



**CONSUMER
MEDIATION UNIT**

ANNUAL REPORT 2003



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CONSUMER MEDIATION UNIT (CMU)

The First Year of Independent and Efficient Dispute Resolution

Chairman's Message

CMU was set up on 2 January 2003 to provide bank customers with an independent, impartial and structured process to help resolve their disputes with their banks. As with other dispute resolution organizations, the aim of CMU is to facilitate resolution of such disputes as early as possible, before both customers and banks are entrenched in their respective positions.

The establishment of CMU is a significant step taken by the banks in their continuing quest for more reliable service and greater customer satisfaction. Though a banking industry initiative, CMU is an independent dispute resolution centre with a Panel of Mediators comprising prominent and distinguished members of our society.

The operations of CMU are overseen by a 8-member Board of Advisors comprising banking and non-banking professionals presided over by the Chairman with independent credentials. This composition ensures representation of banking and consumer interests in CMU.

For the year under review, CMU handled a total of 380 cases compared to 120 handled by The Association of Banks in Singapore in 2002. Of the 380 cases, 372 have been resolved by CMU and/or the banks concerned with eight cases pending resolution as at 31 December 2003. The effectiveness and impartiality of CMU's dispute resolution mechanism and those behind it are best attested by the numerous compliments received from satisfied bank customers.

The results of our first year of operations have exceeded the expectations of the Board of Advisors. The appreciation received from bank customers and the outstanding support given by the banks will no doubt serve to spur CMU to higher levels of service to all its stakeholders.

It has been my privilege and pleasure to serve as Chairman of the inaugural Board of Advisors. As Chairman it would be remiss of me not to take this opportunity to record my appreciation to my colleagues in the Board of Advisors and members of the Panel of Mediators for giving of their time and wisdom and the staff of CMU for their initiative and unfailing courtesy in their case management, all of which contribute towards the success of CMU.

GOH JOON SENG
Chairman
Consumer Mediation Unit

Introduction

The Consumer Mediation Unit (CMU) was set up on 2 January 2003. Its raison d'être is to provide bank customers with an independent, impartial and structured process for resolving their disputes with their banks. Before its establishment, customers' complaints went to The Association of Banks in Singapore which in turn referred the complainants to the banks concerned for resolution.

Under CMU's dispute resolution procedure, customers are advised to lodge their complaints with their banks. (See Appendix I for a list of banks' contact information). If they are not satisfied with the banks' response, they are welcome to lodge their complaints with CMU for resolution.

Underlying Principles

CMU will deal with the customers' complaints with Effectiveness, Sincerity and Transparency. This means that every complaint is regarded as important and the handling process is documented with set timelines to ensure speedy resolution of the same.

Jurisdiction of CMU

CMU has jurisdiction to deal with complaints on banking business transacted through bank branches, the telephone, Automated Teller Machines and electronic means, including complaints on credit cards and investments. The Panel of Mediators has powers to award compensation of up to S\$50,000 for financial losses resulting from a bank's actions. This is regardless of the size of the facility or transaction.

However, CMU does not deal with complaints from business entities, that is, companies, sole proprietorships and partnerships. It also does not handle complaints on banks' pricing policy, commercial decisions or where the complaints are subject matter of a pending court action. CMU will also not deal with complaints following a reply from a bank dated more than three months ago or are frivolous.

Timelines for Dispute Resolution

CMU will revert to the customer with its assessment within 14 business days of receipt of the complaint. If the customer is not satisfied, he may refer the complaint to the Panel of Mediators.

Role of Panel of Mediators

The Panel of Mediators comprises a banker (not of the bank complained against), a solicitor and a non-banking professional. Where necessary the Panel of Mediators may interview or seek more information from the complainant and or the bank. The decision of the Panel of Mediators will be conveyed to the customer within 14 business days of completion of investigation. Their decision is final and is binding on the bank but not the customer. (See Appendix II for the list of members of the Panel of Mediators).

Role of Board of Advisors

The CMU reports to the Board of Advisors. The role of this Board is to oversee the operations of CMU and ensure the independence and effectiveness of CMU. (See Appendix III for the composition of the Board of Advisors).

Activities of CMU for Year 2003

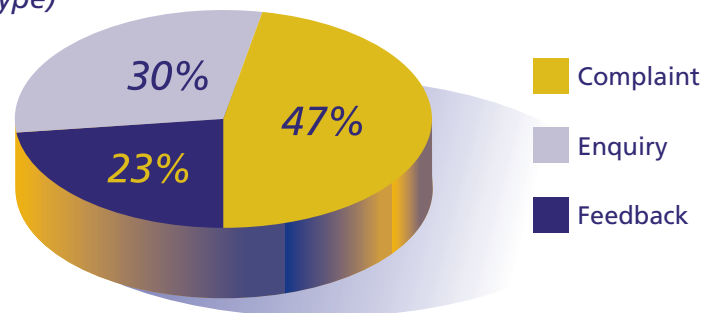
CMU establishes itself as an Effective Channel of Dispute Resolution

CMU received 380 cases from January to December 2003. This is three times that of the number of cases brought to the attention of The Association of Banks in Singapore in 2002. This is an indication of consumer confidence in CMU.

Type of Case	Number of cases
Complaint	178
Enquiry	114
Feedback	88
Total Cases Received	380

Status	Number of cases
Cases Resolved by CMU	224
Cases Resolved by Banks	145
Cases Pending Resolution by Banks	6
Cases Raised to Panel (<i>Resolved</i>)	3
Cases Raised to Panel (<i>Pending Resolution</i>)	2
Total Cases	380

Cases Received
(by type)



Of the 380 cases, 224 were settled through CMU, while 156 were referred back to the banks' Quality Service Manager for consideration. Of the latter, 145 were satisfactorily resolved.

The cases brought to the attention of CMU fell into 19 categories (please refer to Appendix IV). The top five categories accounting for 65% of the cases were:

a. Credit Counselling

The cases in this category were mainly from bank customers requiring assistance in re-scheduling their debts. Some of the customers also complained of legal fees of \$1,000 to \$1,500 being levied on their accounts as a result of their defaulting on the loan repayments.

As this is not within the scope of CMU's jurisdiction, CMU assisted the customers by forwarding their requests to the respective banks to work out a repayment schedule which the customer and bank could agree on.

b. Service Issues

Some examples in this category related to cheques being credited to the wrong account, poor service rendered in application for renovation loans, slow processing of documents resulting in the delay of completion for a housing loan, and cheques not credited in accordance with the standard timings for cheque clearing.

c. Pricing Policies

The nature of cases in this category ranged from penalties for floating rate housing loans, car loan interest rates, interest rates on credit card debts and interest of less than \$1 not credited to the customer's account. Another common complaint was that the interest rates on some loans were not reduced despite the current low interest rate environment.

However, as in any business, pricing decisions lie with the respective bank, and CMU could only assist to highlight the customers' unhappiness to the respective banks.

d. Credit Decisions

Complaints in this category included applications not being approved although the applicant met the minimum income requirement. This is not within CMU's purview. However, in such cases CMU nonetheless conveyed to the respective bank the customers' unhappiness, and requested that the bank review the application.

e. Misrepresentation/Breach of Oral Agreement on Investments

Cases in this category included complaints about sales staff not communicating investment risks and sales charges for unit trust purchases.

The CMU in Action

CMU has handled a wide variety of cases in the course of the year, and the following cases illustrate CMU's application of its guiding principles of Effectiveness, Sincerity and Transparency. In CMU's structured process of dispute resolution, only banks are bound to accept the decisions of the Panel of Mediators. The cases below show CMU's independence and impartiality.

Case 1:

Post Dated Cheque

Customer A complained that a post-dated cheque she had given to a retailer was cleared by the bank before the stipulated date. As a general rule, banks do not have a mandate to honour a post-dated cheque. The customer also has a duty to inform the bank in a timely manner should he wish to give a "stop payment" instruction to the bank.

In this case, as a result of the bank paying on the cheque before the due date, Customer A was unable to return the unsuitable merchandise to the retailer, payment having been made. As Customer A's complaint came one month after the cheque had been cleared, the bank contended that Customer A had not informed it in a timely manner, and had thus lost the right to seek recourse from the bank.

There were several discussions between Customer A and the bank through CMU, with the customer demanding a full reimbursement, a demand rejected by the bank. Finally, CMU arranged a face-to-face meeting between Customer A and the bank.

With CMU's mediation, the matter was satisfactorily resolved at the meeting. The customer said that the retailer had agreed to take the merchandise back and refund her half the purchase price. As a goodwill gesture, the bank also agreed to refund the balance to the customer.

Case 2:

Insurance Policy

Customer B complained that when he bought a mortgage insurance, the bank did not clearly inform him that the mortgage insurance could be paid either in cash or by taking up a loan. He mentioned that if he had known of these options, he would not have taken a loan for the mortgage insurance as he did have sufficient funds to pay for it.

There had been a series of correspondence between Customer B and the bank. CMU suggested that both the customer and bank meet to discuss how the matter could be resolved. During the meeting with the CMU present, the bank agreed to refund the interest on the loan to the customer. The customer decided to keep the mortgage insurance policy, as he acknowledged that it was beneficial to him.

Case 3:**Telegraphic Transfer**

Customer C gave instruction for a remittance by telegraphic transfer which the bank acted upon. Subsequently, he withdrew the remittance instruction and requested the bank to recall the remittance. The bank had already remitted the money and informed Customer C that they would recall the remittance on a “best effort” basis. Although the bank sent messages to recall the payment to its agent bank, it was unable to stop the payment in time and the money was credited to the beneficiary’s account.

This case was referred to the Panel of Mediators for its decision. The Panel reviewed the case and decided that a customer’s concern when effecting a telegraphic transfer was speed. As the bank had processed the instruction in a timely manner, should the customer decide to recall the transaction, it would be done on a “best effort” basis. The bank should not be held liable for the amount remitted should the customer change his mind after his instruction had been carried out.

Case 4:**Investments**

Customer E purchased a unit trust product three years ago and approached CMU, complaining of misrepresentation by the bank officer who sold her the product and that she had approached the bank officer the day after purchasing the product with some misgivings and wanted to terminate the contract. However, she was informed by the officer that she would lose the 5% upfront sales charge. Customer E thus decided to hold on to the product and wait for the price to appreciate.

This case was referred to the Panel of Mediators for their decision. The Panel considered Customer E’s educational background and level of sophistication in investments. Customer E was a foreigner who did not have very much education, and the amount invested amounted to her savings over the past two years. Under the circumstances, the Panel decided that the customer should be given the benefit of the doubt and the bank had to bear 80% of the realized losses, notwithstanding the fact that Customer E had had the opportunity to sell the funds at any time within the last three years.

Customers show confidence in CMU

Customer A

"I would like to express my gratitude towards CMU for its **efficiency and prompt actions** to the concern raised by me. The staff is patient and understanding and gave suggestions in solving the issue. I must congratulate CMU for having such responsible, effective employees in your organization."

Customer B

"I am grateful for the **liaison role** by Consumer Mediation Unit. Words cannot express the depth of my gratefulness that I have for CMU. I can only say, thank you very much."

Customer C

"Further to your letter of 7th August in connection to my dispute with Bank R, I would like to express my thanks for your **prompt response**, and the **effectiveness** of your organization in settling this matter. The outstanding amount has since been refunded to me, though not without leaving a sour taste about Bank R. Thank you for your assistance."

Customer D

"I wish to thank you sincerely for the kind assistance rendered by you in hearing some of the financial problems that I have had with Bank T. The bank has actually agreed to refund me the interest owed to me. I am glad that there is such an institution such as the Consumer Mediation Unit (ABS) that looks after the welfare of the general public.

I actually **regain my trust about the integrity of banks** in Singapore after my personal experience with the Consumer Mediation Unit.

Thank you once again."

BANKS' CONTACT INFORMATION

Contact information for the major retail banks is as follows:

Bank	Address	Contact Number
ABN AMRO Bank	Total Quality Service Management Consumer Bank 63 Chulia Street Level 7 Singapore 049514	Tel : 6231-7702
Citibank	Total Quality 1 Temasek Avenue #14-00 Millenia Tower Singapore 039192	Tel : 6328-3412
DBS Bank	Service Quality 6 Shenton Way #30-03 DBS Tower One Singapore 068809	Tel : 6878-9889
HSBC	Service and Sales 20 Raffles Place #02-00 Ocean Towers Singapore 048620	Tel : 6530-1858
Maybank	Corporate Affairs 2 Battery Road Maybank Tower Singapore 049907	Tel : 6550-7431
OCBC	Customer Assurance 65 Chulia Street #22-00 OCBC Centre Singapore 049513	Tel : 6530-6844
Standard Chartered Bank	Service Quality Department 51 Bras Basah Road #10-00 Plaza By The Park Singapore 189554	Tel : 6331-5787
UOB	Service Quality Division 80 Raffles Place #09-00 UOB Plaza 2 Singapore 048624	Tel : 6539-4419

PANEL OF MEDIATORS

Legal Professionals

Dr Toh See Kiat	Chairman, Goodwins Law Corporation; Associate Professor, Nanyang Technological University; former Member of Parliament; former President, CASE
Mr Robert Wong	Director, Straits Law Practice LLC
Mr David Yeow	Partner, Rajah & Tann
Mr Jimmy Yim	Senior Counsel; Director, Drew & Napier

Other Professionals

Mr Kau Jee Chu	Director, Hotel Negara Ltd; Director, Aspial Corporation Ltd; Director, Hiap Moh Corporation Ltd
Associate Professor Mak Yuen Teen	Associate Professor and Vice Dean (Finance & Admin), School of Business, National University of Singapore

Bankers

Mr Andrew Liew	Executive Director, Head, Consumer Banking, ABN Amro Bank
Mr Lee Ah Boon	Country Business Manager, Consumer Banking, Citibank
Ms Elsie Foh	Managing Director, DBS Bank
Mr Nicholas Winsor	Head, Personal Financial Services, HSBC Bank
Ms Pollie Sim	Head, Retail Financial Services, Maybank, Singapore
Mr Andrew Lee Kok Keng	Head, Consumer Financial Services – Singapore, OCBC Bank
Mr Wilson Chia	Head of Consumer Banking, Standard Chartered Bank, Singapore
Mdm Sim Puay Suang	Executive Vice President, Personal Financial Services, United Overseas Bank

BOARD OF ADVISORS

Chairman

Mr Goh Joon Seng Former Chairman, Singapore Mediation Centre;
former Supreme Court Judge

Bankers

From 2 January 2003 to 23 June 2003

Mr David Conner Chairman, The Association of Banks in Singapore (ABS);
Director & Chief Executive Officer, OCBC Bank

Ms Euleen Goh Vice-Chairman, ABS; Chief Executive, Singapore,
Standard Chartered Bank

From 23 June 2003 onwards

Mr Jackson Tai Chairman, ABS; Vice-Chairman & Chief Executive Officer,
DBS Bank Ltd

Mr Spencer Lee Vice-Chairman, ABS; Country Head,
Maybank, Singapore

Mr Wee Ee Cheong Vice-Chairman, ABS; Deputy Chairman & President,
UOB Ltd

Other Professionals

Associate Professor
Chin Tet Yung MP for Sembawang GRC; Associate Professor, Law Faculty,
National University of Singapore

Dr Loo Choon Yong Executive Chairman, Raffles Medical Group

Mr Tan Kin Lian CEO/ Director, NTUC Income Insurance Co-operative Ltd

Dr Thio Su Mien Senior Executive Director, TSMP Law Corporation

Table A: Types of Feedback/ Enquiries/Complaints Received from January to December 2003

S/N	Issues	No. of Cases	Percentage
1	Credit Counselling	69	18
2	Service Issues	65	17
3	Pricing Policies	51	13
4	Credit Decision	37	10
5	Misrepresentation/Breach of Oral Agreement (Investments)	27	7
6	Banking Policies	24	6
7	Car Loan Computation	16	4
8	Incorrect Debiting of Account (Cheques, Giro, etc)	15	4
9	Corporate Related	14	4
10	Credit Card-Fraudulent Transaction Charges	13	3
11	ATM and Internet Banking Related	10	3
12	Banking Procedures	8	2
13	Enquiries on CMU (Procedures, Fees, etc)	8	2
14	Credit Card Transactions in Dispute	7	2
15	Customers' Requests for Information Not Met	4	1
16	Fraudulent Credit Application	3	1
17	Misrepresentation/Breach of Oral Agreement (Other Products)	3	1
18	Product Features	3	1
19	Promotions	3	1
	TOTAL	380	100

