

Review of Complaints received against Banks/MFBs/DFIs 2016-2019

BANKING CONDUCT & CONSUMER PROTECTION
DEPARTMENT



Overview

State Bank of Pakistan has been making efforts to bring improvement in market conduct and consumer protection as part of its strategic goal under SBP Vision 2020. One of such efforts is to ensure that banking consumers should have access to complaints handling mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient. In order to have an insight about effectiveness of the complaint management at banks, SBP has conducted review of the complaints handled by the banking industry with trend analysis for past 4 years from 2016 to 2019.

The complaints against banks during past 4 years from 2016 to 2019 have almost doubled from 774,656 to 1,549,837. The increase is partially attributed to the increase in number and value of banking transactions, number of accounts, ATMs, branches, debit and credit cards. Further, improved visibility of dispute resolution mechanism and awareness among banking customers may also be regarded as one of the contributing factors. However, certain types of complaints in context of the growth in the industry increased comparatively at higher rate as the banks could not match service delivery and expansion in infrastructure in terms of ATMs, branches and IT systems.

Majority of the complaints in banks pertained to short or non-payment of cash, provision of faulty cards, service disruption, service delivery issues from third party vendor for dispatch of statement of account, issues in rewards points, annual charges, etc. Further, due to one-time exercise of biometric verification of account on industry wide basis and replacement of chip and PIN enabled debit and credit cards with the traditional cards to ensure regulatory compliance in 2019 resulted in surge of complaints in 2019.

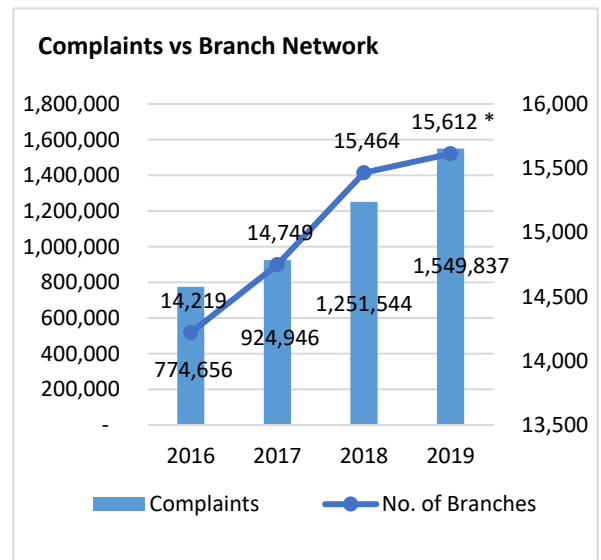
The review of data obtained from the banks indicated that almost 84% to 92% of complaints during this period were in four major categories including ATM/Debit Card, Account maintenance, E- Banking and Credit Cards. Considering the growth in banking industry and growth in volume of complaints, latter has outpaced the former.

During 2016 to 2019, total branch network of the banking industry increased from 14,219 to 15,612 showing expansion in branch network by 10%. The number of complaints per branch gradually increased by 83%, from 54 in 2016 to 99 in 2019.

In comparison with the increase in number of complaints, total number of deposit accounts increased proportionately. The volume and value of ATM/debit cards transactions over the same period have also increased by 101% and 110% respectively.

In comparison with the growth in business, the

number of branches and ATMs during the same period increased by only 10% and 23% respectively. Resultantly, number of deposit accounts per ATM increased from 3,764 to 6,108 and deposit account per branch increased from 3,270 to 5,930 showing increase of 62% and 81% respectively. The number of



*Provisional

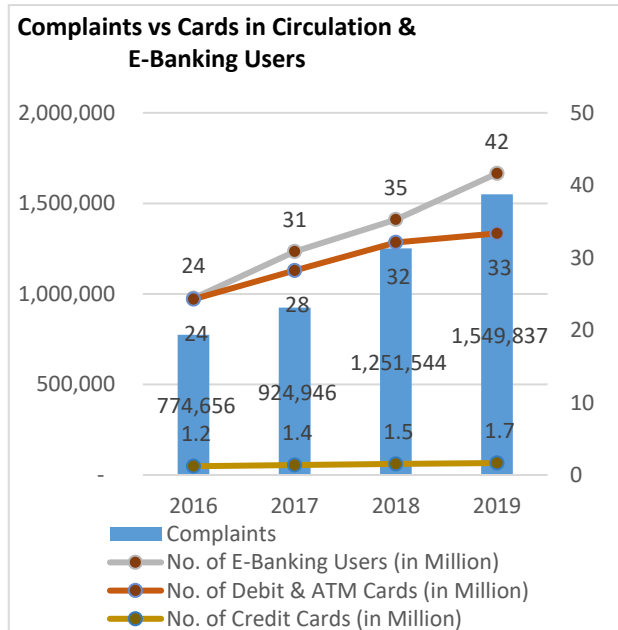
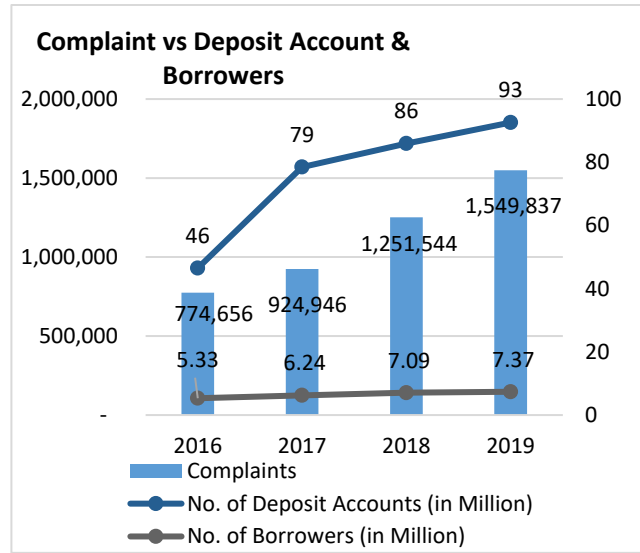
ATM/debit card per ATM have also increased by 263 per ATM during the same period. It may be added that highest number of complaints during the same period pertained to ATM/Debit card category that increased by 72% and mostly pertained to short or non-payment of cash through ATMs and provision of faulty cards. From the above, it appears that the banks were unable to expand their ATM and branch network in line with the growing number of deposit accounts and volume of transactions.

Due to substantial increase in number of deposits accounts per branch from 3,270 to 5,930, the complaints in the category of account maintenance also increased substantially from 132,936 to 316,937. The main grievances in this category were non-delivery of statement of accounts (SOA), biometric verification, fund transfers in M-Wallet accounts, excess charges, banking alert services, etc.

During 2016 to 2019, volume and value of E-banking transactions have substantially increased by 112% and 152% respectively on account of 71% increase in E-banking users, from 24 million to 42 million. However, the complaints related to E-Banking increased substantially by 177% from 109,194 to 302,466 mostly pertaining to service disruption. The growing concerns in service disruption increased the number of complaints much faster than the growth in the e-banking transactions and users. The trend indicated that the banks could not match the level of sophistication in IT infrastructure as grievances emerged mostly due to technical problems in IT systems as probed by the banks in root cause analysis.

Credit cards during past 4 years also increased gradually from 1.2 million to 1.7 million showing increase of 42%. The credit card related transactions increased from 18 to 39 million showing increase of 118% over span of 4 years. There was an overall increase in credit cards complaints during past 4 years but it was less than the growth in credit cards business. On overall basis, complaints per million credit card transactions have decreased from 6,959 to 4,397.

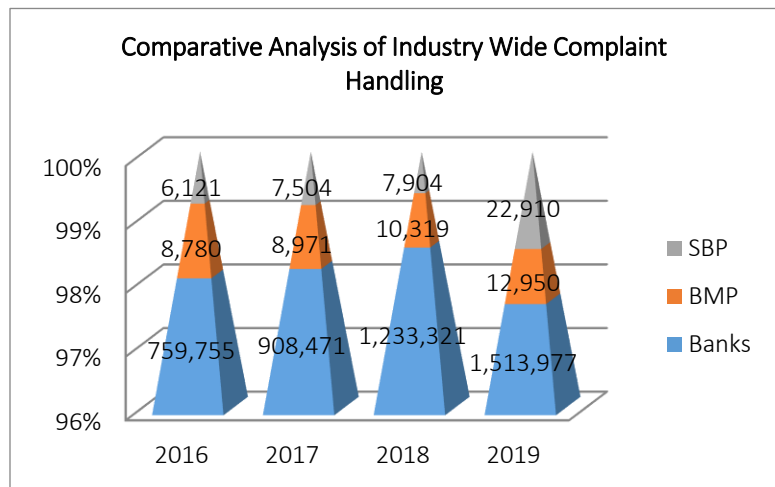
Call centers of banks remained the preferred choice of banking customers to register their complaints. As per the data reported by the banks, 87% of the complaints were lodged through call centers while 10% were through emails/forms and only 3% complaints were made through letters. Almost all banks in Pakistan have call centers except 3 banks. Further, DFIs also do not have call centers primarily as they have no branch banking. It may be added that only eight banks have so far deployed toll free numbers.



It may be added here that the banks are required under the conduct assessment framework (CAF) to assess the effectiveness of the complaint management at their banks. The results of the self-assessment are reviewed and approved by the respective board of directors of the banks before submission to SBP on annual basis. As per the results of CAF for 2018 submitted to SBP, most of the banks have not yet reached satisfactory level and rated themselves in cautious zone that is a stage before satisfactory level. The results for CAF for 2019 from all the banks have not yet been received as Corona Virus situation has delayed their finalization in some banks. It is pertinent to mention here that self-assessment of complaint management is made on different parameters/tools including availability of complaint escalation matrix within banks, adequacy of resources in terms of employees, systems and trainings, trend analysis, monitoring of internal and regulatory TATs, MIS, etc.

As per the data reported by the banks, most of the complaints were resolved within regulatory TATs. However, final replies were sent late in 50,899 cases that is 3% of the total complaints. Similarly, acknowledgments and interim replies were sent late in 796 and 764 cases respectively.

Banks being the first forum of redressal handled more than 98% of the complaints during 2016 to 2018. However, its share decreased slightly in 2019 to 97.69% as customers lodged their complaints with Pakistan Citizen Portal (PCP) established in October 2018 by the Prime Minister of Pakistan. The complaints lodged with PCP were redirected to SBP thereby increasing the share of SBP in total complaints from 0.8% to 1.5%. The share of BMP in total complaints being the alternate dispute resolution forum remained in the range of 0.8% to 1.1%. The escalation or lodgment of complaints less than or around 3% of complaints with alternate dispute resolution forums indicate the confidence of banking consumers in grievance handling mechanisms of banks.



Disclaimer

In this Review, the statistics and statistical analysis are based on the data received from Banks/MFBs/DFIs and data has been annualized, where applicable. Although a great deal of care has been taken to ensure publication of correct information and data; this Review is being published for the purpose of information. Further, there may be minor differences due to rounding-off numbers.

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