the Company and the customer.
 - Disclosure of customer information to a party legally authorized to obtain such information.
- c) For loan products, every customer shall be provided with an "Offer Letter/Product Statement" and shall, at minimum, contain the following basic information;
- Name of the borrower
 - Contract number (loan reference no.)
 - Amount granted
 - Date granted and period of the loan
 - Rate of interest and its basis (nominal or effective)
 - Repayment terms and frequency of the installment
 - Details of the security offered
 - Breakdown of the additional charges such as insurance, valuation, documentation, registration, etc. (if applicable)
 - Penal rate (per annum) in the event of delayed payment
 - The recovery procedure in the event of default of the customer (repossession of assets, the costs involved in the process, procedure after repossession, the other charges applicable, etc.)
 - The conditions applicable for early settlement of loans

- d) With regard to Fixed Deposit products, the customer shall be informed with required information, and periodic renewal statements shall be sent via registered post for renewals. With regard to Savings accounts, transactions details shall be obtained via updating the Savings Pass Book or requesting Saving Account Statement.

1.1.4 Upon Request

A Product Statement should be provided for loan products upon request and should cover the following information:

- Detailed transactional information for the reporting period
- Effective interest rate and the interest charge for the period
- Fees charged for the period
- Due date and outstanding balance

1.2. A written confirmation should be obtained from the customer that the details of the product/service and the terms and conditions were received, explained and understood.

1.3. All documents pertaining to the product /service should be duly completed and signed by the customer. Accepting incomplete documents and obtaining signatures on blank papers/documents is prohibited.

1.4. The customer should be encouraged to aware of all the terms and conditions in relation to the financial product / services before placing the signature on documents.

1.5. Any changes made by the Company to the agreed terms and conditions on products/services should be informed to the customers before the changes are made. In case if the Company is unable to communicate to the customers about changes done as a result of changes in regulatory provisions, customers should be informed within a reasonable time period, after the changes are made.

1.6. General Disclosures

The following information should be displayed in the business places (Head Office and all business points) of the Company:

- Finance Business License issued by the Central Bank of Sri Lanka.
- Set of latest audited financial statements of the Company.
- Credit rating of the Company with underlying specifications.
- Key contact details of person handling customer complaints.
- The contact details of the Financial Ombudsman.
- Business hours and holiday notices.
- Any other relevant information.

In addition to the above, the current interest rates on all deposits products and current base interest rates and other charges on loan products (wherever possible) should be displayed in the corporate website.

2. Customer Education and Awareness

Appropriate mechanisms should be developed to improve the customer knowledge and understanding on the financial products/services which help them to make informed decisions.

2.1 Deliver Effective Financial Education Programs

- a) The Company either on its own or in partnership with industry associations shall develop specific financial literacy programs to improve the customer awareness on financial products/services. Financial education programs should be designed to meet the needs and financial literacy of the target audience.
- b) Financial education tools might include printed brochures, flyers, posters, training videos, interactive loan calculators, key messages.
- c) The customers should be educated on the applicable legal provisions related to the product/service, e.g. Finance Business Act, Finance Leasing Act, Mortgage Act, Pawning Ordinance, etc.

2.2 Promote Financial Discipline

Financial education and information provision should be enhanced to deepen the capability and the financial knowledge of the customer, especially for the vulnerable groups. Customers should be provided with the specific warnings related to over indebtedness, consequences of multiple borrowing and late repayments, etc.

3. Responsible Business Conduct

Employees and appointed agents should act professionally with due skill, care and diligence when dealing with customers.

3.1 Knowing the Customer and Suitability

The Company and appointed agents, if any, shall have the necessary resources and procedures in place for safeguarding the best interests of the customers and to cater the product to meet the appropriate financial and non-financial needs of the customer. In this regard the Company and appointed agents should:

- a) **Know the Customer:** gather and record sufficient information prior to recommending, offering or providing appropriate product/service to the customer. The level of information gathered should be appropriate to the nature of the complexity of product/service being sought by the customer.
- b) **Assess the Suitability:** consider whether product/service meets the customer's needs and objectives and customer is financially able to bear the risk associated with the product/service.
- c) **Prevention of Over-Indebtedness**
 - When offering a new credit product or service the customer's credit worthiness should be properly assessed and conduct appropriate customer repayment capacity analysis to ensure that customer is likely to meet the financial obligation associated with the product.
 - Board and senior management of the Company should be aware and concerned about the risk of over-indebtedness of the customer.
A maximum Debt service/Income Ratio (i.e. a maximum percentage of customer's disposable income that can be applied to service debt) should be identified.
 - The Company should limit providing new loans to settle the existing loan facilities given by another financial institution in order to prevent the over-

- exposure beyond the existing credit worthiness of the customer.
- The Company should use credit risk management systems that support prevention of over indebtedness such as Credit Information Bureau (CRIB).

3.2 Personal Visits and Contacts with Customers

Employees or appointed agents should:

- a) Visit the customer by giving reasonable notice and such visits should be made during the daytime.
- b) Maintain separate record of the visit including the purpose, date and time of the visit and the customer's response in brief.
- c) When making a telephone contact with the existing or prospective customer, the person shall identify himself or herself by name, name of the Company, on whose behalf customer is contacted and the commercial purpose of the contact.

3.3 Monitoring of the Employees and Appointed Agents

The Company should have a mechanism of rigorous and regular monitoring of the conduct of employees and appointed agents, who directly interact with the customers to prevent inappropriate business conduct and unreasonable risk taking.

3.4 Employee Training

Employees of the Company and appointed agents (especially those who interact directly with customers such as credit officers, recovery officers, marketing officers, complaint handling officers, customer service representatives) should be properly trained and qualified.

3.5 Remuneration Policy

- a) Board approved remuneration policy should be developed for employees and appointed agents, if any, those who interact directly with customers to encourage responsible business conduct and to discourage unreasonable risk taking.
- b) Employees should be given sales targets which are realistic and should be within the personal capacity of such employees.

- c) The Company should ensure that employees and appointed agents are not remunerated solely on sales performance but consider non financial factors such as customer satisfaction, loan repayment performance, customer retention, compliance with regulatory requirements/best practices guidelines and codes of conduct which are related to best interests of the customers, as far as practicable.

3.6 Responsibility of the Employees and Agents appointed by the Company

The employees and appointed agents should avoid the following practices:

- a) Harassing customers
- b) Using abusive debt collection practices
- c) Disclosing customer information to others
- d) Giving false or misleading information about products/services
- e) Unduly influence customers or the general public to buy or get involved in the Company's products/services.
- f) Signing security documents outside the Company. However, if a situation arises that the agreement has to be signed outside the business place of the Company, due to reasonable circumstances, an authorized officer must be present.

3.7 Compensation from withdrawal/cancellation of products/services by the Company

In the event if the Company seeks to withdraw/terminate a product/service already in operation, especially deposit products, customers have the right to receive a reasonable time with an exit mechanism and compensation scheme and if necessary such withdrawal/termination should be disclosed in advance.

3.8 Levying Penal Rates

Policy on penal interest should be governed by fairness, incentive to service the debt and due regard to genuine difficulties of customers.

4. Complaint Handling and Redress

The customers should have access to adequate complaint handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

Internal Complaint Handling Mechanism

- a) The Company should have a Complaint Handling Policy to address the grievances and complaints of its customers.
- b) Customers should be encouraged to seek recourse through the internal complaints handling process of the Company before opting for external support.
- c) An officer should be assigned in each business place, with the responsibility of handling and facilitating the resolution of complaints made by customers. If it is unresolved it is the responsibility of such officer/s to escalate it to the next decision-making authority until it is resolved.
- d) Establish a database to record all customer complaints and assign an officer in charge of the database. Such officer should be responsible to report unresolved customer complaints periodically to the senior management of the company. Senior management should take prompt corrective action on the unresolved matters.
- e) At the business place customer should be directed to the officer assigned to resolve such complaints.
- f) Customer complaints forwarded by regulatory authorities should be directed to relevant decision-making authority.
- g) Acknowledge the receipt of any complaint in writing within a reasonably short period of time and inform the complainant, the procedure that will be followed by the Company for the resolution of the complaint and the contact details of the officer/officers handling the complaint. (For this purpose, the Company can have a suitably worded printed form).
- h) Facilitate receiving complaints verbally or in writing and the Company should not insist that complaints be necessarily made only in writing.
- i) At any point of the complaint handling process, customers should not be treated unjustly.

5. Equitable and Fair Treatment of Customers

5.1 Equitable and Fair Treatment

All customers should be treated equitably, honestly and fairly at all stages of their relationship with the Company irrespective of their cast, religion, language, gender, age, etc.

5.1 Special attention and Care

Special attention and care should be dedicated to the needs of customers such as elderly, disabled or customers with low financial literacy who have the right to receive special attention to facilitate them to have fair access to financial services.

6. Protection of Customer Data and Privacy

6.1 Protection of Personal Data

As required by the Section 61 of the Finance Business Act No. 42 of 2011, the Company should take necessary steps to protect customer data and privacy in line with the provisions of the Act as follows:

- a) Every director, manager, officer, employee and agent of the Company should maintain strict secrecy in respect of all transactions of the Company, its customers and the state of accounts of any person and all matters relating thereto and shall not reveal any such matter except;
 - When required to do so by a court of law or by the person to whom such matter relates, in the performance of the duties of such director, manager, officer, employee and agent; or
 - In order to comply with any of the provisions of Finance Business Act or any other written law.
- b) Every employee of the Company should sign a declaration (contains in the appointment letter) pledging himself to maintain strict secrecy.
- c) The above should not prohibit the Company from providing in good faith to another finance company on request, an opinion or reference relating to a customer in accordance with customary practices in the finance industry.

6.2 CRIB Reporting System and Data Sharing

Customers should be appropriately/fully informed regarding the sharing of personal data related to them with CRIB and the exact purpose and conditions of collection, processing and distribution of data held about them and on the related confidentiality rules adopted.

Implementation of the Financial Customer Protection Framework

The Company shall publish the Financial Customer Protection Framework in the corporate website and make copies available for customers on request in their preferred language and educate them when necessary.

The Company shall obtain written confirmation from all existing and new employees (prior to taking up their employment) and appointed agents on the adherence to the Financial Customer Protection Framework.

It is the responsibility of every employee to carry out their duties in accordance with the Financial Customer Protection Framework.
