



Axiomatic Consultants

## TREATING CUSTOMERS FAIRLY POLICY

### INTRODUCTION

The FSB has recently launched an initiative to monitor the behaviour of service providers towards their customers – Treating Customers Fairly (“TSF”). An extract describing their objectives is set out below:

The Financial Services Board is implementing a programme for regulating the market conduct of financial services firms, entitled Treating Customers Fairly (TCF). The TCF approach seeks to ensure that fair treatment of customers is embedded within the culture of financial firms. TCF will use a combination of market conduct principles and explicit rules to drive the delivery of clear and measurable fairness outcomes, and will enforce the delivery of these outcomes through imposing a range of visible and credible deterrents to unfair treatment.

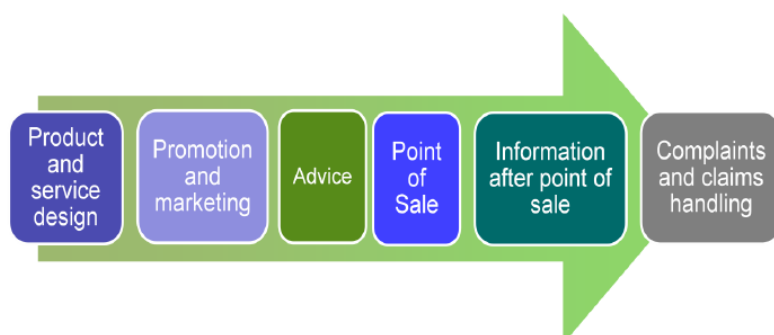
# An overview of TCF

## Why TCF?

The asymmetry of information between retail financial services consumers and financial institutions means that financial services consumers are particularly vulnerable to unfair treatment. Typically, financial institutions have far more expertise and resources available to them in designing, distributing and servicing financial products than consumers have available to them in making decisions about financial transactions. The nature of financial products and services is such that, in many instances, the consequences of unfair treatment or poor decisions are only felt some time – in some cases many years – after transacting. Significant hardship can result. In South Africa, these challenges are exacerbated by low levels of both basic and financial literacy, increasing the risk of consumer exploitation.

South African financial sector regulation includes various measures aimed at protecting consumers of financial products and services<sup>1</sup>. Although these have proven useful in mitigating various specific risks to consumers, a holistic and co-ordinated consumer protection regulatory framework that applies consistently across the financial services sector – and is tailored to address the specific conduct risks peculiar to the sector – has been lacking.

## TCF and the product life cycle



☐ **Product and service design:** Products and services – and the distribution strategies chosen to bring them to market – are designed and developed for specific target markets, based on a clear understanding of the likely needs and financial capability of each customer group.

☐ **Promotion and marketing:** Products are marketed to specific target groups, through clear and fair communications that are not misleading and are appropriate to the target group.

☐ **Advice:** Axiomatic need to ensure that, where advice is provided, advisers are fully equipped to provide advice that is suitable to the needs of the customer concerned, balancing the commercial objective of increasing sales with the objectives of TCF and avoiding conflicts of interest.

☐ **Point-of-sale:** Axiomatic need to provide clear and fair information to enable customers to make informed decisions about transacting with the firm, its products and services. This

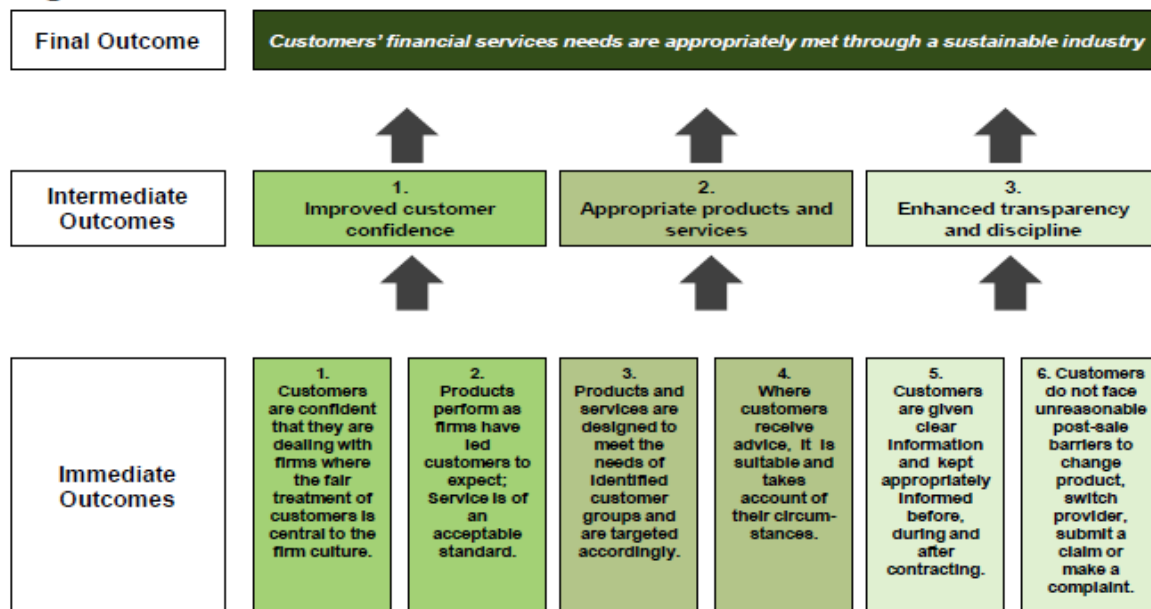
means that product risks, commitments, limitations and charges must be transparent. Disclosure around bundled products must enable customers to understand the different components of the bundle.

☐ **Information after point-of-sale:** Axiomatic need to provide customers with ongoing relevant information to enable them to monitor whether the product or service continues to meet their needs and expectations, and provide acceptable levels of service for post-sale transactions or enquiries. Axiomatic must also monitor and respond to changes in the wider environment that may affect products and impact on particular groups of customers.

☐ **Complaints and claims handling:** Axiomatic need to honour representations, assurances and promises that lead to legitimate customer expectations. Legitimate expectations must not be frustrated by unreasonable post-sale barriers. There is a requirement for fair and consistent handling of claims and a mechanism to deal with complaints timeously and fairly. Axiomatic should undertake to identify common underlying causes of complaints and take action to eliminate the root cause.

## DESIRED OUTCOMES

Figure 2: Desired outcomes of TCF



The success of Axiomatic has been built up because of our customers and although TCF is more applicable to the retail environment, we as a company, will endeavour to ensure that the tenets of TCF is transposed into our interaction with our clients.