



# NEWSLETTER



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## FROM THE EDITORS DESK

We are delighted to kickstart the year with our latest newsletter, dedicated to empowering consumers and financial services providers and enhancing financial services. As the FAIS Ombud, our mission remains steadfast in ensuring fair resolutions to financial disputes.

We have been diligently working to improve our services and reach out to more individuals, and we are eager to share the latest developments with you. In this edition, we bring you essential insights into the world of financial services. From the important updates on settled complaints to our consumer awareness interventions.

We hope this newsletter proves to be a valuable resource for you, and we encourage you to stay engaged with our future editions as we continue to bring you relevant and insightful content.

Thank you for joining us on this journey of consumer awareness and empowerment. If you would like to contribute to our newsletter, feel free to send us an email at [info@faisombud.co.za](mailto:info@faisombud.co.za)





## NEW APPOINTMENT



### **Refilwe P Kgaphola** **HR Manager**

Refilwe P Kgaphola is an experienced and seasoned Human Capital professional with more than 20 years of experience in the Human Resource Management field. A SABPP-certified HR Auditor and SABPP HR Professional with a career span across different industries such as Warehousing and Logistics, Legal Education, Legal regulatory and financial industries.

### **Ms Candice Jane** **Assistant Ombud**

Ms Candice Jane is an admitted attorney with extensive experience in dispute resolution gained at various Ombudsman Offices and within the financial services industry, specifically insurance. She is also experienced in legal practice, contractual law, and compliance, with a passion for drafting. Currently, Candice is an Associate Member of the Association of Arbitrators (Southern Africa) and is working towards becoming an accredited Arbitrator.



### **Mr Onthatile Rakale** **Intern Finance**

Mr Onthatile Rakale, a Supply Chain Management graduate from the University of Pretoria, has joined our organization. Mr Rakale graduated in 2022, and his enthusiasm for supply chain management is more than just the thrill of a once-in-a-lifetime opportunity; it is his true desire to meet demand and exceed expectations. His unwavering desire and tenacity, we believe, will help him grow and excel in his new post.



## SECURITY BREACH EXPOSES FRAUDULENT SCHEME INVOLVING AN INSURANCE CLAIM

Our office has been receiving numerous complaints related to phishing incidents, particularly involving email interceptions between the complainant and their broker, which often result in fraudulent payments made to imposters. One of the recent cases we received at the office involved a complainant whose building was affected by a recent storm. They reported that the email communication with the insurance brokers had been compromised. The intercepted emails included discussions about a payment claim amounting to R52,495.09.

The imposter who hacked the complainant's email was able to send an Agreement of Loss form to the broker, which featured a fraudulent signature and an incorrect future date. Furthermore, the imposter instructed the broker to redirect the claim payment to an alternative account instead of the complainant's regular bank account.

Our office would like to warn consumers and financial service providers to stay vigilant and avoid falling prey to such fraudulent activities.



**We have some tips to share that can help in avoiding becoming victims of these scams:**

- Create strong, unique passwords for your email accounts and other online platforms. Avoid using easily guessable information such as your name or birthdate.
- Always be cautious when receiving emails, especially those requesting sensitive information or financial transactions.
- If you receive an email requesting financial transactions or sensitive information, verify the authenticity of the request by contacting the sender through a known and trusted communication channel.
- Keep your devices and security software up to date to protect against known vulnerabilities and malware.
- If you receive an email seeking financial transactions or suspect that your email has been hacked, notify your email provider and follow their instructions.
- Implement strict verification procedures for any changes in customer information or payment instructions. This can include confirming such requests through phone calls or in-person meetings.
- Look out for unusual email addresses, grammar errors, and unexpected attachments or links in your correspondence with the complainant.

By following these tips, consumers and financial service providers can better protect themselves and their clients from falling victim to phishing scams and fraudulent activities.







# SETTLEMENT

## FRAUDULENT FUNERAL POLICIES

Funerals play a very important role in many cultures in South Africa, and they can cost a lot of money. Funeral policies, therefore, play a crucial role at a time when one does not want to worry about the financial burdens that come with a funeral, as a funeral policy will pay out a lump sum when a life assured passes away so that they can be buried with dignity.

The nature of funeral policies, where the providers of these policies, for example, do not conduct medical underwriting as with more traditional life cover policies, does, however, create an environment that is prone to fraudulent transactions. The perpetrators of these fraudulent policies employ several scams to lure unsuspecting consumers, as described in the scenario detailed below:



- An unsuspecting client is requested to complete an application for a food voucher, or to enter a competition, or simply to obtain a no-obligation quotation. Assurances are provided that no policy will be issued without the client first receiving a phone call from the product provider to confirm the application.
- The encounter usually takes place at a mall or any other public location. The individual is caught off guard and asked to provide personal information, which is then used to complete the application form.
- In addition, the unsuspecting client is told to verify an SMS that is sent to their mobile phone, to verify their account details. By doing so, the individual completes a DebiCheck process that allows a debit order to be put in place to collect premiums for a policy they have no knowledge of.
- The insured person of the fraudulent policy is normally the unsuspecting client, while the beneficiary or beneficiaries are unknown to that individual.
- Importantly, the targeted individuals are mostly unemployed, lay persons who are unable to comprehend the seriousness of the encounter and the subsequent SMS link which is sent to authorize the debit order.
- The policy is mostly active for a few months before the person becomes aware and cancels the policy requesting a refund without success.
- The client is then told that an application form was completed, and that authority had been provided to debit the bank account. Therefore, there is no valid basis for the fraudulent claims or for a refund of the deducted premiums.

Another scenario involves these fraudsters gaining access to the Persal systems, especially in relation to government employees such as teachers, nurses, soldiers, etc. Policies are provided without the knowledge and consent of the individual, and deductions are made directly from the individual's salary slip, only to be discovered months or sometimes years later.



## CASE STUDY: T V C

The complainant was unhappy with a funeral policy which was issued without his authorization. The complainant claimed that the agent who took his details informed him that it was just a quote, and the policy would only be issued after he received a call from the product provider, confirming that they had received his details for a funeral policy. The complainant states that according to the agreement with the agent, the respondent was merely preparing a quote and he was surprised when three months later, he discovered that the respondent had been debiting his account with an amount of R270. The complainant states that he had reported the matter to the agent who reassured him once again that the product provider was supposed to call him before any policy was issued. The complainant states that he cannot afford the funeral policy and requires a refund of all premiums deducted without his consent.

In response to the initial correspondence sent by this Office, the respondent claimed that the policy was facilitated by means of an application form, and that the application form contains all the relevant information required to take out the policy. The respondent claimed that it had, in good faith, captured the details on the application form and activated the policy. The respondent was of the view that the application form, appears to confirm that the client had agreed to taking out the policy, and that by signing it he had not only agreed to it, but also confirmed that he had understood and accepted the terms and conditions of the policy.

The respondent pointed to the following section of the application form which states:

“My signature(s) below confirms my understanding and acceptance of the following as they appear in the Product Booklet and on this application form. 1. Debit Order Authorisation 2. Personal Information Authorisation 3. General Declaration 4. Statutory Notice 5. Compliance Checklist. ...and agree to proceed with my application on this basis.”

The respondent also submitted that the complainant was sent a message by his bank to validate the debit order, which contained the details of the policy and the premium to be deducted.



# SETTLEMENT

By agreeing to the debit order, the complainant had indicated his willingness to take out the policy and have monthly premiums debited against his account bank account. Additionally, the respondent confirmed that the complainant had been sent a copy of the policy documents. Therefore, based on all these aspects, the respondent was confident that it would be implausible to argue that the client had no knowledge of or did not consent to the policy.

In response, this Office informed the respondent that we have noticed with concern a surge in complaints against the respondent where the Modis Operandi was similar or the same. Additionally, this Office argued that despite the existence of an application signed by the complainant, and the approval of a debit order authorization sent via SMS link, concerns about the respondent's conduct in this matter persisted. It was disconcerting that an individual would apply for a policy, cancel it shortly after a month, request a refund, and then claim to have never authorized the policy – especially if they indeed applied for the policy as a product that suited their needs and circumstances.

This Office confirmed that it had noted the new modus operandi and the similar nature of complaints received regarding similar unauthorized policies. This is contrary to Section 2 of the General Code of Conduct for Authorized Financial Services Providers and Representatives, which requires that Financial Services Providers render financial services honestly, fairly, with due skill and care and diligence, and in the best interest of the client.

This Office therefore recommended that matters of this nature be reconsidered by the respondent, and that it should consider refunding all premiums deducted from the inception of the policy.

In response to the recommendation made by this Office, the respondent remained adamant that the complainant had signed the application form, provided authentication via the bank message (DebiCheck), and was sent a copy of the policy documents making it implausible that he was not aware of or had not consented to the policy. However, despite this, the respondent agreed to refund the premiums paid on a goodwill basis. The refunded premiums were provided to the complainant as a full and final settlement.

It must be noted that the respondent has been reported to the Financial Services Conduct Authority to investigate the conduct of the respondent and its representatives in view of the significant number of complaints where the Modis Operandi was eerily similar, and where despite this Office having brought this to the attention of the respondent the practice continued unabated.

## Lessons Learnt:

- 1.) Be cautious of individuals who approach you in malls or other public settings, making grand promises of competitions, offering vouchers, or providing quotations for products like funeral policies or other financial products.
- 2.) To enter a competition, one should not have to provide your identity number, or any other personal information. Likewise, one does not need to provide an identity number or banking details for someone to generate a quotation in respect of a funeral policy or any financial product.
- 3.) Of utmost importance is not to acknowledge any SMS that is sent to you under the pretences of confirming the authenticity of your banking details. Not only are banking details not required in such circumstances, but by acknowledging such an SMS you are, in fact providing the service with authority to deduct premiums from your account.
- 4.) Also be very aware of any document that you are asked to sign. Make sure that you are 100% certain as to the reason for you having to sign any documentation, and what the nature of the document is, as well as the implications of you signing it. Should you have any reservations whatsoever, do not sign the document.
- 5.) Make it a habit to regularly check your salary slip as well as your bank statements to identify any deductions that you are not aware of. The earlier you identify any fraudulent deductions being made from your bank account or salary the quicker you can address the situation and limit any potential financial prejudice.



## FAIS OMBUD'S CONSUMER AWARENESS INTERVENTIONS

Our Office received an invitation to participate in a financial health and wellness initiative organized by a notable organization in June 2023. The collaboration between the FAIS Ombud and the organization began when they noticed a concerning trend among their employees regarding insurance policies. Some of the identified issues included employees holding multiple funeral insurance policies. This resulted in reduced take-home pay, leading some to seek financial assistance from micro-lenders.

These issues were mostly caused by some employees signing blank contracts. This led to multiple contracts being opened without their consent and unnecessary insurance policies being taken out, even where there is no insurable interest in the life insured.

To proactively address these issues, the organization initiated financial health and wellness sessions held at various locations in Johannesburg. These sessions aimed to educate employees on various financial matters, including consumer awareness, consumer rights, and responsible financial decision-making.

A complainant who learned about our services at the awareness session was able to approach the Office and lodged a formal complaint. The complainant opened an investment savings plan in February 2021. However, it was not until March 2023, upon receiving his payslip, that the complainant noticed the investment amount had increased from R1500 to R3389.40.

When the complainant attempted to resolve the matter with the insurer, they discovered that, in addition to the investment plan, a life cover and a funeral plan were also added to their profile without their consent. Our office was able to investigate the complaint and assist the complainant to get a refund of all premiums deducted .



If you would like to invite our office to participate in your initiative in raising awareness about our services and how we assist consumers, you can email us at [info@faisombud.co.za](mailto:info@faisombud.co.za) or contact our office at 012 762 5000 / 086 066 3274.



[Lodge a complaint](#)



# FAIS OMBUD LAUNCHES REVAMPED WEBSITE TO EMPOWER CONSUMERS



The FAIS Ombud launched an enhanced website, emphasizing the importance of consumer complaints. The revamped platform offers a seamless experience and introduces the Complaints Portal for swift and effective complaint submissions and tracking.

Consumers are strongly encouraged to voice their concerns and seek resolution by utilizing our Complaints Portal.

Our Office investigates and resolves disputes against financial services providers (FSPs) in a fair, informal, economical, and expeditious manner. This includes complaints relating to advice and intermediary services provided for the below-listed products and services:

- Banking Products
- Cryptocurrency (Advice Only)
- Forex
- Investments

## Long-Term Insurance Policies

- Retirement Policies
- Life Insurance
- Disability Insurance

- Annuities
- Critical Illness Insurance
- Endowment Policies

## Short-Term Insurance Policies

- Funeral Policies
- Credit Life Policies
- Car Insurance
- Homeowners Insurance
- Personal Property Insurance
- Health Insurance (Medical Aid)
- Medical Insurance
- Travel Insurance
- Life Insurance
- Short-Term Health Insurance (Gap Cover)
- Pet Insurance
- Business Insurance
- Professional Indemnity Insurance
- Personal Liability Insurance

## WE WANT TO HEAR FROM YOU! PARTICIPATE IN OUR QUICK 1-MINUTE SURVEY!

*As we strive to continuously improve our services and reach out to more people, your feedback and insights play a vital role in shaping our future plans. We would like to encourage our readers to take an easy 1-minute survey that allows you to share how you first heard about our office.*





## THE ADVICE CORNER:

In this section, we focus on the vital information that your broker/financial advisor should provide when guiding you through the process of purchasing financial products. By shedding light on these key aspects, we ensure you have the knowledge to make well-informed decisions, empowering you to achieve your financial goals with confidence. Stay informed and take control of your financial future!

### Medical Aid:

- Appropriateness of the medical aid plan based on individual needs and circumstances.
- Coverage details, including waiting periods, network providers, and benefit limitations.
- Clear disclosure of costs, premiums, and potential exclusions.

### Medical Insurance:

- Adequacy of coverage for specific medical expenses.
- Exclusions, limitations, and waiting periods.
- Clear explanation of premiums, deductibles, and claim procedures.

### Gap Cover:

- Suitability of the gap cover policy based on the individual's specific needs and circumstances.
- Coverage details, including waiting periods, eligible medical expenses, and benefit limitations.
- Transparent disclosure of premiums, potential exclusions, and claim procedures.
- Financial Services Providers (FSPs) must provide clear and comprehensive information about these financial products to consumers to make well-informed decisions about their insurance coverage.



## CONTACT US

*Should you require assistance in submitting a new complaint, wish to follow-up on an existing complaint or for any other general enquiry please contact us at the numbers provided below and your query shall be directed accordingly.*

**Tel: +27 12 762 5000**

**Fax: (012) 348 3447**

**Sharecall: 086 066 3274**

**Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)**

**Website: [www.faisombud.co.za](http://www.faisombud.co.za)**



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