

**IN THE OFFICE OF THE STATUTORY OMBUD FOR FINANCIAL SERVICES
PROVIDERS**

Case Number: FAIS 01266/12-13/MP (3)

In the matter between:-

AVINASH DEVANAND RAMARAJ

COMPLAINANT

and

PIETER DE WET t/a MODEL INSURANCE COMPANY

RESPONDENT

**DETERMINATION IN TERMS OF SECTION 14(3) OF THE FINANCIAL SERVICES
OMBUD SCHEMES ACT NO. 37 OF 2004 ('FSOS Act') READ WITH SECTION 28(1)
OF THE FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT NO. 37 OF
2002 ('FAIS ACT')**

A. THE PARTIES

[1] The complainant is Avinash Devanand Ramraj, an adult male of Kinross, Mpumalanga.

[2] The respondent is Pieter De Wet, a sole proprietor who conducted short-term insurance business under the name Model Insurance Company ('Model')

whose address is 502 Charter House, 75 Crompton Street, Pinetown, KwaZulu-Natal.

B. BACKGROUND

[3] The determination is made in terms of the FSOS Act¹ read with section 28(1) of the FAIS Act². The complainant in this matter is one of a number of policy holders who lodged complaints with this Office following the respondent's failure to honour their claims.

[4] The respondent held himself out to be an authorised short-term insurer and collected premiums from members of the public. It emerged from enquiries with the Registrar that the respondent had never been licensed in terms of Section 7(1) of the FAIS Act to render financial services to the public. He had also never been registered to conduct business as a short-term insurer as required by Section 7 of the Short-term Insurance Act ('STIA'). In terms of Section 7 of the STIA:

- '(1) No person shall carry on any kind of short-term insurance business unless that person –
- (a) is registered or deemed to be registered as a short-term insurer, and is authorised to carry on the kind of short-term insurance business concerned under this Act; or

¹ Financial Services Ombud Schemes Act 37 of 2004.

² Financial Advisory and Intermediary Services Act 37 of 2002.

(b) is authorised under section 56 to do so, and carries on that business in accordance with this Act.’

[5] During February 2012, the Registrar issued a warning, requesting the public not to conduct business with Model. Despite this warning, the respondent continued to conduct unregistered insurance business. The Registrar reported the respondent to the Commercial Crime Branch of the South African Police Service and secured an interim interdict in the KwaZulu-Natal High Court to stop the respondent from carrying out short-term insurance business.

C. JURISDICTION

[6] The Respondent is not a member of a recognised scheme as contemplated in Section 10 and 11 of the FSOS Act.

[7] Accordingly and in terms of Section 13 of the FSOS Act, the FAIS Ombud, in its capacity as Statutory Ombud assumes jurisdiction over the respondent in respect of this complaint.

[8] The FAIS Ombud therefore deals with this complaint in terms of Section 14 of the FSOS Act.

D. COMPLAINT

[9] The following are the material aspects of the complainant’s complaint:

9.1 On 1 June 2011, the complainant entered into a comprehensive short-term insurance agreement with the respondent under policy number 55566. The policy incepted on the same date.

- 9.2 On 12 July 2011 and 26 January 2012 respectively, the complainant was involved in motor vehicle accidents with his 2004 1.8 Audi A4. He duly reported the matters to the South African Police Service and instituted two claims with the respondent.
- 9.3 The respondent authorised³ repairs to the vehicle amounting to R11 280.72 and R17 919.66, less excess of R6 500.⁴ Respondent however, failed to honour the claims. This left the complainant with no choice but to settle the panel beater's account in order to have his vehicle released.
- 9.4 Aggrieved by the respondent's failure to honour his claim, the complainant lodged a complaint with the Ombudsman for Short-Term Insurance ('OSTI') who in turn referred the complaint to this Office.

E. RELIEF SOUGHT

- [10] The complainant seeks an order compelling the respondent to refund him for cost he incurred to repair his vehicle.

F. RESPONDENT'S VERSION

- [11] The complaint was sent to the respondent requesting him to resolve it with the complainant, alternatively to furnish this Office with a detailed response. The respondent failed to respond to this request. Subsequent thereto, the complaint was formally accepted for investigation in terms of Section 27(4) of the FAIS

³ Authorisation letters dated 26 July 2011 and 12 February 2012.

⁴ Excess is R3 250 per claim.

Act and the respondent was again invited to file a response to the complaint. Although the respondent failed to address the Office on the merits of the complaint, it is worth quoting two e-mails he sent to this Office.

11.1 In response to the Section 27(4) notice the respondent stated:

'I have received the mail... and if I am currently unemployed and unable to pay what then'⁵

'i have on numerous cations tried to get silence for two years and have leased with the registrar at the FSB to find a way forward but was told that i would need 10 million rand in cash for that or hand over the clients to a registered company which i did hand over to Sapcor as i was told , we did pay claims until the FSB warned the public about model insurance and so we started having a lot of cancellations and was unable to pay claims in the last period so at the moment i would like to settle these amounts but cant due to unemployment and would like to make an offer once I have a job'⁶

[12] Given the admissions made by the respondent as contained in the two e-mails, it is no surprise that he did not respond to the merits of the complaint. Quite simply, the respondent has no defence against the allegations made against him. Therefore, the complaint must succeed.

G. FINDINGS

[13] From the undisputed facts before this Office, it can be concluded that:

⁵ E-mail dated 20 August 2014. Errors not omitted.

⁶ E-mail dated 21 August 2014. Errors not omitted.

- 13.1 The respondent misrepresented to the public that he was an authorised short-term insurer and financial services provider;
- 13.2 The respondent collected premiums from members of the public but had no financial means to honour claims as they arose;
- 13.3 Although the respondent was not a registered short-term insurer, he entered into a binding short-term insurance agreement with the complainant;⁷
- 13.4 In terms of the short-term insurance agreement the respondent agreed to indemnify the complainant against loss or damage arising out of the use of his vehicle at a monthly premium at a monthly premium of R536.93.
- 13.5 The respondent was at risk and is liable to pay the complainant in terms of the contract of insurance.

H. QUANTUM

- [14] The complainant lodged a claims in the amount of R30 229.35. The respondent authorised repairs to the vehicle in the amounts of R11 280.72 and R17 919.66, less excess of R6 500. I therefore intend to make an order in the amount of R22 700.38.

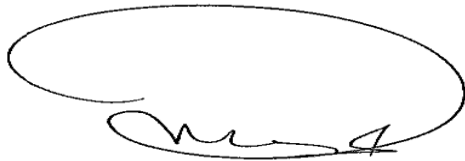
I. ORDER

⁷ In terms of Section 54(1) of the STIA 'A short-term policy, whether entered into before or after the commencement of this Act, shall not be void merely because a provision of a law, including a provision of this Act, has been contravened or not complied with in connection with it.'

[15] In the premises the following order is made:

1. The complaint is upheld;
2. Respondent is hereby ordered to pay to the complainant the amount of R22 700.38;
3. Interest at a rate of 9% per annum, seven (7) days from date of this order to date of final payment.

DATED AT PRETORIA ON THIS THE 14TH DAY OF OCTOBER 2014.



NOLUNTU N BAM

OMBUD FOR FINANCIAL SERVICES PROVIDERS