

To
Board of Directors/Management of Financial Services Businesses, conducting
conventional business and/or sharia-compliant business

at the respective addresses.

CIRCULAR LETTER
OF THE FINANCIAL SERVICES AUTHORITY
NUMBER 2/SEOJK.07/2014

CONCERNING
HANDLING AND RESOLUTION OF CONSUMER COMPLAINTS
AT FINANCIAL SERVICES BUSINESSES

In reference to Regulation of the Financial Services Authority Number 01/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector, it is necessary to enact provisions concerning the handling and resolution of Consumer complaints at Financial Services Businesses as follows:

I. GENERAL PROVISIONS

In this Circular Letter of the Financial Services Authority:

1. "Complaint Handling" means handling and resolution of complaints in the financial services sector.
2. "Financial Services Business," hereafter abbreviated as FSB, means Commercial Bank, Rural Bank, Securities Company, Investment Advisor, Custodian Bank, Pension Fund, Insurance Company, Reinsurance Company, Finance Institution, Pawn Brokerage Company and Underwriting Company, whether conducting conventional business or sharia-compliant business.
3. Board of Directors:
 - a. for an FSB incorporated as a Limited Liability Company means the board of directors as referred to in the law concerning limited liability companies;
 - b. for an FSB incorporated as a Regional Government Enterprise means the board of directors as referred to in the law concerning regional government enterprises;

c. for...

- c. for an FSB incorporated as a Cooperative means the management board as referred to in the law concerning cooperatives; and
 - d. for an FSB incorporated as a Pension Fund means the management board as referred to in the law concerning pension funds;
 - e. for a branch office of a foreign bank means the manager of the branch office of the foreign bank.
4. "Consumers" means parties placing their funds and/or availing the services available at Financial Service Institutions, including but not limited to Banking customers, Capital Market investors, Insurance policyholders and Pension Fund members, pursuant to the laws and regulations in the financial services sector.

II. MECHANISM FOR HANDLING AND RESOLUTION OF CONSUMER COMPLAINTS

1. Complaints are the expression of dissatisfaction on the part of Consumers arising from financial losses and/or potential financial losses suffered by the Consumer and suspected to have resulted from the fault or negligence of the Financial Services Institution.
2. FSBs are required to handle and resolve any Consumer complaints before these complaints are referred to another party.
3. FSBs are required to take immediate action to follow up and resolve complaints within no more than 20 (twenty) working days after receipt of the complaint.
4. Under specific circumstances, an FSB may extend the period up to no more than the subsequent 20 (twenty) working days.
5. The specific circumstances referred to in number 4 are:
 - a. the office of the FSB receiving the complaint is not the same as the office of the FSB at which the issue at complaint has arisen and obstacles to communication exist between the two offices of the FSB;
 - b. the financial transaction at issue in the Consumer's complaint requires special examination of the documents of the FSB; and/or
 - c. circumstances exist outside the control of the FSB, such as involvement of third parties outside the FSB in the financial transaction conducted with the Consumer.
6. In any extension of the complaint resolution period as referred to in number 4, the Consumer launching the complaint must be notified in writing before expiration of the period referred to in number 3.
7. FSBs must have a complaints handling and resolution procedure that covers at least the following:
 - a. application...

- a. application of the principles of accessibility, independence, fairness, efficiency and effectiveness;
 - b. receipt of Consumer complaints by various means, including but not limited to lodging in person, by email and letter, but not including complaints made through media reporting;
 - c. FSBs are required to take immediate action and resolve complaints within no more than 20 (twenty) working days as referred to in number 3;
 - d. under specific circumstances, an FSB may extend the period up to no more than the subsequent 20 (twenty) working days as referred to in number 4;
 - e. Specific circumstances as referred to in letter d shall conform to the provisions referred to in number 5;
 - f. Procedures for communicating with Consumers shall cover at least the following:
 - 1) procedure for complaint handling and resolution in a format that easily understood and easily accessible by Consumers; and
 - 2) offering of resolution if the analysis and evaluation conducted by the FSB finds that the complaint is caused by the fault of the FSB.
 - g. confidentiality of information about the Consumer launching the complaint with regard to any party, other than:
 - 1) the Financial Services Authority;
 - 2) for the purposes of complaint resolution;
 - 3) as required by laws and regulations; and/or
 - 4) with the consent of the Consumer.
8. FSBs are required to provide complaint handing and resolution subject to the following provisions:
- a. provide fair and objective handling of all complaints;
 - b. provide adequate opportunity to the Consumer to explain the substance of the complaint;
 - c. provide opportunity to other parties with an interest in the complaint (if any) to provide explanations during the course of complaint resolution.
9. FSBs are prohibited from charging fees for complaint handling and resolution.
10. FSBs are required to administer records of complaint handling and resolution. The administering of records shall contain at least the following information:
- a. identity of the Consumer;
 - b. substance of the complaint; and
 - c. action ...

c. actions taken to resolve the complaint.

11. The FSB shall provide information on the status of a Consumer complaint using the various means of communication provided by the FSB, including but not limited to website, letter, email or telephone.
12. The FSB and the Consumer may monitor the status of Complaint Handling for Complaints lodged by the Consumer with the Financial Services Authority via the Integrated Financial Customer Care System.
13. The Financial Services Authority may request or access the status of progress in Handling of Complaints conveyed by Consumers to the FSA.

III. COMPLAINT RESOLUTION IN THE FORM OF APOLOGY OR OFFERING OF COMPENSATION (REDRESS/REMEDY)

FSBs may resolve complaints by means of tendering an apology or offering compensation (redress/remedy) to Consumers, subject to the following provisions:

1. Given that "apology" constitutes an act of both parties, the FSB and the Consumer, the tendering an "apology" shall take place on the basis of an agreement. In the event that no agreement is reached between the FSB and Consumer, the "apology" shall be made in writing.
2. Compensation may be provided for losses incurred by reason of financial matters. Compensation as intended above must satisfy the following requirements:
 - a. complaint exists that sets forth a demand for compensation pertaining to a financial aspect;
 - b. the complaint lodged by the Consumer is true, after the FSB has conducted investigation;
 - c. a discrepancy exists between the product and/or services agreement and the product and/or services received;
 - d. material loss has occurred;
 - e. the Consumer has fulfilled his obligations.
3. The mechanism for filing for compensation must comply with the following:
 - a. file an application for compensation enclosing a chronology of events, explaining about the unsatisfactory product and/or use of services and enclosing evidence;
 - b. the application shall be made no later than 30 (thirty) days after it is known that the product and/or service does not conform to the agreement;
 - c. the application shall be submitted in a letter of request and may be submitted by a proxy, enclosing a power-of-attorney;
 - d. compensation...

- d. compensation shall be made only for losses directly affecting the Consumer and to a maximum of the value of loss sustained by the Consumer.

IV. COMPLAINT RESOLUTION THROUGH ALTERNATIVE DISPUTE RESOLUTION

1. Consumer Complaints shall be resolved in the first instance by the FSB.
2. In the event that no agreement is reached for resolution of a Complaint as referred to in number 1, the Consumer and the FSB may pursue Dispute resolution out of court or in court.
3. Dispute Resolution out of court as referred to under number 2 shall take place via an Agency for Alternative Dispute Resolution listed in the List of Agencies for Alternative Dispute Resolution established by the Financial Services Authority.
4. FSBs are required to execute the decisions handed down by an Agency for Alternative Dispute Resolution.
5. The regulation of Agencies for Alternative Dispute Resolution in the Financial Services Sector shall be stipulated further in a Regulation of the Financial Services Authority.

V. ESTABLISHMENT OF UNIT OR APPOINTMENT OF OFFICER FOR THE CONSUMER COMPLAINTS HANDLING AND RESOLUTION FUNCTION

1. The Board of Directors shall decide about the operation of the complaints handling and resolution function by establishing a unit or appointing a member of the Board of Directors or officer of similar rank under the Board of Directors to carry out this function.
2. The decision to establish a unit or appoint an officer as referred to under number 1 shall take into consideration matters that include but are not limited to:
 - a. type of the products and/or services offered;
 - b. type, number and distribution of Consumers, both retail and corporate;
 - c. value of transactions by these Consumers; and
 - d. organisational structure and distribution of operations, including geographic distribution.
3. The unit or officer appointed to perform the Consumer complaint handling and resolution function shall be responsible to the Board of Directors.
4. The unit or officer appointed to perform the Consumer complaint handling and resolution function shall be independent and have access to other functions pertaining to its scope of duties in complaint handling and resolution.
5. Employees in the unit or the Officer appointed to undertake complaint handling...

handling and resolution shall have at least the following:

- a. knowledge of the type of product and/or service provided or issued by the FSB;
 - b. experience in providing service to Consumers;
 - c. decision making powers in regard to complaint handling and resolution.
6. In the event a Consumer complaint involves an employee in a unit, a member of the Board of Directors or officer of similar rank below the Board of Directors performing a complaint handling and resolution function, the FSB shall appoint another officer in the unit for complaint handling and resolution, member of the Board of Directors or officer of similar rank below the Board of Directors to handle and resolve the complaint.

VI. HUMAN RESOURCES AND TRAINING

1. To carry out the function of complaint handling and resolution for Consumers and to allow due consideration for risk management, FSBs are required to conduct training. In selecting participants for training, the FSB shall prioritise employees whose day-to-day tasks match the following criteria:
 - a. deal with Consumers in person (front liners);
 - b. conduct oversight of complaint handling and resolution for Consumers;
or
 - c. are related to preparation of reports to the Financial Services Authority.
2. Employees who match the criteria referred to under number 1 are required to receive regular training, while other employees are required to receive training at least 1 (one) time during their period of employment. Employees dealing directly with Consumers (front liners) are required to receive training before being assigned to their position.
3. To ascertain the level of understanding of employees and suitability of training material, the FSB shall conduct an evaluation of each training that is held. The FSB shall follow up the findings of the training evaluation by improving its training materials and method.

VII. INTERNAL CONTROL

1. To minimise the potential for risks to the FSB, the internal control system shall be capable of timely detection of weaknesses and irregularities in the handling and resolution of Consumer complaints.
2. Internal control for application of Consumer complaint handling and resolution shall be performed by the unit implementing the internal audit function with powers encompassing at least the following:
 - a. conduct...

- a. conduct a compliance test of policies and procedures with sample testing of services, products and Consumers, applying a risk-based approach to obtain an overview of the effectiveness of the policies and procedures for Consumer protection;
- b. prepare a risk-based audit programme and procedures prioritising the audit of units or branch offices having a high degree of business complexity;
- c. conduct an assessment of the adequacy of processes in effect in the FSB in the handling and resolution of Consumer complaints; and
- d. conduct analysis and evaluation of complaints to mitigate causes that give rise to complaints.

VIII. REPORTING OF COMPLAINT HANDLING AND RESOLUTION

1. Complaints reported to the Financial Services Authority shall consist of complaints of Consumer dissatisfaction involving financial loss and disputes between FSBs and Consumers.
2. Consumers may lodge complaints with the Financial Services Authority in physical form, using the media provided, or electronically using the Integrated Financial Customer Care System.
3. FSBs shall report the existence of complaints and follow up in the handling and resolution of those complaints on a regular basis to the Financial Services Authority, in this case the Chief Executive for supervision of the FSB activities, with a copy to the Members of the Board of Commissioners for Consumer Education and Protection.
4. FSB reports shall be submitted manually to the Financial Services Authority by delivery a hard copy of the report and submitted electronically via the Integrated Financial Customer Care System.
5. Reports shall be submitted on a regular basis every 3 (three) months (March, June, September and December), not later than the 10th (tenth) day of the following month. Should the 10th (tenth) day of the month fall on a Saturday, Sunday or official holiday, the report shall be submitted on the first working day after that Saturday, Sunday or official holiday.
6. The FSB shall be deemed to have failed to deliver a report if the delivery of the report on complaints and complaint handing and resolution is delivered later than 3 (three) consecutive months after the deadline for report submission.
7. Imposition of a financial penalty for delay and/or failure to deliver a report on complaints and complaint handing and resolution shall not nullify the obligation of the FSB to deliver that report.

8. Reports as referred to in number 3 shall be guided by the annex constituting an integral part of this Circular Letter.

IX. CONCLUDING PROVISIONS

The provisions in this Circular Letter of the Financial Services Authority shall enter into force on 6 August 2014.

For the public to be informed, it is ordered that this Circular Letter of the Financial Services Authority be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

Dated 14 February 2014

MEMBER OF THE BOARD OF
COMMISSIONERS FOR EDUCATION
AND CONSUMER PROTECTION

(signed)

KUSUMANINGTUTI S. SOETIONO