

23 July 2008

CIRCULAR BM 1043

**To: All Licensed Banks
Operating in the Sultanate of Oman**

After Compliments,

Re: Customer Complaints Redressal System

1. Central Bank of Oman observes that there is an increase in the number and range of complaints received by it from customers of banks highlighting specific grievances against their banks.
2. It is also observed that (i) some of the customers are not aware of the redressal mechanisms available in their banks (ii) some banks do not have a systematic process of dealing with complaints (iii) many times, Central Bank is being referred to when banks could have solved the issues themselves – if there had been a formal system and approach with mutual understanding and that (iv) if the inadequacies are dealt with, it will benefit all concerned.
3. Since banking is an important service industry and banks have substantial responsibility to depositors, borrowers and other customers and stake-holders, and an efficient banking sector will have larger benefits, beyond protecting the image, reputation and efficiency of the sector, there is a need to fine-tune the redressal mechanism as a whole.
4. With a view to streamline the requirements to address inadequacies of response to customer grievances and complaints and to have an organized and accountable system, Central Bank of Oman, hereby, stipulates the following, as minimum requirements.

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- i) Banks should make all their staff aware of the importance of dealing with customer grievances/complaints diligently. This should be done systematically with focus starting from new recruits and through periodical communications and interface with staff, including training programs.
- ii) Branch Managers in smaller branches and Departmental Heads in bigger branches, in particular, should receive special attention to the sensitivity and be equal to deal with issues and nuances involved.

The culture of dealing with customer complaints with understanding, fairness and courtesy should be developed arduously.

- iii) There should be a person, designated, in Head Office of local bank/Main branch of the foreign bank for the purpose of acting as a focal point of reference for all complaints not being solved by recipient – offices and coordinator for the redressal system as a whole. The focal functionary, not below the level of Assistant General Manager in a local bank/No. 2 in main branch of the foreign bank, should be fully aware of the redressal system in the bank and be communicative with concerned bank offices/Departments, Regulators and others too – soliciting the assistance of legal and other professionals as may be necessary. There should be back-up for the functionary to ensure continuity.

Needless to add that the top management and governing bodies shall have overall responsibility as in all other issues.

- iv) Banks shall draw up policies and procedures to deal with grievances and complaints and they shall have to be exhaustive and cover, as a minimum, the following:

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- a) Acknowledgement of the complaint (this should be done immediately).
 - b) Defining the process of dealing with speed and delegation.
 - c) Report to the focal functionary, mentioned in para (iii) above (even if complaint is resolved).
 - d) Special reference to the focal functionary, in case of assistance/escalation required.
 - e) Time-frame for resolution/final response (this may be graded in complex cases, but reasonably).
 - f) Final action taken by the bank with reasons in case of inadequate redressal (if there were to be genuine time-lag in resolution, customer should be so advised and there should be adequate explanation in case complaint is not solved to his satisfaction).
 - g) The roles of audit, compliance, legal and other support functionaries in contributing to the efficacy of the system.
 - h) Overall Review Process and scope for larger remedial/service-enhancement actions.
5. It will be necessary for the top management and Board to have periodical review of the redressal infrastructure and the efficiency of its functioning so as to make on-going improvements.

It shall be noted that the appointment of focal functionary does not absolve the senior management and various operational units of their

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responsibility in maintaining efficiency and order and rendering assistance to the focal functionary in discharging his role.

6. Banks should give importance to appropriate management information system, recording, evidencing and reviewing (quarterly, at least) the number of complaints received, resolved and outstanding during a period and this should facilitate follow up and critical analysis so as to bring about organizational improvements. It will be useful to have break up of disputes according to (i) nature (viz., interest on deposits, interest on loans, delay in collection of payment instruments, delay in/non-availability of statement of accounts/information, excess charges, unauthorized debits, short credits, bancassurance, staff behaviour and inadequacies etc) and (ii) period of pendency of unresolved complaints. The break up may be according to market segments too and, eventually, the system should enable analysis, identification of causes, specific as well as generic, and taking needed actions.
7. As stated earlier, the infrastructure and exercise will be useful and successful if only its availability is made known to customers, and for the purpose the focal persons of reference in operating outlets and Head Office/Main branch should be made prominently known by display in the Notice Board or other means.

Banks shall inform Central Bank of the names of the designated persons in Head Office and Main branches (with changes, if any, subsequently).

8. It will be very much in the fitness of things to make use of electronic modes for the work processes – as much as possible and with safeguards.

A distinction may be made between fate and follow-up enquiries on transactions made verbally or through Call Centres (of routine nature) and resolved immediately (with no evidence of serious

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issues) and others. The latter, received through whatever means, require more systematic recording and appropriate attention, as stated hereunder.

The Management Committee or appropriate Committee of Senior Management shall review the redressal functioning quarterly, at least, in detail and the Board of Directors shall have half yearly review of complaints of serious nature, if any, and the system, in general, for the purpose of organizational excellence and policy re-visit.

9. Some banks tend to be more helpful in responding to complaints and solving issues amicably.

Central Bank appreciates the principle that good faith built by banks is a very important ingredient in the progress of a bank and that it will take a long time to remedy damages caused by inappropriate dealings, particularly if they are not handled promptly, sympathetically and with display of understanding.

10. Audit, Compliance and Central bank examination shall have scrutiny within their mandate.

Banks may study the improvement, periodically, in their service standards, absolutely and in comparison to fellow competitors and own past status.

11. Central Bank envisages that with the implementation of proposed set up, banks themselves deal with and answer to grievances and complaints reasonably and that there will be avoidance of scope for reference to Central Bank.

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Central Bank shall take appropriate action in terms of Regulation BM/REG/012/5/78 if there is inadequacy in the set up and required actions.

12. Central Bank advises licensed banks to review their redressal set up and ensure compliance with the above and confirm so (with names of designated officials as mentioned in para 4 (iii) above with contact details) **not later than 31st October 2008.**

Best Regards,

Hamood Sangour Al Zadjali
The Executive President

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