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BANK OF UGANDA FINANCIAL CONSUMER PROTECTION GUIDELINES: Know Your Rights

Background

Bank of Uganda in June 2011 issued the *Financial Consumer Protection (FCP) Guidelines* to all supervised financial institutions (commercial banks, credit institutions and microfinance deposit-taking institutions, SFIs).

The Guidelines were issued to:

- Set standards for financial services providers in dealing with consumers
- Ensure fair treatment of customers
- Increase transparency in order to inform and empower consumers of financial services
- Ensure consumer complaints are handled promptly and fairly

The FCP Guidelines not only benefit the consumers but also the financial institutions and the economy as a whole:

- **Financial institutions** serve their customers in a competitive and better way which will lead to more business and customers.
- For **the economy**, the Guidelines help to promote a sound financial sector in which people have more confidence and is more inclusive, which encourages more people to use financial services. To put this into perspective, it is estimated that currently only 20% of Ugandans have bank accounts with formal financial institutions while the majority keep their money at home.

How do you benefit as a customer of financial institutions under the Financial Consumer Protection Guidelines?

You can expect several benefits as a result of increased fairness, transparency and reliability in your dealings with financial institutions as well as



BANK OF UGANDA



BANK OF UGANDA FINANCIAL CONSUMER PROTECTION GUIDELINES: Know Your Rights

proper handling of any complaints that may arise. The benefits and rights are explained in the answers to the questions below.

- ***You have a right to clear information and advice so as to make informed decisions***

What can you expect from your financial institution?

It is your right to get clear information and explanation regarding your deposit or loan account from your financial services provider to help you make informed decisions. The information should be in simple and clear language.

What about financial institutions' advertising?

All advertising and promotional materials must be clear and not make claims that might mislead the customers.

- ***It is your right to understand and agree beforehand to all related costs that apply***

What about financial institutions' fees and charges?

The Guidelines require every institution to have all standard fees and charges displayed prominently in all its branches, promotional materials and other communications for all products including loans and deposit accounts.

It is also your right to be informed in writing of all fees, charges, commissions payable and of third party fees that may arise, including any changes in the charges. This will help you to compare the products offered by different financial service providers and to choose the best one for your needs.

Remember, if you are thinking of getting a loan you are entitled to the following information BEFORE you sign the contract:

- The term of the loan
- The charges and fees applicable
- Applicable interest rates and the basis and frequency of interest payments
- Whether the interest rate is fixed or variable
- The index to which the interest rate is pegged, and when and how the interest rate will change
- The method of interest calculation (e.g. flat or declining balance)
- The total cost of credit (TCC). TCC is the sum of all interest payments, fees and charges on the loan contract including insurance fees, loan processing fees and collateral registration fees
- The charges for and consequences of early repayment of the loan
- The typical charges and consequences if you delay repayment of the loan or default

To help you find the best deposit account for your needs, the financial services provider will provide you with the following information:

- How much interest you shall earn and how the interest rate is calculated
- Whether the interest rate is fixed or variable

For a fixed deposit, you also need to consider:

- The term or duration of the fixed deposit
- Whether there are any charges for early withdrawal of the fixed deposit
- The total amount of income you will earn from the fixed deposit

BANK OF UGANDA



BANK OF UGANDA FINANCIAL CONSUMER PROTECTION GUIDELINES: Know Your Rights



- ***What else you should know about loans?***

Should you for some reason default on a loan, what do you need to know?

If you default on a loan, you should be informed of the costs and expenses of recovery and these must be reasonable and transparent.

If someone asks you to be his or her guarantor for a loan, what do you need to know?

If you are a guarantor you must receive from the financial institutions in writing an explanation of the potential liabilities you are responsible for and be advised to seek your own independent legal advice.

What about the Terms and Conditions?

It is your right to receive a copy of the relevant Terms and Conditions for the service. These Terms and Conditions require your consent.

- ***Your statements must be regular***

Do you also have a right to get a statement of your deposit or loan account from your financial institution?

Yes. You are entitled to receive a statement of your deposit or loan account with a frequency and in

a format agreed between you and your financial institution.

- ***It is your right to have reliable services***

What are my rights as regards Automatic Teller Machines (ATMs) and other self-service banking channels?

You are entitled to a reliable service. This means:

- ATMs or other self-service banking channels should be available day and night except when being serviced
- You should be informed in advance of an ATM being unavailable because it is to be serviced or maintained.

- ***What you should know about termination of a service***

What if you realize you have taken a loan which you don't need?

Using the principle known as "cooling off" you have the right to cancel a loan within ten days, in writing,

BANK OF UGANDA



BANK OF UGANDA FINANCIAL CONSUMER PROTECTION GUIDELINES: Know Your Rights

if you change your mind. This applies only to loans of 3 million Uganda shillings and above with a term of at least one year. The lender may make a charge of no more than 5% of the loan value to cover their administrative costs.

What if your financial services provider wants to close your account?

You are entitled to receive 14 days notice if your account is to be closed.

- *What you need to know about privacy and security of your data*

Is your privacy protected?

Yes. The information held about you by a financial services provider is confidential and should not be disclosed without your permission or consent.

How do you keep your cheque book and Personal Identification Number (PIN) safe?

Your financial services provider should advise you on how to keep your cheque book, PIN number and other financial affairs secure.

If you lose your card, cheque book, passbook or PIN or suspect fraud, you should immediately report this to your financial institution.

- *When filing a complaint*

If you are unhappy with your financial services provider and want to make a complaint, how do you do it?

All financial institutions must have a documented complaints' handling procedure.

This procedure must be easily available to you in branches, on websites and via all other communication channels of the financial institution. All providers are required to:

- Consider a complaint promptly
- Keep the complainant informed of the progress regarding the complaint
- Provide a formal written response within two weeks
- Explain whether it is upheld or not, and why
- If appropriate, offer redress
- If offering redress, the financial institution should do it promptly

- *Your obligations as a consumer*

As a consumer, do you have some obligations?

Yes. You too have obligations. You should:

- Advise your financial services provider if you change your address, e-mail and/or telephone number(s)
- Provide the correct information required by the financial services provider to establish your eligibility and suitability for products or services.
- Maintain a consistent specimen signature or request for a change of signature when you notice a variation.

You can find a copy of the full Financial Consumer Protection Guidelines at http://www.bou.or.ug/export/sites/default/bou/bou-downloads/Financial_Literacy/Guidelines/2011/Jun/Consumer_Protection_Guidelines_June_2011.pdf

The UBA Code of Good Banking Practice

Did you know that all commercial banks are members of the Uganda Bankers' Association (UBA) and subscribe to the UBA's Code of Good Banking Practice? The Code is designed to encourage higher standards for the benefits of customers and is similar in spirit to the BOU Financial Consumer Protection Guidelines. The Code is available to consumers from their bank on request or via the UBA website: <http://ugandabankers.org/>

What if a client cannot read or understand English?

While English is the official language of Uganda, clients are entitled to have information explained orally in a language they understand. In fact, a client can arrange to have a third party of their choice present and to counter sign as evidence that they have understood the oral information. Clients should not accept or sign documents that they do not understand.