

BANK OF UGANDA



Questions and Answers

on the Bank of Uganda Financial Consumer Protection Guidelines (FCPGs)

TO BE USED BY STAFF OF SFIS



Introduction

This Question and Answer Booklet provides key information for staff of Supervised Financial Institutions (SFIs - Commercial Banks, Credit Institutions and Microfinance Deposit-Taking Institutions) on the Bank of Uganda Financial Consumer Protection Guidelines (FCPGs), 2011. It is a quick reference guide to issues which are covered in more detail within the Financial Consumer Protection Training Curriculum – available from your Human Resources/ Training Manager and on the Bank of Uganda website.

Please note that this Booklet is designed to supplement, not replace, training on the FCPGs. It is expected that SFIs provide appropriate levels of training to their staff to ensure that the requirements and the spirit of the FCPGs are met.

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GENERAL GUIDANCE

1. What are the Financial Consumer Protection Guidelines?

The Financial Consumer Protection Guidelines (FCPGs) set out basic requirements that all Supervised Financial Institutions (SFIs), their employees and agents, are required to meet to strengthen the protection of financial consumers in Uganda.

2. What are the objectives of the FCPGs?

To set out a clear, concise set of minimum requirements and standards that you are required to fulfil to ensure that your customers will be treated with fairness, reliability and transparency, as well as to provide mechanisms for customers to complain about the provision of products and services. Ultimately, the Guidelines aim to foster confidence in the financial sector and strong relationships between customers and their institutions.

3. What are your training and competence (T & C) responsibilities under the FCPGs?

SFIs are required to ensure that their staff receives sufficient training to be able to conduct their business in line with the requirements of the FCPGs. This means staff must be in a position to deliver on the requirements for fairness, reliability and transparency, as well as to provide effective complaints handling support.

A high quality FCP training curriculum has been made available by the BOU for SFIs to integrate into their own training arrangements so that the appropriate level of competence is in place. This is available from your Human Resources/ Training Manager and on the Bank of Uganda website.

4. What other FCP resources are available?

Bank of Uganda has spearheaded a three-pronged approach to implementing the FCPGs, including providing training and materials to SFIs, strengthening BOU's own supervision and complaints handling arrangements and leading a national public awareness campaign to increase the awareness of consumers and the Ugandan public on their rights and responsibilities under the FCP Guidelines. These efforts have been designed and implemented in close partnership with representatives from SFIs and consumer organisations.

All resources related to FCP (such as the Guidelines, training materials, public awareness materials for consumers [in English and local languages], Key Facts Documents templates) are available on the Bank of Uganda website in soft copy.

BEING FAIR

5. How do you treat a customer fairly?

*There are many ways to make sure you are treating a customer fairly, but in particular you are responsible for ensuring you **never**:*

- Are unfair, deceptive or aggressive (e.g. threatening or abusing a customer),
- Offer or accept bribes or other 'gifts',
- Discriminate against any customer,
- Mislead, exert undue influence on or take advantage of a customer,
- Lend to a customer more than they can afford to borrow/ repay.

6. What are the requirements with regard to the provision of information and advice?

It is important that you appreciate the difference between providing information and advice – and make it clear to every customer which service (information or advice) you are providing.

The provision of information must be neutral and objective. There is no value judgement and no influencing of the customer's decision.

The provision of advice means you are providing a personal recommendation to the customer. This must be based on an assessment of the customer's individual needs and requirements.

Giving advice means that you need to ensure that there is no other product or services available that would be more suitable. You will also need to keep records about every piece of advice given to a customer.

7. What restrictions are there on conditional sales?

An SFI cannot require a consumer who buys one product to buy another product from a specified services provider (for example a mandatory linked insurance product). The SFI must provide a minimum of four equivalent products for the consumer to choose from.

8. What is your responsibility towards a guarantor?

You must advise the guarantor about the implications and responsibility of providing a guarantee for someone else. The guarantor should be encouraged to reflect on the commitment they are making and seek advice from a third party (e.g. a lawyer) before agreeing to the transaction.

9. How do I keep customers informed once they have signed up for a product?

It is important that customers are kept informed about their accounts and any changes that may occur. For this to happen, it is vital that SFIs have up-to-date contact information for their customers, so that they can reach them on a timely basis.

SFIs must agree on the frequency and mode of providing statements with their customers. SFIs must also notify customers thirty days in advance before implementing any changes regarding the terms and conditions and immediately in the case of interest rate changes.

10. What is cooling-off?

If a customer borrows more than three million Ugandan Shillings (UGX 3,000,000) for at least one year they have the right to “cool off”. This means they can decide to cancel the loan within 10 working days after signing the contract. Before signing the contract, you must explain the cooling-off right to the customer.

The customer may exercise their right to cool off without penalty, but will have to return the amount borrowed in full. A reasonable administration fee may be levied by the SFI. This fee cannot exceed 5% of the value of the loan.

11. What protections are there if a customer cannot repay a loan?

The SFI cannot impose unreasonable charges for recovering a loan. You must provide a clear, detailed breakdown of the charges to be applied. The debt recovery process must be transparent and fair value obtained for any assets sold off. You cannot recover the debt from a third party unless there is a contractual obligation to do so (e.g. a guarantor).

12. Can a customer's account be closed without notice?

The account holder must be given a minimum of 14 days' notice – except where the account is being used for criminal activity or where the customer has been behaving inappropriately towards staff of the SFI, e.g. being threatening or violent.

BEING RELIABLE

13. What should customers do if they change their address or contact details?

It is vital you make sure that all customers are aware of the importance of keeping their SFI updated of their contact details (e.g. address, mobile number or e-mail address), so that you are able to communicate effectively with them.

14. ATMs and self-service banking channels – what are your responsibilities?

SFIs must ensure that where ATMs and self-service banking channels are provided, the services can be accessed day and night – except in the event of a maintenance downtime or an unavoidable emergency. If you are aware a machine or service is out of order or being maintained you must inform customers of the unavailability of the machine or service and about alternative options.

15. How should you advise a customer to keep their account details secure and safe?

Advise them to ensure they keep the details of the account, their PIN and other information secure, safe and private, not to write down their information or let anyone else use their account. Customers should have unique, unusual passwords which are changed regularly.

If their banking card, cheque book or pass book is lost or stolen they should immediately report any loss or theft or suspected scam or fraud to their SFI on the 24-hour telephone service all SFIs are required to provide

BEING TRANSPARENT

16. How do you treat a customer in a transparent manner?

Treating a customer transparently means ensuring that any information given to them is fair, clear and transparent - whether this is provided in writing, electronically or orally. Information must be easily comprehensible, written in plain English and in a font size of not less than 10 points. Important information must be highlighted and explained to the client. For any deposit or loan product you sell, a Key Facts Document must be issued.

The goal of being transparent is to enable the customer to make an informed choice about a product or service.

17. What do you do if a customer cannot speak English or cannot read?

You must provide an oral explanation in a language the customer can understand. Where information has been provided orally, the customer shall have a third party of their choosing to counter sign as evidence that an oral explanation has been given.

18. How should a customer be informed about the characteristics of a product?

The Terms and Conditions provided by the SFI must highlight fees, charges, penalties, relevant interest rates and any other liabilities or obligations of the consumer as a result of entering into a transaction. This includes providing the customer with a schedule of fees and charges for the product, as well as informing the customer about any additional, non-standard or third party charges (e.g. premature termination of a fixed deposit product).

Interest rates must be clearly disclosed, including information on whether the rate is fixed or variable, the method used to calculate the rate and the frequency with which interest payments or deductions are to be made. The Total Cost of Credit must also be disclosed.

You should also display your standard fees and charges prominently in branches, promotional materials and any other communication channels (e.g. website) and keep this information up-to-date.

A Key Facts Document must be provided to customers for all deposit and loan products sold. This is covered in more detail below.

19. What is the Total Cost of Credit?

The Total Cost of Credit (TCC) tells the customer exactly how much they are paying for the loan. It includes interest payments, fees and charges, but not the actual amount borrowed. It is calculated as follows:

Total Cost of Credit =

Total interest to be paid on the loan +

Any other standard fees/charges over the life of the loan

When calculating the Total Cost of Credit, please make sure to include ALL applicable fees and charges.

20. What are Key Facts Documents (KFDs)?

Key Facts Documents are standard two-page documents for disclosing key information on financial products, such as fees, interest rates, benefits and risks. There is a fixed template for all deposit products and a fixed template for all loan products.

The KFDs set out in plain language the terms, costs, benefits and risks of the specific deposit or loan contract a customer is considering entering into. It is designed to assist customers in understanding the most important elements of the business they are transacting.

21. What products do KFDs apply to?

KFDs must be provided to customers for any deposit or loan product that is being offered by an SFI, unless a specific exemption has been provided by the Bank of Uganda

22. How do you fill out the KFDs?

Comprehensive guidance notes have been provided on how to fill out the KFDs. These can be downloaded from the KFD Section of the Bank of Uganda website under “Financial Consumer Protection”.

When filling out text, please keep the language as simple and concise as possible. All sections of the KFDs must be completed, including full disclosure of applicable fees and charges. Loans KFDs must include a correctly calculated Total Cost of Credit.

23. How do I use KFDs during the sales process?

Effectively integrating KFDs into the sales process is critical to helping customer better understand financial products. Please make sure you are capable of explaining the contents clearly to your customers and use the KFDs as an explanatory tool, not just a compliance requirement. It can be very helpful for a customer if you hand them a provisional (unsigned) KFD at the point of inquiry. A final KFD, signed by both parties and reflecting the final terms and conditions that the customer has accepted, must be completed at the time of signing the contract and handed out to the customer.

24. Where do you find the KFD templates?

All KFD templates can be downloaded in soft copy format from the Bank of Uganda website.

25. What languages are the KFDs available in?

The KFD templates are available in English and the following local languages: Ateso, Luganda, Lugbara, Luo, Runyankore/Rukiga, Runyoro/Rutoro, Swahili. These are to be used to enhance customers' understanding where appropriate. Where a local language KFD is used, a KFD in English language must still be provided as part of the final contractual documentation. In such cases, both final KFDs must be signed.

26. What are the FCP requirements regarding marketing and promotions?

The information provided in marketing and promotion material must be fair, clear, not misleading, in plain language and appropriate for the consumer audience that will see it or receive it. Written documentation may not have a font size of less than 10.

If an interest rate is mentioned in marketing materials, the total cost of credit (see below) must be included more prominently. It must also be clear whether the interest rate given is annual or monthly (or for another period).

KEY FACTS DOCUMENT – DEPOSITS

THIS KEY FACTS DOCUMENT IS IMPORTANT TO YOU. IT SUMMARISES THE TRANSACTION YOU ARE CONSIDERING. PLEASE ONLY SIGN AFTER YOU HAVE READ, UNDERSTOOD AND AGREED TO THE CONTENT OF THIS DOCUMENT.

- 1. **TYPE OF ACCOUNT** Super Bank Savings Account
- 2. **AIMS AND BENEFITS** Convenient savings account which allows you instant access to your savings at all branches and ATMs without any monthly charges
- 3. **TERMS AND CONDITIONS**
 - a) **Interest to be earned:** 3% per year. **The interest rate is:** Fixed Variable Tiered
 - b) **Duration:** n/a **End date:** n/a
 - c) **Account opening balance** in UGX: 50,000
 - d) **Minimum balance** in UGX: 20,000

4. **FEES, CHARGES AND PENALTIES**

Description of standard fees		Amount in UGX
a)	Withdrawal fees Over the counter (teller) ATM 2 free withdrawals (fee applies after these)	2,000 500
b)	Account statements 4 statements free of charge (fee applies after these) per year	3,000
c)	Balance enquiry	500
d)	Administrative fees per month	0
e)		
f)		
g)		
Potential additional fees/charges		
h)	System alerts	200
i)	SMS alerts (per SMS alert)	200
j)	Account closure fees	0
k)	Penalty for falling below minimum balance	5,000
l)		
m)		

Depending on how you use the account, you may be charged any of the fees above, which will be directly deducted from your account. **NOTE** that while the common fees, charges and penalties are listed in the table above, there may be other fees, charges and penalties – you can find information on these in our tariff guide.

5. RISKS

- a) If you terminate the account before the agreed end date, you may lose the interest you have earned.
- b) The interest rate is variable and so the amount of interest earned may increase or decrease. We will inform you immediately of any change.
- c) If your balance falls below the minimum balance allowed, you will have to pay penalty charges.
- d)

6. FURTHER POINTS TO CONSIDER

How to deposit money into your account: You can pay money into your account in any of the following ways:
over the counter

How to take money out of your account: You can take money out of your account in any of the following ways:
over the counter, via ATM

Inactivity/dormancy: After 12 months of inactivity, an account will be considered inactive. You will need to inform us in writing to reactivate your account. After 2 years of account inactivity, the account is considered dormant. To reactivate, a fee may apply. See 4 (fees).

Deposit protection: Your deposits are insured up to UGX 3 million by the Uganda Deposit Protection Fund. Please ask our staff for further details.

Tax implications: The current withholding tax / excise duty will be debited from your account.

Account closure: You may close your account at any time. To close your account send us confirmation of this request in writing. If you close your account, there will be a charge for doing so (see 4j) and the account will be closed after 30 days. If this is a fixed deposit account, early termination may result in losing interest accrued.

How to complain: If you are dissatisfied with our services, we welcome you to communicate this to us by phone, at the branch or by letter. We will acknowledge receipt of your complaint, investigate and give you an answer within two weeks.

Future communications: It is important for us to be able to communicate with you. Below, please tick at least two preferred means of communication and provide details (and update us in case of any changes):

Mobile Phone <input checked="" type="checkbox"/>	Email <input checked="" type="checkbox"/>	Post <input type="checkbox"/>	Over the counter <input type="checkbox"/>	Other <input type="checkbox"/>
# 1	0701 234 567			
# 2	etumusiime-mutebile@yahoo.com			
# 3				

Signature **3/31/2015**

Name **3/31/2015**
 Relationship Officer Client

Where can I find out more? If you want more information on this deposit product or the terms used in this KFD, please contact us on 041 400 0000 or visit our website at www.superbank.co.ug

KFD - DEPOSITS

A Key Facts Document (KFD) has different sections with information on the individual deposit product.

1.-2. Type of Account/Aims & Benefits

This section explains the customer briefly about the product and the purpose it serves.

3. Terms and Conditions

This includes key information such as the interest to be earned; whether it is fixed, variable or tiered, the term of the product, the account opening balance and any minimum balance.

4. Fees Charges and Penalties

The section summarises the standard fees which will apply to the account; such as administrative fees, withdrawal fees, fees for balance statements, as well as other fees and charges that could apply

5. Risks

The Risks section highlights key risks of this product, e.g. related to the method of interest calculation.

6. Further Points to Consider

This section provides information on other important issues, such as how to deposit into or withdraw money from the account, how the account may become inactive or dormant, or how to close the account.

Complaints: This provides information on how a customer can raise a complaint with your institution if he/she is not satisfied with any aspect of their service. Your institution will have to review the complaint and provide the customer with a final response within 10 working days. If the customer is not satisfied,

he/she has the right to forward the complaint to Bank of Uganda.

Future Communications: Providing ways how the financial institution can contact the customer, which enables your institution to keep in touch and to inform the customer of any changes in the terms and conditions of the product.

You have to provide a Key Facts Documents to your customer when they are considering applying for a product. The customer should take it home, read through thoroughly and consider the key benefits and risks before they are committing. The customer has to sign a copy of the Key Facts Document at the time the contract is signed.

4. RISKS

- a) Late repayments: if you delay repaying by more than 30 days, you will be charged UGX 50,000.
- b) If you fail to repay the loan, you can lose your security.
- c) If you fail to repay the loan, you risk losing your reputation in your community and in front of your family.
- d) Failure to repay can harm your chances of accessing loans in the future.
- e) In case of default, you will have to meet the costs of loan recovery.
- f) n/a

5. FURTHER POINTS TO CONSIDER

The right to cool off: You have up to 10 working days from when you sign the contract to “cool off”, i.e. to cancel the loan by terminating the contract. To “cool off”, you have to provide written notice to the lender and return all the borrowed money. The lender may charge you a fee not exceeding 5% of the value of the loan. The right to “cool off” applies only to loans of UGX 3,000,000 or above with a duration of at least one year.

Early redemption: This loan allows you to pay back the money you borrowed before the agreed date at a fee of UGX 10,000.

How to complain: If you are dissatisfied with our services, we welcome you to communicate this to us by phone, at the branch or by letter. We will acknowledge receipt of your complaint, investigate and give you an answer within two weeks.

Credit Reference Bureau: Every borrower must be registered and requires a financial card.

Also remember to ask about:

- a) Insurance (risks insured, premiums, and benefits that accrue to the borrower).
- b) Security concepts (professional valuation, forced sale value, security margin and cash margin).
- c) Measures taken in case of failure to repay.
- d) Guarantor policy (if applicable) and the risks to the guarantor.
- e) Security liquidation policy/process.
- f) Security release process and associated costs.

Future communications

It is important for us to be able to communicate with you. Below, please tick at least two preferred means of communication and provide details (and update us in case of any changes):

Mobile Phone <input checked="" type="checkbox"/>	Email <input checked="" type="checkbox"/>	Post <input type="checkbox"/>	Over the counter <input type="checkbox"/>	Other <input type="checkbox"/>
# 1	0701 234 567			
# 2	etumusiime-mutebile@yahoo.com			
# 3				

Signature **3/31/2015**

Name **3/31/2015**
Relationship Officer Client

Where can I find out more about this loan product? If you want more information on the terms used in this KFD or product, please contact us 041 400 0000 on or visit our website at www.superbank.co.ug

KFD — LOANS

A Key Facts Document (KFD) has different sections with information on the individual loan product.

1.-2. Type of Loan/Aims and Benefits

This section explains the customer briefly about the product and the purpose it serves.

3. Commitment

This includes key information such as the loan amount and loan period, the security which has to be provided to access the loan, the loan instalments, the grace period and fees.

f) The fees table includes all the costs associated with the loan. This includes interest rates, administrative fees, insurance, security-related charges and others, if applicable.

4. Risks

The Risks section highlights key risks of the loan product, e.g. related to late payments and default.

5. Further Points to Consider

This section has information about the following:

Cooling Off: Within 10 working days after signing the contract for a loan product the customer has the right to change his/her mind and cancel the contract (if the loan amount is above 3 million and the period more than one year). This is known as the 'cooling off period'.

Complaints: This section provides details on how customers can raise a complaint with your financial institution in case they are not satisfied with any

aspect of their service. The institution must review that complaint and provide the client with a final response within 10 working *days*.

Future Communications: This section should include all contact details of the customer.

You should provide a Key Facts Documents to your customer when they are considering applying for a product. The customer should take the KFD home, read through thoroughly and consider the key benefits and risks before they are committing. The customer has to sign a copy of the Key Facts Document at the time the contract is signed.

Complaints Handling

27. Why are complaints important?

Complaints are a great indicator of how you are performing. If there are no complaints, then you are more likely to be doing the right thing by your customers. If you do receive a complaint, it can help you to identify problem areas and strengthen your products and services. It is also an opportunity to show your customers that you care and to restore their faith in your business.

28. Who is entitled to make a complaint?

Any customer is entitled to make a complaint. Complaints from private individuals and small firms (firms employing up to ten (10) individuals) must be dealt with in line with the requirements of the FCPGs. A complainant may not only be a current customer. They may, have used your products or services in the past, or be contemplating using them in future. A complaint can also be made on someone else's behalf.

29. What procedures must SFIs have in place for complaints handling?

SFIs are required to have appropriate and effective procedures for receiving, considering and responding to complaints. The SFI must confirm receipt of the complaint, investigate it promptly and fairly, and keep the customer informed of the progress in dealing with the complaint. The proposed resolution of the complaint must be clearly explained to the customer and any remedial action or redress promptly delivered upon.

Your complaints handling procedures must be easily available to customers in your branches and on your website. A standard complaints flyer has been produced by Bank of Uganda and distributed to SFIs – to support you in explaining the procedures to customers.

30. How much time do you have to deal with a complaint?

You must investigate the complaint and give a final response to the client within two weeks from the date of receiving the complaint.

31. What should you do if you identify recurring problems?

If you recognise a systemic, recurring problem from the complaints that you are receiving, either correct the failing that is causing the complaints – if it is within your authority – or escalate the problem for senior management attention. Your institution should have internal procedures in place for you to be able to flag such issues at a higher level.

32. What if the SFI and the customer cannot agree on the resolution?

If the two parties fail to resolve the complaint, the customer must be informed of their right to refer the complaint to the Bank of Uganda:

Bank of Uganda

Physical Address: Plot 37/45 Kampala Road, Kampala, Uganda
Postal Address: P.O Box 7120, Kampala, Uganda
Telephone: +256-414-258-441/6
Fax: + 256-41-4230878
Email: complaints@bou.or.ug