

## Press Release

### Consumers not satisfied with Financial Services

#### World Consumer Rights Day (March 15) today

**Islamabad:** Financial institutions in Pakistan are working with target oriented approach of getting more clients rather than facilitating consumers and satisfying them with better services, said a press release issued by TheNetwork for Consumer Protection.

On the occasion of World Consumer Rights Day (March 15), TheNetwork for Consumer Protection joins the world community in calling upon the governments to provide consumers good quality comparable information that they can make informed choices in choosing financial service. Such information will also help to combat 'gimmicks' that encourage consumers to switch to services that are not a good deal.

This year's World Consumer Rights Day is being celebrated with the theme **Our money, Our rights: Campaigning for real choice in financial services.** Consumers around the world are facing troubles while dealing with financial services.

During the past decade, financial and banking sector in Pakistan have seen a rapid and mushroom growth with profits going up in billions of rupees. Consumer financing played a substantial role and impacted in consumers' life. But if it has really comforted the consumers?

TheNetwork for Consumer Protection organized an interactive session with consumers to discuss the undergoing of financial services. The findings of the session disclose that financial institutions in Pakistan instead of facilitating consumers are focusing with target oriented approach. Consumers face lengthy and complex procedures in banks which add on the agony of consumer.

According to consumers, deduction of unexplained and hidden charges is a common practice by banks and other financial institutions in Pakistan. It is not only difficult but impossible for a common consumer to understand the formalities and inflexible conditions of banks while availing leasing, mortgages and loans. Service providers use unethical marketing practices to trap customers and lack of information leaves consumers hapless.

Despite the fact that Consumer Protection Department at State Bank of Pakistan and Banking Mohtasib (Ombudsman) entertain complaints from consumers, but grievance redressal is not satisfactory. According to available data, Banking Mohtasib in Pakistan received 1,047 complaints during year 2010. However, more than 34 % complaints were rejected with a major objection that these were not according to the mandatory legal procedures of Ombudsman. Out of the total

complaints, 29% were related to consumer products and 10% about service inefficiency/delays. Banking Mohtasib resolved the grievances of only 362 complaints.

This shows that this complainant redress mechanism has a very limited impact in resolving overall issues faced by consumers. This is despite the fact that State Bank of Pakistan's '10 years Strategy Paper for Banking Sector Reforms' provides for, "Strengthening consumer protection through new legislation, codes of conduct and new institutional arrangements and improve financial education through educational outreach programs."

Had there been consumers education the flow of complaints would have been much higher as in many countries a very high number of complaints are registered against banks and many financial service providers.

For instance in the UK, the Financial Services Authority received over 1.7 million consumer complaints in the second half of 2010. In India, the Office of the Banking Ombudsman received 79,266 complaints about banking services during 2009-2010.

There is need to strengthen mechanisms available with the State Bank and banking ombudsman and Competition Commission of Pakistan by keeping strict check over services delivery by financial institutions in country especially in rural areas.

TheNetwork for Consumer Protection joins the world consumer movement from Consumer International (CI) [www.consumerinternational.org](http://www.consumerinternational.org) forum to highlight the lack of competition in financial services and the impact it is having on consumers. CI wants all consumers to have access to safe, fair and competitive markets in financial services. Competition is a key part of this, and is a mechanism for enabling consumers to choose and holding providers to account for their products, services and conduct.

Together with our members around the world we are calling on governments to investigate markets where there are concerns about a lack of competition; ensure that their actions in relation to state intervention or prudential stability contribute to the promotion of competition in the public interest.

This day also reminds the moment when President John F. Kennedy 50 years ago first outlined the historic definition of consumer rights in 1962 that "Consumers by definition, include us all".

TheNetwork is a member of Consumer International, which is bringing to these battles the combined force of more than 220 organisations in over 115 countries. The collective voice, the consumer movements share is growing stronger, clearer, and more powerful - with benefits in Pakistan and other regions, and benefits for consumers throughout the world.##### **End.**