

Grassroots Reachout & Networking in Rajasthan through Consumer Action  
(GRANIRCA)

Public Event  
**World Consumer Rights Day 2012**  
March 16, 2012, Jaipur, India

Consumer Protection in Financial Services



**Our money, our rights**  
Campaigning for real choice in financial services



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## Background

'World Consumer Rights Day' (WCRD) is an annual occasion for celebration and solidarity within the international consumer movement. The theme for 2012 WCRD is 'Consumer Protection in Financial Services' with a slogan 'Our Money-Our Rights'. The right to choose is one of the eight basic consumer rights. A consumer should be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality. For a consumer, this gives them the freedom to choose the best deal and hold providers to account. For the wider economy, the right to choose is fundamental to the creation of a genuinely competitive market that drives innovation and rewards firms which deliver good-value products and customer service – and punishes firms which do not.

Consumers should not be forced to tolerate excessive charges, poor service or irresponsible corporate behaviour because of lack of choice. But this basic consumer right is being undermined in financial services, one of the most important sectors for consumers and the economy. Even when they are fed up with their bank or another financial service provider, many consumers feel that it is too difficult or not worth switching, as a result there is often little incentive for banks and other financial service providers to improve their service or cut costs.

Each year, the global economy creates an estimated 150 million new consumers of financial services. Most are in developing countries, where consumer protection and financial literacy are still in their infancy. Consumers have been getting a bad deal on financial services for too long. The recent global recession had further worsened the situation.

In a world, where banks are highly interdependent, a banking crisis anywhere in the world will further undermine consumer confidence and could have unpredictable international consequences. The global dimension of financial services and the increasing interdependence of financial markets, as well as the common challenge of effectively regulating complex and fast moving markets in financial consumer services, adds to the urgency for better regulation of such practices.

### *Competition issues raised by banks that are 'too big to fail'*

Since the financial crisis, there has been an international effort, led by the G20 and the Financial Stability Board, to identify 'Systemically Important Financial Institutions' or in a phrase that has entered common vocabulary – 'too big to fail'. These banks are now the focus of tests to ensure the soundness of their finances, and in some cases are required to hold higher levels of capital to protect themselves from shocks.

Whilst these processes are intended to improve the stability of the sector, there is evidence that they may be having perverse impacts in terms of competition. Markets offer these very large banks lower rates based on the assumption that, no matter how risky their activities, the state will bail them out if necessary. This 'implicit subsidy' distorts the market, and makes it harder for new banks to enter.

There are even examples where personal financial advisers have recommended banks that have been identified as systemically important financial institutions as a 'safe investment' as they are by definition 'too big to fail.' Such consequences highlight the need for additional steps such as separating the investment and retail arms of large banks.

### ***Lack of competition and unfair commercial practices in international remittances***

A stark example of the lack of competition in financial services can be found in international remittances markets, which are often characterised by a lack of choice, complicated pricing and a lack of information for consumers.

The consequence is that consumers are regularly paying charges that far exceed what can be justified for what is a relatively simple transaction. Despite progress in some ‘country corridors’, consumers are regularly paying in excess of the five percent recommended by the G8, with some companies charging up to 40 percent to transfer money between two countries.

CI has called for:

- competition authorities to investigate practices such as ‘exclusivity agreements’ that preclude outlets such as retailers and post offices from working with a range of companies;
- clearer pricing so that consumers understand what they are being charged, and can compare between different providers; and
- more information for consumers so that they know which services are available.

### **Event**

Consumer Unity & Trust Society (CUTS International) organised a public event on the occasion of World Consumer Rights Day 2012 in Jaipur on March 16, 2012 under the project ‘Grassroots Reachout & Networking in Rajasthan through Consumer Action (GRANIRCA) in partnership with the Department of Consumer Affairs, Government of India and in collaboration with the Department of Consumer Affairs, Government of Rajasthan.

The main objective of this event was to join hands with consumers around the world to demand access to safe, fair and competitive markets in financial services for all and also to show solidarity within the international consumer movement.

### **Participants**

More than 70 representatives which included senior officials from the regional office of Reserve Bank of India at Jaipur, who also serves as Secretary in the office of Banking Ombudsman; Department of Consumer Affairs, Government of Rajasthan, Senior managers of banks based in Jaipur such as the State Bank of India, Indian Overseas



Bank, South Indian Bank, State Bank of Bikaner and Jaipur, and Cooperative Bank etc. and representatives of various consumer organisations, ten district partners from Rajasthan, activists and media participated.

## Key Speakers

The event was enlightened by K Sundari, Deputy General Manager, Reserve Bank of India (RBI) and Secretary, Office of Banking Ombudsman, Jaipur; Sanjay Jhala, Enforcement Officer, Department of Consumer Affairs, Government of Rajasthan and George Cheriyan, Director, CUTS International and Head, CUTS CART as the privileged and honored speakers.

## Proceedings (agenda annexed below)

**Deepak Saxena**, Senior Programme Coordinator, CUTS welcomed the dignitaries and participants, mentioned about the objective of the meeting and also share the agenda of the meeting.



**George Cheriyan**, Director, CUTS International, in his opening remarks explained the importance of the theme ‘Our money, our rights’, campaigning for a ‘real choice’ in financial services. He said that this year the Indian Consumer Protection Act has completed 25 years, and this is also the 50<sup>th</sup> year of John F. Kennedy’s historical speech to the American Congress on March 15, 1962 in which he upheld four basic rights of consumers.



Speaking on the theme, he said after completion of more than 40 years of Nationalisation of Banks in India, still 60 percent of the people are not banked. So financial inclusion need to be given priority along with enhancing quality of services. He added that Unique Identification would play a key facilitator in financial inclusion. Mahatma Gandhi National Rural Employment Guarantee Act had given a boost to financial inclusion by opening a large number of accounts, without any efforts by the banks.

However, banks need to have a mechanism to reach out to the rural poor and enhance quality of service delivery. Allowing saving bank account portability in India is a good way to induce competition among various service providers and improve the quality of services. Otherwise they will lose consumers.

**Amarjeet Singh**, Programme Coordinator CUTS made a presentation on 'Financial Consumer Protection'. Emphasising on the importance of issue, Amarjeet focused on some of the key challenges faced by financial consumers, which includes both the policy and practical level issues in the financial sector. Singh also highlighted the existing regulators of various financial services and their roles.



Deputy General Manager, RBI and Secretary, Office of Banking Ombudsman, Jaipur, **K Sundari** enlightened the audience by presenting an overview of Banking Ombudsman and mechanism of seeking redressal through it. While beginning her speech, she quoted Mahatma Gandhi's famous speech '*A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.*'



Delivering the functioning details of Banking Ombudsman, she spoke that anyone can approach with problem related to banking sector but the Banking Ombudsman take the case into consideration only when the complainant already tried to take redressal for his/her grievances from the service providers and they failed to provide the same. If complainant is not satisfied with the given decision of Banking Ombudsman he/she can further take the complaint to the Appellate Authority, which is chaired by Deputy Governor, Reserve Bank of India (RBI). Banking Ombudsman deals with a pecuniary jurisdiction of only those complaints, where the compensation sought is not more than Rs 10 lakh and that Banking Ombudsman Scheme is speedy and inexpensive. She lauded CUTS' efforts for taking initiative to aware consumers about their rights.

**Sanjay Jhala**, Enforcements officer, Department of Consumer Affairs, Government of Rajasthan shared his personal and professional experiences and emphasised on behavioural aspect of consumer and service provider relationships and constraints due to ignorance. He also mentioned that state government has started Helpline No. 18001806030, which has received 416 complaints during February 2012. Further, he added that people can interact directly on 3<sup>rd</sup> Thursday of every month with the Principal Secretary, Department of Consumer Affairs, Food and Public Distribution, Government of Rajasthan and can register their complaints with him, which will be addressed within the stipulated time.



Other speakers who shared their views were VK Agarwal, Chief Manager, Indian Overseas Bank; Vivek Vajpayee, AGM-GBU, State Bank of India; SP Paliwal, retd official from Consumer Affairs Department, Government of Rajasthan; and Manish Kothiwal, Empanelled Resource Person of Securities & Exchange Board of India.

After this, an open discussion was held in which participants asked questions and clarified their doubts related to financial services, which were well addressed by the speakers.

Vote of thanks, summing up and way forward was delivered by Deepak Saxena who further stated that this kind of meeting is very essential to empower consumers as well as other activists who can act as watchdogs. He also assured that this issue is not just an end with this meeting we must all work hard to carry forward the issue till there is an outcome.

## PROGRAMME SCHEDULE

| 9.30 AM onwards | Registration & Tea  | Speakers  |
|-----------------|---|---|
| 11.00-11.10     | Welcome of guests and participants                        | <b>Deepak Saxena</b><br><i>Senior Programme Coordinator, CUTS</i>   |
| 11.10–11.30     | Introductory Remarks                                      | <b>George Cheriyan</b><br><i>Director, CUTS</i>   |
| 11.30-12.00     | Financial Consumer Protection: Challenges and Way Forward | <b>Amarjeet Singh</b><br><i>Project Coordinator, CUTS</i>   |
| 12.00-12.30     | Special Address and Presentation                          | <b>K. Sundari</b><br><i>DGM and Secretary, Office of Banking Ombudsman, Rajasthan</i>                         |
| 12.30-12.45     | Keynote Address   | <b>Mr Sanjay Jhala</b><br><i>Enforcement Officer, Department of Consumer Affairs, Government of Rajasthan</i> |
| 12.45-13.00     | Special Address   | <b>Mr V K Agarwal</b><br><i>Chief Manager, Indian Overseas Bank</i>   |
| 13.00-13.15     | Special Address   | <b>Mr Vivek Vajpayee</b><br><i>AGM-GBU, State Bank of India</i>   |
| 13.15-13.30     | Special Address   | <b>Mr S P Paliwal</b><br><i>retd official from Department of Consumer Affairs, Government of Rajasthan</i>    |
| 13.30-13.45     | Summing up, Way Forward and Vote of thanks                | <b>Deepak Saxena</b>  |