HONG KONG MONETARY AUTHORITY
香港金融管理局

Complaints Watch

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Complaints Watch is published by the Complaint Processing Centre of the Hong Kong Monetary Authority (HKMA). It highlights the latest complaint trends, emerging topical issues, and areas that banks may wish to place greater focus on. It forms part of the HKMA's work to promote proper standards of conduct and prudent business practices among banks.

Complaint statistics

Jan to Apr 2016	General banking services	Conduct-related issues	Total
In progress as of 1 Jan 2016	321	218	**539**
Received during the period	448	86	**534**
Completed during the period	(403)	(57)	**(460)**
In progress as of 30 Apr 2016	366	247	**613**

Compared to the last reporting period (September-December 2015), the number of complaints received between January and April 2016 decreased slightly by 1% or 3 cases to 534 cases. Complaints concerning alleged mis-selling dropped by 28% or 23 cases to 58 cases. Other major types of complaints received included those concerning client agreement terms (53), followed by disputes about fund transfers (49), fees and charges (47), service quality (46) and closure of accounts (37).

Verification of customer's permanent residency status

In the previous issues of Complaints Watch, we shared some common observations regarding banks' execution of the Customer Due Diligence measures in respect of which banks are required to adopt a risk-based approach and to ensure proper communication with customers. In this issue, we wish to highlight the specific issue concerning verification of the residency status of an individual based on his/her Hong Kong Identity Card (HKID card). We have received a number of complaints from prospective customers who are Hong Kong permanent residents regarding difficulties they experienced in opening bank accounts, as the banks were not satisfied that they were permanent residents even though they had Hong Kong Permanent Identity Cards.

From our observation in the course of handling such complaints and our ongoing supervisory work, it appears that some banks' front-line staff may not have fully understood the meaning of three asterisks (***) displayed in HKID cards. They like many others were under the misconception that the absence of three asterisks (***) in an individual's HKID card means that the cardholder is not a permanent resident in Hong Kong. Therefore the complainants who did not have three asterisks (***) in their HKID cards were requested to produce their passports as an additional personal identification proof as the bank staff claimed that they could not ascertain their permanent residency status.

In fact, the Immigration Department has posted information on its website about the different types of HKID card and the various symbols that HKID cards may contain. According to the website, there are two types of HKID cards: (i) Hong Kong Permanent Identity Card which states that the holder has the right of abode in Hong Kong; and (ii) Hong Kong Identity Card, which does not state that right. For both types of HKID card, three asterisks (***) would be displayed if the holder is eligible for a Hong Kong Re-entry Permit[1].

It is therefore important that banks' front-line staff do not try to ascertain an individual's permanent residency status or the right of abode on the basis of three asterisks (***) displayed in his/her HKID card. The fact that an individual has a Hong Kong Permanent Identity Card is sufficient to confirm his or her status as a permanent resident in Hong Kong without the need for them to have three asterisks (***) in their HKID card. In contrast, ascertaining whether an individual has three asterisks (***) in his/her HKID card is insufficient to confirm such status as the right of abode is only one of the prescribed conditions for obtaining a Hong Kong Re-entry Permit.

Banks are reminded to equip front-line staff with the requisite knowledge and skills to handle customer applications for banking services including account opening. Specifically, banks should ensure that front-line staff are conversant with the bank's account opening requirements and the proper way for verifying customers' identity. This will avoid causing inconvenience to existing customers/applicants for banking services and avoid the collection of unnecessary or excessive information or documentation. Banks should remind front-line staff to take a balanced and proportionate approach in the account opening process and to equip them to exercise their discretion in appropriate cases and escalate cases of uncertainty to their supervisors for guidance.

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[1] Eligibility criteria for issuance of Hong Kong Re-entry Permit to Hong Kong residents for travel to the Mainland and Macao Special Administrative Region include (i) Chinese citizens who have either acquired the right of abode or been granted unconditional stay in Hong Kong; or (ii) Persons not of Chinese nationality who have been granted unconditional stay in Hong Kong but cannot obtain national passports or travel documents of any other countries or regions.

SMS messages sent to unrelated third-parties

Hong Kong has one of the highest mobile phone penetration in the world. Hence, SMS messages have been widely used by banks as a channel of communication with customers given their speed and effectiveness. Apart from using SMS messages for notifying customers of ordinary banking services such as stock order execution, issue of e-statements, launch of special promotional campaigns, etc., in the last few years their usage has been extended to enhance the security of e-banking services. Typical examples include SMS alerts for on-line fund transfers of significant amounts and generation of One-Time-Password for authenticating on-line purchase transactions conducted by customers.

Given the extensive use of SMS messages as a communication tool between banks and their customers, it is important for banks to maintain accurate records of the mobile phone numbers of customers by updating such data in all relevant bank systems.

In recent complaint cases received by the HKMA, it was noted that a couple of banks had unknowingly sent out a number of SMS messages[2] to unrelated third-parties whose mobile phone numbers were wrongly registered in the banks' systems as belonging to their customers who were eligible to receive SMS messages. This could have been due to a change of mobile phone numbers by the customers concerned without notifying the bank, or erroneous data input during the customer account maintenance process by banks.

In some cases, although the unrelated third-parties had taken the initiative to inform

[2] These SMS messages were mainly about the launch of certain promotional campaigns by the bank, as such they did not contain personal data of the customer.

the banks issuing the SMS messages of having received messages that had nothing to do with them with a request that the banks should stop sending any further messages, the banks continued sending such messages to them for a few months and in one case up to a year. Upon our enquiry, the banks explained that this was due to the time taken for them in following up with the customers concerned to ascertain their correct mobile phone numbers as they required them to return an amendment form to update their records. In the interim, front-line staff had inputted certain remarks or masked the mobile phone number recorded on the bank's system as a quick fix to suppress further SMS messages being sent to the unrelated third-parties. However, such measures were found to be not fully effective or could only facilitate blocking of certain SMS messages rather than all SMS messages. Frustrated by the further SMS messages they received and presuming that the banks had not responded to their requests promptly, these third-parties filed complaints against the relevant banks with the HKMA. These cases reveal deficiencies in and a lack of sensitivity of banks in attending to enquiries or complaints from non-customers that had no banking relationship with them but who nevertheless were affected by the banks' actions.

When a bank is made aware of this kind of incident indicating that the mobile phone number of a customer maintained in the bank's records might be incorrect, it should take appropriate measures to verify the claim and where necessary rectify the situation as soon as practicable. Apart from taking prompt follow-up actions with the relevant customer for updating his/her mobile phone number as soon as possible, during the interim period, all SMS messages intended to be sent to that particular customer should be suspended and the bank should use other methods of communicating with the customer concerned. Banks should consider adopting an effective and integrated solution whereby any interim arrangements would be applied across all systems of the bank with the function of issuing SMS messages to customers.

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