



GUIDELINE 1

EQUITABLE AND FAIR TREATMENT OF FINANCIAL CONSUMERS

February 2024

Disclaimer

This Guideline does not constitute legal advice. FSPs are encouraged to seek professional advice on how the requirements could be implemented within each institution. FSPs are responsible for determining the extent of each obligations. Examples outlined in this Guideline are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

GUIDELINE ON EQUITABLE AND FAIR TREATMENT OF FINANCIAL CONSUMERS

A. Introduction

1. Pursuant to Section 5.1 of the *Financial Sector Development Policy Statement No. 3 on the Policy for the Protection and Fair Treatment of Financial Consumers* ('Policy'), the following Guideline is issued to ensure that balanced rules are in place for the equitable and fair treatment of financial consumers.
2. This Guideline is intended to provide the minimum standards only to assist FSPs to comply with Principle 1 of the Policy on Equitable and Fair Treatment of Financial Consumers.
3. This Guideline applies to all FSPs defined in the Policy.
4. The terms and expressions used in the Guideline have the same meaning as those expressed in the Policy, unless stated otherwise.
5. This Guideline will be reviewed every 3 years from the implementation period, or whenever necessary.

B. Requirements of the Guideline

Non-Discrimination

6. In addition to BSPS 8A and BSPS 8B, every FSP should consider:
 - a) Not engaging in unfair, misleading or aggressive practices such as threatening, intimidating, being violent, or exhibiting offensive behaviour towards a financial consumer; and
 - b) Not discriminating against any consumer on grounds of gender, ethnicity, religion, social background, political affiliation, literacy or disability.

Unfair Practises

7. In addition to BSPS 8A and BSPS 8B, every FSP or its representatives shall not employ unfair business practises with its customers.
8. For the purpose of this Guideline, the following are deemed as unfair practises:
 - a) Unsolicited loan offers;
 - b) Abusive debt recovery practises;
 - c) Automatically increasing credit limits without prior consent by the consumer;
 - d) Continuing to charge maintenance fees on inactive accounts that have reached a zero or negative balance;
 - e) Applying automatic overdraft facilities and imposing fees and charges related to such facilities without prior consent of the customer;

- f) Bundling where two or more financial products are combined as one product for sale or tying of products and services where sale of two or more financial products or services without the option of distinguishing them upon sale;
- g) Deceptive marketing involving misleading or false advertising that misrepresents the benefits or features of a financial product or service; and
- h) Predatory lending that includes high interest rates, hidden fees, and other unfavourable terms that make it difficult for borrowers to repay the loan.

Sales Practices

9. In addition to BSPS 8A and BSPS 8B, every FSP or its representatives should consider the following in terms of employing good sales practice;
- a) Put in place formal sales policies and procedures for its products and services;
 - b) Refrain from engaging in mis-selling, misrepresentation, aggressive high-pressure sales tactics, or discriminatory behaviour during the sales process;
 - c) Not downplay, dismiss warnings or cautionary statements in written sales materials; and
 - d) Disclose any actual and potential conflicts of interest, particularly when the consumer receives advice before entering into a customer agreement;
 - e) Not alter customer forms or ask customers to sign blank or incomplete forms;
 - f) Provide clear and accurate information about the product or service being sold, including its features, benefits, and any potential limitations or risks; and
 - g) Provide good customer service and support in assisting consumers with any questions, concerns, or issues that they may have with the product or service.

Product Suitability

10. In addition to BSPS 8A and BSPS 8B, every FSP or its representatives should consider the following:
- a) Gather sufficient information about the customer to enable it to provide a product or service suitable for the consumer's needs and financial capacity before providing advice or concluding an agreement with a customer.
For example, the customer's financial knowledge and experience, needs, priorities, circumstances, risk appetite, financial obligations, and ability to afford the product. The advice given should be retained in written or electronic form.
 - b) Design and offer financial products and services that are appropriate to the varying needs, risk profile and interests of different types of the consumer.

Customer Mobility

11. In addition to BSPS 8A and BSPS 8B, every FSP or its representatives should consider the following:
- a) Not unduly limit a customer's ability to cancel or transfer a product or service to another provider;

- b) Provide comprehensive information about the cancellation and portability procedures to the customer, including when products and services are delivered through agents or digital channels;
- c) Provide the customer with a reasonable reflection period¹ and cooling-off period² for financial products or services;
- d) Explain to the customer how and when the customer must exercise the cooling-off rights;
- e) Advise the customer of his or her liability to pay any administration fee or charge and costs which have been reasonably incurred by the FSP prior to the exercise by the consumer of the cooling off right;
- f) State in the contract entered into with the customer: the date on which the customer's cooling off right commences and expires;
- g) The cooling off period shall not overlap with the reflection period and shall start only when an agreement has been signed.

Fair Contract Terms

12. In addition to BSPS 8A and BSPS 8B, every FSP or its representatives should consider the following:

- a) Not rely on or enforce terms in its standard contracts which are unfair to the consumer and ensure that it does not reflect a significant imbalance in the rights and obligations of the FSP and the consumer. Examples include terms which:
 - i. Allow a FSP to unilaterally change the terms of the financial product or service;
 - ii. Waives a customer's right to rely on any aspect of this Guideline or any law which protects customers; or
 - iii. Seeks to prevent a consumer from relying on statements or conduct of the FSP or its representatives.

13. The contract terms shall be considered unfair where there is significant imbalance in one's party's rights and obligations to the detriment of the other including:

- i. Limiting the liability of the FSP in the event of total or partial non-performance of contractual obligations;
- ii. Excluding the liability of the FSP in the event of its negligence to the detriment of the customer;
- iii. Binding a customer while the corresponding obligation on the FSP is conditional;
- iv. Limiting the FSPs liability with respect to actions or commitment undertaken by their representatives;
- v. Giving the FSP a possibility of transferring rights and obligations under the contract, reducing the rights of the customer without consent; and

1 "reflection period" means the time allowed by a FSP to a potential customer to consider whether to sign an agreement based on the provider's offer, which remains valid throughout the reflection period.

2 "cooling-off period" means a period after a sales contract is agreed during which the customer may cancel the contract without incurring any penalty

- vi. Excluding or limiting the right of the consumer to take legal action.

14. In addition to BPS 8A and BPS 8B, every FSP or its representatives should consider the following:

- a) Include a prominent statement in plain language on the front page of any pre-contractual document or contract to remind consumers/customers to read and understand contract terms, and to discuss further with the FSP or its representatives if there are any terms that the financial consumer does not understand before signing a contract;
- b) Review its contract terms periodically and ensure that the terms are clear and accurately reflect the financial product or service offered and that it complies with the requirements in this Guideline. This includes ensuring that-
 - i. Terms are expressed in plain language;
 - ii. Terms are presented in a legible and concise manner; and
 - iii. Terms that impose obligations on financial consumers

Appointment of Agents

15. Where a FSP appoints an agent³, it should consider the following:

- a) Enter into formal agency agreement;
- b) Take liability for the actions and omissions of its agents;
- c) Perform appropriate due diligence before contracting with any agent or agent network manager; and
- d) Continuously monitor the performance of their agents including adherence to regulatory requirements and internal policies and procedures.

Debt Collection

16. A FSP who uses external collection agencies to collect debts or sells or assigns debts to third parties shall;

- a) Not employ abusive debt-collection practises, including the use of false statements, practices akin to or constituting harassment, or giving of false or unauthorised credit information to third parties;
- b) Clearly disclose in the credit agreement, the type of debt that can be collected on behalf of a FSP, the person who can collect any such debt, and the manner in which such debt can be collected;
- c) Have in place internal documents and trainings, clear Guidelines and rules on what constitute appropriate and inappropriate debt-collection practices;
- d) Be liable for the actions of debt collectors acting on their behalf;

17. In the event where a debt collector has a statutory right to contact any third party about a borrower's debt, the debt collector should only exercise such right provided he or she informs both the third party and the debtor of the following:

³ "agents" refer to third-party establishments or individuals commercialising products or services on behalf of FSPs in exchange for a fee. This also includes agent network managers who provide agent management services for banks and nonbanks.

- a) The debt collector's statutory right to do so; and
- b) The type of information that the debt collector is seeking.

18. Where the sale or transfer of a debt without the borrower's consent is permitted by law, the borrower should be:

- a) Notified of any such sale or transfer within a reasonable number of days thereafter;
- b) Informed that the borrower remains obligated to the debt;
- c) Provided with information as to where to make payment; and
- d) Provided with the purchaser's or transferee's contact information.

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