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WORLD CONSUMER RIGHTS DAY
JJ's on the Park, SUVA
14 March 2011 from 9.30am to 11.30pm

THEME: "Consumers for fair financial services"

WELCOME & INTRODUCTION

Chief Guest, Hon Aiyaz -Sayed Khaiyum, Minister for Industry and Trade
Hon Neil Sharma, Minister for Health
Hon Timoci Natuva, Minister of Public Utilities
**Hon Colonel Samuela Saumatua, Minister for Local Government, Urban
Development, Housing and Environment**
The Chief Justice, Justice Anthony Gates
Solicitor General, Mr. Christopher Pryde
Senior Government Officials
Vice Chancellor of the Fiji National University, Dr Ganesh Chand,
Distinguished Guests
Ladies and Gentleman

Good Morning to you all

I welcome you all to the 2011 World Consumer Rights Day celebration. A very special and warm welcome is extended to the Attorney General Hon. Aiyaz Saiyed - Khaiyum who is also the Minister responsible for consumer affairs. His presence here is a testimony of government's commitment towards creating a fair marketplace for all. I wish to also acknowledge Ministers, senior officials, the members of the private sector and consumers.

To mark this special day, the Consumers International with the help of its 220 member organisation worldwide adopted "**Consumers for Fair Financial Services**" as the theme for 2011 World Consumers Right Day. This is the second year in a row for the continuation of the theme on the Financial Services.

Ladies and Gentleman

In 2008 two banks in Fiji made \$89.4 million profit after tax in a country where 35% of our people live below poverty line. Banks should make profits after all it's a business.

However, if profits are made through slugging consumers with outrageous fees and charges where costs are not justified, than it's not fair.

It is simply not fair when high interest rates are imposed on lending and low interest rates on deposits and the difference is over 200%.

If profits are made with the mindset that Fiji is a high risk country but if more bad and doubtful debts are recovered than written off, than it's not fair.

If exorbitant profits are allowed under prudential regulation with the view that the banks MUST not go belly up while individual consumers are expected to pay exorbitant fees and charges, which has been scrapped or reduced by their parent companies in Australia, than its not fair.

Ladies and Gentleman

Financial services play an important role in social and economic development of a country. Most importantly, it plays a huge role in poverty reduction. Access to credit has enabled families to build assests and create self employment.

The bad deal given to consumers of financial services is not a Fiji- only problem. It is in fact a worldwide phenomenon.

Consumers and businesses around the world face a range of problems in their dealings with financial service providers, from irresponsible lending practices to unfair contracts, abusive charges, poor service delivery and poor advice given by bank staff or the financial advisors.

Let me share few cases brought to the Council's attention by helpless consumers.

Mr K's 3 properties were mortgaged by Bank X through the bank's lawyers. Mr K owns a construction company but the company is not doing well due to a down turn in the construction business. He owed \$59,763.21 as default payments. His three properties were valued at \$285,000, \$240,000, \$67,000 by the bank's recommended valuer. The bank received tenders for \$140,000, \$120,000 and \$43,000 respectively. A law firm who initially acted for Mr. K and a Bank Officer of another bank won the tenders.

The questions that arise are:

- **Why the bank decided to sell all three properties and not one property to recover the debt owed by Mr. K? Selling one property would have paid off the arrears and the rest of the money could have been used to reduce the principal sum.**
- **Why Mr. K was not called when tenders were opened for his peace of mind. There was lack of transparency.**
- **Why Real Estate Agents did not conduct mortgagee sale as they are professionals who could have got better market rates?**

Incomplete disclosure

Ms C had been discussing with her bank for a car loan. She was assured that only a 20 per cent deposit will be required. When she eventually applied for the loan, the head office of the bank rejected the loan application saying that she had to pay 50% deposit. Ms C re-lodged her application willing to pay the 50 percent deposit. The head office then replied that she had to pay \$650 in legal fees and a \$250 loan application fee.

Ms C filed a complaint with the CCoF expressing disappointment that why her bank did not disclose all information. When we enquired, the bank arrogantly stated that their advertisements stated “subject to conditions and requirements”.

The issues that arise from this complaint are:

- 1. Bank officers at the branch did not know fully the terms and conditions of car loans to be able to provide complete and correct information to the customer in the first instance. Result was what could have been approved within a couple of days took considerably longer.**
- 2. The fee charged for the use of a solicitor was high. Banks presumably have an in-house solicitor and the documents prepared are standard documents where clerical officers can fill the forms and the solicitor checks and signs. This should not cost as much as \$650.**
- 3. It is not sufficient or ethical to hide these under a “subject to conditions and requirements” footnote; and that too in fine print. The bank’s parent company in Australia does not charge any legal fees.**

Delays: Settlement of loan and discharge of mortgage

Mrs V'S transfer documents were signed in August 2010. Stamp duty was paid in December 2010. Seven months had lapsed and the settlement and discharge had not materialized. In the meantime, interest kept on accumulating on the loan. A frustrated Mrs V filed her complaint with the CCoF and within 24 hours the settlement was concluded.

The issues that arise from this complaint are:

- 1. Why the lawyer did not push for early settlement? Is it because he is on the bank's panel and pushing the bank would mean losing the privilege of being on the list. Consumers have no choice at all as the services of the third parties are at a cost which the bank passes on to the consumers. The fact that consumers pay for service why then the choice is denied to select a service provider who offers better rate.**
- 2. Mrs V lost significant sum of money due to this delay as she had to pay her monthly repayments and bank interest which she could have saved if this settlement was not delayed.**

Ladies and Gentleman

As I said earlier financial services is not only a Fiji problem. The government authorities worldwide are starting to look at concrete and effective ways of improving consumer protection in financial services and are taking decisive and proactive approach to reform their retail financial markets.

The Gillard Government in 2010 conducted an enquiry into competition in the banking sector. The report on Competitive and Sustainable Banking System recommended reforms to empower consumers to get a better deal in the banking system and through competitive pressure on the big banks to provide reasonably priced credit to households and small businesses.

- Exit fees on new home loans will be banned from 1 July 2011;
- Mandatory key fact sheet for new home loan customers is made mandatory. This will force lenders to create simple one-page reports explaining fees and interest;
- Australian Consumer and Competition Commission (ACCC) will be empowered to investigate and prosecute anti-competitive price signalling.

In New Zealand to ensure consumers have confidence when they deal with financial adviser or financial service providers, the New Zealand Govt introduced Financial Service Providers Act 2008 (FSPA) and Financial Advisers Act 2008 (FAA) which requires registration of financial advisers and financial service providers.

UK government is looking at separating bank trading and retail operations since failure of banks to efficiently manage risks had been "spectacular". The suggestion is that investment banks should be split up so that depositors' money is not put at risk by the investment banking arms of the business. If banks were allowed to collapse if mismanaged, taxpayers would not need to come to the rescue.

The **Obama Govt** has established a new independent Consumer Financial Protection Bureau to protect consumers of financial products, which will be housed in the Federal Reserve. The (CFPB) has authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

In Fiji, the conduct of banks was put under microscope in 1998-1999 where a six-member Parliamentary Committee of Inquiry into Financial Services was established. Some of the main areas of concerns were high fees, charges and interest rates; poor levels of service by banks; profit maximisation attitude of banks; lack of choice in banking services and products; apparent cartel-like behaviour; and poor levels of information available to consumers.

The Consumer Council of Fiji (CCOF) decided in early 2010 to commission an independent study of consumer protection aspects of banking service in Fiji. The report found that most findings revealed 10 years ago by the Committee of Inquiry into Financial Services remain unchanged. We will hear more on this from Dr Dulare.

With this background, I now have much pleasure and privilege to introduce **our Chief Guest** the Attorney General and Minister for Industry and Trade, Hon. Aiyaz Saiyed – Khaiyum. In fact, he needs very little introduction and is well-known to all of us. AG completed his Masters in Law degree at the University of Hong Kong. As part of his Masters program, he completed his thesis on *Cultural Autonomy*.

7. He also holds a Graduate Diploma in Legal Practice from the University of Wollongong in Australia. He obtained his Bachelor of Law (LLB) degree at the University of New South Wales (Sydney), Australia. As part of his LLB degree, he completed his thesis on *Constitution making in “Divided Societies” – Fiji a case study*.

8. He attained his Bachelor of Arts (BA) majoring in Political Science and Development Studies degree from the Australian National University in Canberra, Australia. He also completed a six-month internship at the Australian Federal Parliament with a former Minister for Aboriginal Affairs.

9. Prior to taking up the ministerial position, he was the General Manager, Group Legal & Compliance and Company Secretary, Colonial Group of Companies, Suva, Fiji. He also served as a Senior Legal Officer at the Director of Public Prosecutions Office, Suva, Fiji

10. I must also acknowledge that minister being minister for consumer affairs has made a huge difference in the area of consumer protection. Under his guidance we have seen several initiatives in the area of consumer protection for the benefit of consumers.

11. Minister, we thank you for taking proactive approach to correcting imbalance of power that exists in the marketplace, placing consumers in a disadvantaged position.

I now invite Minister to deliver his address and to launch the banking report.

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Vote of Thanks for WCRD

We have now come to the end of our program this morning.

- **I wish to express my sincere appreciation and thanks to our Chief Guest, Hon Minister, for launching the banking report. We request the minister to consider the recommendations made in the report to develop fair financial services for all.**
- **I also extend everyone my warmest appreciation and thanks for being part of this World Consumer Rights Day. After all, we are all consumers...one day per year ...is when we can all sit together and reflect some important issues that is impacting our daily livelihoods and economic wellbeing. Your presence today is an indication that you value yourself as a consumer and so nothing gives me more pleasure to acknowledge your presence and say thank you.**
- **I also extend my sincere thanks to Dr Dulare from FIAS for undertaking this research for the Council.**
- **I would like to thank European Commission for availing the much needed financial support for this research.**
- **Finally I thank the sponsors who sponsored the newspaper supplement that appeared today.**
- **Once again thank you for being here today. Thank you so much.**

I now invite you all to morning tea/coffee.