



Complaints Watch is published by the Complaints Processing Centre (CPC) of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas where banks may consider paying more attention to. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among banks.

Complaints Summary

Jan to Apr 2014	General banking services	Conduct-related issues	Total
In progress as of 1 Jan 2014	245	255	500
Received in the period	343	75	418
Completed in the period	(352)	(123)	(475)
In progress as of 30 Apr 2014	236	207	443

In the first four months of 2014, complaints to CPC on insurance products (61), investment products (54), fees and charges (35), service quality (31) and credit card transaction disputes (22) were the most common and accounted for about half of the cases received.

Insurance Product Complaints

Complaints on insurance products ranked top among the cases received by CPC in the first four months of 2014. In general, the main allegations from the complainants are that:

- with respect to life and annuity insurance policies, the actual cash value received by the policyholders turns out to be much less than the level appearing in the sales documentation at the time of purchase. It appears in some cases that the policyholders had thought or were given to understand that the “projected dividends” would be or close to what they would receive;
- policyholders are not fully aware of the consequences of early surrender of a policy, e.g. they may get back an amount which is substantially less than what they have paid in; and
- the premium payment term or period is unsuitable for them, e.g. the premium has to be paid for a long period of time (in some cases more than 10 years) which has a significant impact on their cash-flow (e.g. someone who will retire from work in a few years’ time and will therefore have no on-going income to support the premium payment after retirement).

Banks’ attention is drawn to the above allegations and they should consider, where relevant, if there is scope for further enhancing their selling processes to ensure that there is adequate disclosure of the relevant information to potential policyholders. Banks should also ensure that policies are suitable to the needs and financial resources of the prospective purchasers.

Complaints Handling

Following a recently completed review, CPC has made changes to the complaints handling workflow to ensure its effectiveness. Firstly, the Enforcement Department has been reorganized to set up a separate unit dedicated to handling complaints on general banking services and monitoring their trends. Secondly, under the revised workflow, CPC will normally refer a complaint it receives to the relevant bank to handle and reply to the complainant first, and to copy its reply to the HKMA for review. The revised workflow should not only give banks more operational flexibility in complaints handling, but also help expedite the time it takes to address complainants' concerns.

Notwithstanding the revised process, banks should continue to handle all complaints in a manner complying with the HKMA Supervisory Policy Manual IC-4. CPC will review how banks respond to complainants and feedback from the complainants, if any, to determine if follow-up action is warranted.

Comments and feedback on *Complaints Watch* are welcome. Please email them to bankcomplaints@hkma.gov.hk.