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RELEASE OF CONSUMER PROTECTION FRAMEWORK FOR BANKS AND OTHER FINANCIAL INSTITUTIONS REGULATED BY THE CENTRAL BANK OF NIGERIA

The Central Bank of Nigeria (CBN) in furtherance of its mandate to promote a stable financial system embarked on the development of a Consumer Protection Framework (CPF) to amongst other things engender public confidence in the financial system.

The CPF will guarantee high standards for efficient customer service delivery, market discipline and ensure that consumers are treated fairly by financial institutions regulated by the CBN. It shall form the bedrock for the establishment of a virile consumer protection regime in the industry, thereby enhancing financial inclusion and ultimately a stable financial system.

The CPF defines the direction of the CBN on consumer protection and would lead to the development of various regulatory/supervisory instruments that would aid the achievement of the overall objective.

Following due consultations and engagement with the industry, other regulators and stakeholders including consumer advocacy groups, civil society and the general public, the CBN is pleased to issue the CONSUMER PROTECTION FRAMEWORK.

U. A. Dutse
Director, Consumer Protection Department
November 2016

Central Bank of Nigeria

Consumer Protection Framework

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Preamble

The Consumer Protection Framework (herein referred to as the Framework) is issued by the Central Bank of Nigeria (herein referred to as the CBN or the Bank), in exercise of the powers conferred on it by the Central Bank of Nigeria Act of 2007, as amended (hereinafter referred to as the CBN Act) and the Banks and Other Financial Institutions Act of 2007, as amended [the BOFIA].

The Framework shall guide the effective regulation of consumer protection practices of Financial Institutions (FIs) under the regulatory purview of the CBN to ensure that consumers of financial services are adequately protected and treated fairly. It documents the roles and responsibilities of the regulator, the FIs and the consumers in ensuring that the standards set, are met. Consumer protection will be guided by nine (9) key principles. It should be read in conjunction with the provisions of the CBN Act, the BOFIA and subsidiary regulations made under these Acts.

1 Introduction

The mandate of the CBN to promote a stable financial system underscores the need for the Bank to develop and implement a Consumer Protection Framework that ensures the protection of consumer rights.

Furthermore, the 2008 global financial crisis re-emphasized the need for concerted efforts among regulators in various jurisdictions to establish robust policies and structures aimed at regulating the conduct of operators, with a view to protecting consumer's assets.

To enhance focus on the consumer agenda and ensure that consumers of financial services are protected and treated fairly, the CBN recognized the need to develop an effective and overarching regulatory consumer protection framework. The Framework which is a product of extensive engagements and consultations with critical stakeholders, sets out the minimum standards for financial consumer protection and is developed in conformity with international good practices and standards.

1.1 Objectives

The broad objective of the Framework is to enhance consumer confidence in the financial services industry and promote financial stability, growth and innovation. Other specific objectives of the Framework are to:

a) protect consumers' assets;
b) ensure timely complaints handling and dispute resolution;
c) ensure financial services operators put in place effective consumer risk management framework;
d) empower consumers to make informed decisions;
e) promote professionalism and ethics; and
f) outline the rights and responsibilities of consumers.

1.2 Scope

The Framework shall guide the effective regulation of consumer protection practices of Financial Institutions (FIs) under the regulatory purview of the CBN to ensure that consumers of financial services are adequately protected and treated fairly. These Institutions include Commercial or Merchant Banks, Specialized Banks, Micro-finance Banks (MFBs), Discount Houses (DH), Development Finance

Institutions (DFIs), Finance Houses (FHs), Bureaux-de-Change (BDCs), Primary Mortgage Banks (PMBs), Credit Bureaux, Mobile Money Operators and other institutions licensed by the CBN.

1.3 Definition of Key Terms

Alternative Dispute Resolution (ADR): refers to any means of settling disputes outside of the courtroom after complaints have initially been lodged with a financial institution.

Consultant: refers to an entity that files a complaint on behalf of a consumer and therefore acts as an agent of the consumer.

Consumer: refers to a person or an entity that uses, has used or a potential user of financial products or services of a FI.

Consumer Financial Education: is the process of imparting financial knowledge and skills to consumers to enable them manage their personal finances effectively and make informed decisions.

Consumer Protection Department (CPD): the department of the Central Bank of Nigeria charged with the responsibility of protecting consumer.

Customer: refers to a person that has a relationship, by reason of benefitting from financial products or services offered by a FI.

Complaint: dissatisfaction expressed by a consumer on financial product or service provided by a FI which may or may not have caused financial loss.

Financial Consumer Protection: refers to laws, institutions, practices and policies to safeguard consumer rights and ensure fairness in the provision of products and services by financial institutions.

Financial Inclusion: The process of ensuring easy access by an individual to a broad range of formal financial services that meet their needs at an affordable cost.

Financial Literacy: is the possession of knowledge, skills and confidence required to manage personal finances and make informed financial decisions.

Financial Institution: refers specifically to financial institutions (together with their staff, agents or representatives) regulated by the Central Bank of Nigeria. Financial institutions include Commercial or Merchant Banks, Specialized Banks, Micro-finance Banks (MFBs), Discount Houses (DHs), Development Finance Institutions (DFIs), Finance Houses (FHs), Bureaux-de-Change (BDCs), Primary

Mortgage Banks (PMBs), Credit Bureaux, Mobile Payment Companies, Mobile Money Operators or any other institution as may be licensed by the CBN from time to time in line with the relevant provisions of BOFIA.

Financial Ombudsman: an organization, institution or office with the mandate to investigate and address complaints against financial institutions.

Vulnerable Group: includes the elderly, less educated, physically challenged, foreigners, critically ill, refugees, immigrants, mentally challenged individuals, low income earners or any other category of persons that may be at risk of financial exclusion.

2 Consumer Protection Principles

The Framework is guided by the following:

a) G20 High Level Principles – These principles were developed by the Organization for Economic Cooperation and Development (OECD), the Financial Stability Board (FSB) and other relevant international organizations in response to the request by the G20 Finance Ministers and Central Bank Governors to develop common principles to guide consumer protection in the field of financial services. The principles were endorsed by the G20 in October 2011.
b) World Bank Good Practices – These practices were developed in 2012 by the World Bank to complement the High Level Principles created by the OECD.
c) Four Pillars of Consumer Protection – These principles were developed by the Financial Services Consumer Panel (FSCP) to guide the European Parliament in evaluating every element of the financial services legislations aimed at enhancing consumer protection.

Consequent upon the review of the above and in recognition of the peculiarities of the Nigerian financial services industry, the following principles are contained in the Framework:

1. Legal, Regulatory & Supervisory Structures;
2. Responsible Business Conduct;
3. Disclosure & Transparency;
4. Consumer Financial Education;
5. Fair Treatment;
6. Protection of Consumer Assets, Data & Privacy;
7. Complaints Handling & Redress;
8. Competition; and
9. Enforcement.

2.1 Legal, Regulatory and Supervisory Structures

There shall be effective legal, regulatory and supervisory structures to protect consumers of banking and other financial services regulated by the Bank. These structures shall evolve based on emerging market trends. Institutions responsible for consumer protection shall have the necessary authority to fulfil their mandate; clear responsibilities supported by appropriate governance structures; operational independence and high professional standards. The primary coverage areas to be addressed under this principle are:

- Legal and Regulatory Framework – periodically, laws and regulations may be required for the effective regulation of financial institutions.
- Supervisory and Compliance Framework – effective institutional arrangements shall be established for the enforcement of consumer protection.

2.1.1 Legal and Regulatory Framework

1. Financial consumer protection shall be carried out by the Central Bank of Nigeria (CBN) in accordance with powers granted in Section 2 (d) of the CBN Act and Section 57 of BOFIA.
2. The CBN may sponsor the enactment of legislations or make regulations for financial consumer protection.

2.1.2 Supervisory Framework

The CPD shall develop and implement mechanisms to ensure effective supervision of FIs in the area of consumer protection through offsite supervision and onsite examination. These mechanisms shall include the following:

- **Consumer Protection Risk-Based Supervision**: This approach entails identifying and focusing on products, services and practices which pose significant risk to consumers.

  The Bank shall adopt proactive supervisory approach in assessing the consumer protection practices of financial institutions. When examining FIs, the Bank shall adopt a risk-focused approach to identify activities and practices that pose high risk to consumers. This approach shall discourage FIs from engaging in practices which may expose consumer assets to unmitigated risk.

- **Compliance Plan:** FIs shall be required to establish internal processes and procedures to comply with this Framework. To this end, periodic compliance plans shall be submitted by FIs for approval based on the Guidelines issued by the Bank. Financial institutions shall also identify risks peculiar to their operations which could impede the effective implementation of this Framework as well as measures to mitigate them. The Bank shall continuously monitor FIs to ensure conformity to approved plans.
- **Periodic Reporting:** To foster transparency, FIs shall periodically submit reports and publish (where required) information on their operations covering performance statistics (such as complaints statistics including value of refunds), current and planned initiatives amongst others.
- **Self-Regulation:** FIs shall be encouraged to develop structures for self-regulation either individually or collectively in line with the consumer protection principles. FIs are expected to develop codes of conduct/practices stating minimum standards of service as it relates to consumer protection matters. The Board of directors shall ensure that their operations align with the codes of conduct which shall amongst others address the following:
  a) transparency and disclosure requirements;
  b) fair contract terms;
  c) sales promotion;
  d) capability and suitability assessment; and
  e) complaints handling.

  The CBN shall provide some degree of supervision over the self-regulatory environment to prevent practices that may hamper its effectiveness– such as conflict of interest and weak sanctions– including:
  a) ensuring objectivity in the remediation process; and
  b) interpreting relevant regulations that pertain to financial consumer protection.

- **Collaboration:** The Bank shall collaborate with key stakeholders to facilitate the protection of consumer rights. The Bank may execute Memorandum of Understanding (MoU) with stakeholders to effectively coordinate consumer protection activities. Where necessary, the views of stakeholders shall be sought in the policy/regulatory development processes. Some of the stakeholders include:

a) The Consumer Protection Council: an agency of the Federal Government established by the Consumer Protection Council Act No. 66 of 1992 with the overarching responsibility for consumer protection in Nigeria.
b) Bankers' Committee: a body comprising the Central Bank of Nigeria (the Governor is the chairman), Deposit Money Banks (DMBs) and Discount Houses. The Committee has several subcommittees in charge of various issues, one of which is the Subcommittee on Ethics & Professionalism which checks unethical practices in the financial industry.
c) The Financial Ombudsman (proposed): the Office of the Nigerian Financial Ombudsman Bill seeks to establish the Financial Ombudsman to resolve financial & related disputes arising from the financial services industry.
d) Consumer Advocacy Groups: these are organizations, groups or entities set up to ensure that the rights and interests of Nigerian consumers are protected.
e) Consultants: these are individuals or entities who represent consumers and ensure that their rights are protected.
f) Relevant Government Agencies: Nigeria Deposit Insurance Corporation (NDIC), National Insurance Commission (NAICOM), Securities and Exchange Commission (SEC), National Pension Commission (PENCOM), Public Complaints Commission (PCC), National Human Rights Commission (NHRC), Economic and Financial Crimes Commission (EFCC), law enforcement agencies etc.
g) Financial Services Regulation Coordinating Committee (FSRCC) established by Section 43 of the CBN Act, 2007 (as amended) to co-ordinate the supervision of FIs, amongst others.

2.2 Responsible Business Conduct

Financial Institutions shall observe high ethical standards and professionalism in their business transactions with consumers. They are required to assess the financial capabilities of consumers and offer only suitable products/services based on their needs and capability. In addition, they shall provide channels for consumers to make enquiries and complaints. The following specific areas will be addressed under Responsible Business Conduct:

- Communication: All requests for information must be responded to timely and with clarity.
- Provision of financial advice: FIs shall provide consumers with objective advice to enable them make informed decisions.
- Responsible lending: FIs shall carry out proper credit worthiness assessment on consumers before granting credit to avoid reckless lending.
- Debt collection: financial institutions shall adopt debt recovery processes that are courteous and fair to consumers. Consumers must be proactively engaged and given early notice of outstanding obligations prior to the commencement of debt collection efforts.
- Sales promotion: marketing of products and services using incentives should be carried out in an ethical and professional manner.

2.2.1 Communication

1. All requests for information shall be responded to clearly, timeously and in writing or via the customers means of communication with appropriate documentation. For this purpose, mere acknowledgement of a request would not suffice as a response.
2. In any communication with customers, FIs shall act in the best interest of customers. Remuneration and incentives structure in the industry shall encourage ethics and integrity.
3. Customer shall be notified when an activity threatens to violate the terms of contract.

2.2.2 Provision of Financial Advice

1. Financial Institutions shall act in the best interest of consumers in the provision of advice and execution of transactions. For consumers to make informed decisions in choosing financial products and services, they must be acquainted with the features, costs, risks, penalties, terms and conditions. Thus, before consumers sign up for any financial products, FIs shall:
   a) Give clear information on the features of the services and products;

b) Assess whether the products or services of interest suit the consumers' needs. Where a product requested does not meet the needs of the customer, the FI is obliged to advise or caution the customer in writing before granting such; and

c) Assess the consumers' ability to fulfill the terms and conditions associated with the financial products and services;

2. Financial institutions shall provide appropriate financial advice to consumers before the sale of any financial product or service. For financial products or services that are complex or potentially risky to consumers, financial institutions shall document pre-contractual and subsequent deliberations with consumers. The records shall reflect the financial institutions' efforts in taking the aforementioned steps (Section 2.2.2.(1)) before reaching an agreement with the consumer on the product or service. In addition, records of meetings must be acknowledged by the consumer.
3. The CBN shall use appropriate mechanisms (such as examining FIs' records of pre-contractual deliberations with customers (see Section 2.2.2.(2)), mystery shopping amongst others) to monitor financial institutions and ensure that they properly engage customers prior to the sale of financial products or services.

2.2.3 Responsible Lending

1. To promote positive credit culture in the industry, FIs shall establish structures to prohibit reckless and predatory lending.
2. Financial institutions shall provide credit counselling to prevent consumers' indebtedness due to limited financial knowledge. Credit counselling is the process of educating consumers on borrowing and debt settlement.
3. Credit counselling facilities shall be available and accessible to all consumers. Consumers shall be made aware of such services and shall be encouraged to take advantage of such facilities provided by the financial institutions.
4. FIs shall provide detailed information on the terms and conditions of a credit agreement to consumers prior to executing the loan agreement. Such information must at a minimum include the pricing, repayment schedule, repayment amount, tenure and opt out options.

2.2.4 Debt Collection

1. The CBN shall set guidelines for ethical debt collection practices in the industry. These guidelines shall be based on dialogue, respect for the consumers' privacy and longevity of consumer-FI relationships amongst others.
2. Where consumers are unable to meet their financial obligations, financial institutions shall be encouraged to adopt fair and ethical debt recovery practices.
3. FIs shall ensure that personnel assigned to recover debts are properly trained. Consumers shall be informed in advance before a recovery process is initiated.

2.2.5 Sales Promotion

1. Sales promotions or related activities shall be conducted professionally and ethically. In a bid to generate increased business volumes or attract new customers, financial institutions shall provide factual information and shall not mislead consumers.
2. Financial institutions shall be required to fulfil the terms of promotional offers. In addition, before the launch of any sales promotion, FIs shall provide the CBN with evidence of capability to manage the influx of customers without diminishing service quality.

2.3 Disclosure and Transparency

Financial institutions shall provide accurate information on financial products and services to consumers at all times to enable them make informed decisions. Such information must be timely, detailed and clear. The primary coverage areas to be addressed are:

- Contract terms: contract terms should contain adequate information that will enhance consumers' decision making process prior to execution of the contract. Financial institutions shall also inform consumers of the possibility of variations in terms and conditions of contracts due to changes in economic conditions before such contracts are executed. Customers shall be provided with the statement of financial position at all times.
- Notice of Variations: FIs shall give prior notice to consumers within the time specified in contracts, before implementing variations in terms and conditions of contracts.
- Advertisement: Advertisements and marketing materials must convey complete and accurate information on the products and services being advertised.

2.3.1 Contract Terms

1. Financial Institutions shall disclose and document all terms and conditions including inherent risks, fees, charges and other payments to be made by a consumer for a product or service.
2. The CBN shall issue guidelines on disclosure requirements for products and services in contract agreements between financial institutions and consumers of financial products and services. These guidelines at a minimum shall cover areas such as:
   a) fees and charges;
   b) penalties (prepayment costs and default charges);
   c) interests (payable or receivable);
   d) payment and termination modalities; and
   e) risks.
3. Financial Institutions shall proactively inform consumers of the possibility of variations in terms and conditions of contracts.
4. Contractual agreements shall be precise and clear. Information must be communicated in simple language to avoid misinterpretation. Contractual agreements must be in legible font size. Where technical terms are used, the financial institution shall ensure that such technical terms are clearly explained to the understanding of the consumer to avoid confusion or miscommunication.
5. Financial Institutions shall conspicuously display specific and up-to-date information (such as certificate of incorporation, banking license, interest rates, foreign exchange rates, helpdesk contact details etc.) at customer engagement areas.
6. Financial institutions shall provide financial calculation tools on their websites to assist consumers to perform simple calculations that may be required to ascertain the suitability of certain financial products. In addition, financial institutions have a responsibility to make reasonable effort towards ensuring that consumers of financial products are knowledgeable about the products/service they wish to purchase.
7. The CBN shall publish rates offered by financial institutions to enable consumers make informed decisions in the selection of suitable products and services.
8. While the contract subsists, customers shall be provided with the statement of financial position at all times such as loan statement, account statement.

2.3.2 Notice of Variation

1. Within a minimum timeline specified by the CBN, financial institutions shall notify consumers about changes to terms and conditions of contracts prior to the implementation of such changes.
2. Notice to consumers on variations to terms and conditions must at a minimum contain the following details:
   a) Changes in rates / charges (existing rate and new rate that is being introduced)
   b) Rationale for variation;
   c) Commencement date of new terms and conditions;
   d) Revised repayment schedule in line with the new rates (where applicable);
   e) Options available to the consumer, including the opt-out options.
3. Variation notice must be at no cost to the consumer and there must be evidence of dispatch to address on file or via the usual means of communication with the consumer.
4. FIs shall respond to requests for waivers, concession or other variations on credit facilities within specified timelines, failing which such requests would be deemed to have been accepted.

2.3.3 Advertisement

1. Financial Institutions must be factual and clear in all communication (including advertisements) with consumers. Communications/ advertisements on financial products and services must at a minimum:
   a) Not be misleading;
   b) Be clear and explicitly state the features of the products/services as approved;
   c) Not seek to misrepresent or exaggerate the benefits of the products/services
2. Adverts shall disclose all conditions associated with the products and services. For example, where a promotional material makes reference to interest rates, financial institutions shall indicate all other applicable charges. In addition, measures shall be provided for consumers to make further enquiries.
3. FIs shall ensure that adverts align with approved product features. Adverts not in line with approved product features will attract appropriate sanctions.

2.4 Consumer Financial Education

Consumer Financial Education is the process of imparting financial knowledge and skill to consumers to enable them know their rights and responsibilities, make informed decisions and manage their personal finances effectively.

The CBN shall collaborate with relevant stakeholders to develop a financial literacy framework taking the following into consideration:

- Consumer segmentation: determine the approach for engaging with and disseminating information to various segments or target groups within the Nigerian population.
- Content Development: content shall be developed to reflect the needs of specific consumer target groups on the basis of consumer segmentation.
- Strategy: a comprehensive and overarching approach will be adopted to ensure coverage in the delivery of financial education programs.
- Consultation & Collaboration: frequent consultations and collaborations with relevant stakeholders shall serve as a platform for exchange of information and ideas that are of interest to the industry. Stakeholders shall collaborate towards the achievement of financial education objectives.
- Monitoring & Evaluation: there shall be a mechanism for monitoring the performance of stakeholders with respect to implementation of various consumer financial education initiatives.

2.4.1 Consumer Segmentation

For effective delivery of consumer financial education, the populace shall be segmented to reflect the diverse nature of the country such as demography (age, geographical location), level of education, ability (physical & mental).

2.4.2 Content Development

1. The CBN shall in collaboration with relevant stakeholders provide the guide for content development or develop content on financial education in line with the peculiarities of consumer segmentation.
2. The guide or the content may be reviewed periodically in line with developments in the industry.
3. A common repository of financial education content shall be established for uniformity of information.

2.4.3 Strategy

- **Communication Strategy**

1. The CBN in collaboration with relevant stakeholders shall define a communication strategy for financial education.
2. Financial education programs shall be conducted nationwide by the CBN and relevant stakeholders to create awareness on consumer rights and responsibilities. These programs shall be designed to address the peculiarities of various consumer segments.
3. The CBN, financial institutions and other relevant stakeholders shall leverage on a variety of media including traditional and new media to roll-out financial education programs. These materials shall be developed in English, indigenous languages or other means of communication for people with special needs, where necessary.
4. Stakeholders shall be encouraged to provide toll-free phone lines for enquiries to be operated by trained agents. Such calls shall be monitored for quality assurance.
5. The CBN shall encourage outreach programs through trade unions or trade associations as avenues for providing consumer financial education to the public.

- **Development of academic curriculum**

1. The CBN in collaboration with other relevant stakeholders shall ensure that financial education content is incorporated into the academic curriculum of Nigerian schools at all levels (basic, senior-secondary and tertiary).
2. CBN in collaboration with relevant stakeholders shall establish platforms that will encourage participation in interactive activities in schools such as mentoring programs, quizzes, competitions and seminars.

2.4.4 Consultation and Collaboration

1. The CBN shall collaborate with relevant stakeholders to develop robust program to serve as platform for exchange of information and ideas. The CBN shall cooperate with International Development Partners such as the Organization for Economic Co-operation and Development (OECD), the World Bank and other international standard setting bodies for exchange of information on global trends and leading practices in financial education.

2. The CBN shall collaborate with relevant stakeholders to effectively execute financial education programs.
3. Financial education shall form part of the corporate culture of financial institutions. Financial institutions may organize educational programs in conjunction with the CBN, relevant professional bodies, consumer advocacy groups and agencies to enhance general financial knowledge of consumers.

2.4.5 Monitoring & Evaluation

There shall be mechanisms for monitoring the performance of stakeholders with respect to the implementation of various consumer financial education initiatives.

2.5 Fair Treatment

Consumers shall be treated equitably without bias at all stages of their relationship with financial institutions. Every consumer shall be given equal access to basic banking services and consideration accorded to the needs of vulnerable groups. Key themes to be addressed are:

- Access to finance: eligible consumers must be granted access to financial products and services;
- Equity: consumers shall be treated equitably at all times in a manner devoid of discrimination;
- Unfair Contract Terms: contract terms must not undermine the rights of consumers giving FIs undue advantage.

2.5.1 Access to finance

Access to basic banking and other financial services is a critical theme around consumer protection. The CBN shall establish policies and structures to enhance access to financial products/services, especially amongst vulnerable groups.

2.5.2 Equity

1. Financial institutions shall not discriminate against consumers' access to basic financial services on the basis of attributes such as social status, physical ability, marital status, gender, age, religion or tribe.
2. FIs shall treat consumers with respect and shall not engage in practices such as threats, intimidation, humiliation, misrepresentation, deception or unfair inducements.

2.5.3 Unfair Contract Terms

1. Terms and conditions shall clearly set out the respective rights and obligations of all parties to transactions in simple language. The use of technical terminologies/languages shall be limited or avoided in contract documents, where they are used, FIs shall ensure that these terminologies are clearly explained to consumers.

Contract terms shall be considered unfair where there is a significant imbalance in one party's rights and obligations to the detriment of the other. The following amongst others are considered to be unfair terms;

a) Limiting the liability of the financial institution in the event of total or partial non-performance of contractual obligations;
b) Excluding the liability of the FI in the event of its negligence which is detrimental to the consumer;
c) Clauses that bind a consumer while the corresponding obligation on the FI is conditional;
d) Termination of agreements or alteration of clauses without reasonable notice to the consumer;
e) Limiting the financial institutions' liability with respect to actions or commitments undertaken by their agents;
f) Giving the FI the possibility of transferring its rights and obligations under the contract, where this may reduce the rights of the consumers, without their consent;
g) Excluding or limiting the right of the consumer to take legal action should infraction occur.

2. Contract terms that conflict with regulations are null and void ab initio.
3. Consumers or other stakeholders are encouraged to report contract terms that are in conflict with any regulation.

2.6 Protection of Consumer Assets and Privacy

Appropriate measures shall be established to guarantee protection of consumer assets and privacy. Consumer's financial and personal information shall be protected by FIs at all times and shall not be released to a third party without the consent of the consumer, except as required by law.

The following information are considered to be confidential and shall be protected at all times; Contact details, account number and balance, statement of accounts and any other information known to the financial institution .

The Bank shall establish guidelines to safeguard consumer assets and privacy against unauthorized access. The primary areas to be covered are:

- Fraud: the need for adequate controls to be put in place to prevent incidences of fraud.
- Data Privacy: the need for adequate controls to be put in place to prevent unauthorized access to consumers' confidential information.

2.6.1 Fraud

1. Financial institutions shall establish policies and controls to safeguard consumer assets against fraud. These policies and protocols may include the use of sophisticated software and transaction monitoring systems to monitor the internal processes/operations of financial institutions. Therefore, key policies shall include:
   a) Segregation of duties: the initiation and conclusion of transactions shall not rest with an individual. Necessary hierarchical controls, second level authentications amongst others, shall be put in place to prevent fraud;
   b) Access to information: appropriate access control systems shall be established by financial institutions. FIs shall restrict and monitor access to customer's data base;
   c) Security (physical and electronic): consumer data and records must be securely stored at all times and accessed only by authorized personnel;
   d) Adequate data storage infrastructure: specification of technical requirements for data storage infrastructure; and
   e) Periodic audit: financial institutions shall ensure periodic audit of control systems to ascertain adequacy and effectiveness to guard against breaches.
2. Electronic payment instruments/systems shall be embedded with safety mechanisms; institutions shall ensure regular systems updates to guard against possible security lapses. The CBN shall specify minimum technology standards for payments platforms.
3. Financial institutions shall perform periodic internal risk assessment to identify and assess data security risks on their systems.
4. Financial institutions shall enforce disciplinary action against employees involved in fraud and report same to the regulator. Where required, the CBN shall blacklist such employee from further employment within the industry.

5. Financial institutions shall promptly refund customers for actual amounts lost due to fraud with interest at the CBN prescribed rate unless it can be proved that loss occurred as a result of customer's negligence or through fraudulent behavior.
6. Financial institutions shall require customers to update their details within the timeline specified by the CBN. Customers are obliged to update their records as need arises in order to ensure data accuracy and ultimately enhance protection. Financial institutions shall create convenient avenues through which customers can make these updates.
7. Financial institutions shall continually create awareness on fraudulent practices and consumers' responsibilities to guard against such.

2.6.2 Data Protection

1. All personal information of customers (including those with closed accounts) shall be kept in confidence by FIs. As a duty of care, financial institutions are obliged to safeguard the privacy of their customers' data.
2. Financial institutions shall not reveal consumers/customers information to a third party except in the following cases:
   a) With the express permission of the customer,
   b) As required by the CBN and other regulatory bodies;
   c) Where there is a court order;
   d) In pursuance of public duty/interest;
3. Appropriate data protection measures and staff training programs shall be put in place to prevent unauthorized access, alteration, disclosure, accidental loss or destruction of customer data.
4. The consent of consumers shall be obtained in writing before their data is shared with third parties. For this purpose, a third party includes a subsidiary or an associated company.
5. Financial institutions shall obtain the prior consent of customers in writing before using such information for future promotional offers via e-mail, SMS, phone calls and other channels.
6. Consumers partaking in sales promotions shall be informed if they would be required for any publicity or advertisement by the financial institution.

2.7 Complaints Handling and Redress

Adequate measures shall be established to address disputes that may arise from interactions and relationships between the FI and the consumer. The existence of effective complaints handling mechanisms that are affordable, fair, timely, transparent, accessible and independent would enhance overall consumer confidence in the financial system. The primary areas to be addressed are:

- Complaints channels: avenues for lodging complaints shall be readily available and easily accessible to consumers. Consumers shall be made aware of the various channels.
- Complaints management processes or procedures: The processes and procedures for complaints management shall be simple and efficient supporting the effective resolution of consumer complaints. Consumers shall be made aware of the various recourse mechanisms.
- Complaints redress: provisions shall exist for the fair redress and compensation of consumers in the event of wrongful treatment.
- Collaborations with other bodies: effective collaborations with other dispute resolution bodies in the industry shall be established to ensure a full coverage of consumer complaints handling.

2.7.1 Complaints Channels

1. Financial institutions shall have multiple channels (including electronic and non-electronic channels) for consumers to lodge complaints. Examples of complaints channels may include provision of dedicated email addresses, telephone numbers, help desk, web chat etc. Such channels shall be toll-free, easily accessible and available to consumers or their agents at all times.
2. Financial institutions and Alternate Dispute Resolution institutions shall provide consumers with information on available mechanisms for handling complaints. At a minimum, such information shall include:
   a) Available channels for complaints handling and redress;
   b) Timeline for complaints resolution;
   c) Responsibility of the complainant at each stage of the process;
   d) Obligation of the financial institution or ADR institution; and
   e) Escalation processes.

This information shall be provided at no cost to complainants at the point of commencing a contractual relationship, upon request or when acknowledging a consumer complaint.

3. Complaints channels shall be staffed by courteous individuals with experience in handling consumer issues. Supervision of the complaints handling process must be carried out by senior management staff.
4. Financial Institutions shall provide relevant training for staff involved in the development and approvals of complaints handling policies, practices and procedures as well as for staff who interface directly with consumers.
5. The CBN shall set minimum standards for the operations of the various complaints handling channels, including the electronic and non-electronic channels. Periodically, there shall be audits or checks on the availability and adequacy of these channels, as well as a comprehensive evaluation of financial institutions' compliance with the minimum standards set.
6. The CBN shall promote Alternative Dispute Resolution in the industry.
7. The Consumer Protection Department (CPD) shall be responsible for managing all consumer complaints at the CBN.

2.7.2 Complaints Management Processes or Procedures

1. Financial institutions shall have clear procedures (including timelines which must be in accordance with minimum standards set by CBN) for receiving and resolving complaints. FIs are expected to automate their complaints management processes or procedures.
2. Financial institutions shall establish and implement effective and transparent processes for handling complaints.
3. The complaints management processes of financial institutions shall include proactive measures to minimize the incidences of complaints. Complaints statistics shall be published in financial statements of FIs.
4. Consumer complaints shall first be lodged with the relevant FIs and only be escalated to alternate dispute resolution organs in the event that the consumer is dissatisfied or the complaint is not resolved within the stipulated time.
5. If complaints are not resolved by the financial institution or consumers are dissatisfied with the outcome of the complaints handling process, the FIs must inform consumers of the alternative

recourse mechanisms available, and the process involved in seeking redress through these channels.

6. To avoid duplication of effort by ADRs, consumers shall lodge complaints with one ADR at a time and state categorically where complaints have earlier been reported to other ADRs as well as provide the decision reached.
7. Financial institutions shall provide consumers with status update on complaints. Consequently, the following must be addressed in the course of managing a consumer complaints:
   a) The timelines stipulated by the CBN;
   b) Financial institution's acknowledgement of complaints received stating the timeline within which a response will be made available;
   c) Provision of reference numbers for all complaints received;
   d) In the event of delays, reason for delayed resolution including status in the event that complaint remains unresolved at the expiration of the agreed/ communicated resolution or response timeline;
   e) For complaints that have been resolved, resolution shall be provided in writing and acknowledged by the consumer. It is also advised that the consumer's concurrence or objection is sought or obtained within a stipulated time.
8. To ensure easy resolution of complaints, the CBN may place a time limit or bar for lodging consumer complaints. However, time restrictions shall not apply in exceptional cases such as fraud.
9. ADRs shall not investigate cases concurrently with financial institutions; a case shall be admissible at the ADR only after a decision has been made by the FI. It is upon dissatisfaction with the decisions that such consumer may proceed to an alternate dispute resolution institution.
10. To fast-track resolution of complaints, ADR institutions shall encourage mediation or reconciliatory meetings between complainants and the financial institutions..
11. To promote disclosure and instill accountability amongst FIs, information on consumer complaints shall be published by FIs in their financial statements. The CBN shall in addition, publicize these statistics across financial institutions on a regular basis. This would enable institutions compare their performance against peers and provide consumers with additional source of information for financial decision making.
12. The CBN shall not handle cases that fall within these categories:
    a) Time barred complaints; and

b) Cases before the courts or cases already ruled upon by the courts of law (except where directed by the court through an order).

2.7.3 Complaints Redress

1. Financial institutions shall develop a Customer Compensation Policy to address various category of complaints which may arise due to service failures. FIs must publicly display this policy on various media such as bank websites, branches.
2. The Customer Compensation Policy shall be in line with guidelines issued by the CBN and shall contain provisions for probable infractions such as:
   a) Unauthorized or erroneous debits;
   b) Excess charges; and
   c) Financial loss to consumers due to staff negligence/fraudulent activities.
3. Where there is a complaint on excess charges, FIs shall carry out account reconstruction where necessary, in order to put the account into proper perspective.
4. FI shall provide evidence of complaints resolution to customers, ADRs and regulators, where required.
5. Complainants shall provide written acknowledgement confirming satisfaction or otherwise with the outcome of the dispute resolution process within a specified time.
6. Where a complainant fails to acknowledge resolution within the specified timeline, the complainant would be deemed to be satisfied and the case closed.
7. Decisions of ADR institutions may be appealed through the internal process prescribed by such institutions.

2.7.4 Collaborations with other bodies

1. Institutions involved in complaints management shall collaborate with relevant agencies to enhance the efficiency of the dispute resolution process. Memorandum of Understanding (MoU) shall be signed between institutions involved in financial consumer protection or dispute resolution. The details of the Memorandum of Understanding shall include amongst others:
   a) Roles and responsibilities of parties;
   b) Recourse in the event of non-resolution; and
   c) Escalation path along the various institutions during a dispute resolution process.

2.8 Competition

Competitive markets should be promoted in order to encourage innovation, offer consumers diverse range of financial products and services, excellent service delivery and ultimately ensure that consumers benefit from the practice of competition.

To promote competition within the industry, financial institutions shall collaborate with financial regulators and other stakeholders. The critical themes to be covered are:

- Free Market: regulators should encourage innovation as well as free entry and exit in the industry.
- Switching Barriers: consumers should be allowed to terminate contracts or engage in banking transactions with their preferred financial institution without any restrictions.

2.8.1 Free market

1. The CBN shall encourage product development by financial institutions to enable consumers have access to variety of innovative products and services.
2. The CBN shall monitor the market to restrict practices which may inhibit competition.
3. The CBN shall discourage anti-competitive practices such as:
   a) Price-fixing or pegging of charges – any act by one or more FIs to fix charges on products and services for their benefit but to the detriment of consumers;
   b) Market allocation – agreement amongst FIs to form territories so that specific institutions are found in certain regions to the exclusion of others;
   c) Abuse of dominance – any act by one or more FIs with significant market power or share which have adverse effect on competition; and
   d) Tied selling – any act by financial institutions forcing consumers to buy or subscribe to other products or services along with the desired products or services.

2.8.2 Switching Barriers

1. Consumers shall be allowed to engage in banking transactions with their preferred financial institutions.
2. Consumers shall have the right to terminate contracts, change or switch FIs, products and/or services subject to contractual terms. It is unethical and anti-competitive for FIs to place restrictions on consumers that discourage switching.

3. Where a customer decides to switch, the financial institution shall provide the necessary information to the new financial institution.

2.9 Enforcement

To ensure compliance with consumer protection regulations within the financial industry, consumer protection regulators shall ensure effective enforcement of regulations, with the application of appropriate sanctions. Enforcement shall be timely, objective, firm and publicized to increase awareness and promote consumer trust. Key themes to be addressed are:

- Enforcement Processes or Procedures: there shall be guidelines for the efficient execution of the provisions in this Framework.
- Enforcement Methods: The CBN shall employ supervisory mechanisms for the effective enforcement of consumer protection regulations.

2.9.1 Enforcement Processes or Procedures

1. The CBN shall enforce consumer protection in the banking industry in collaboration with other relevant stakeholders.
2. The CBN shall deploy adequate resources to support consumer protection. Periodically, the Bank shall benchmark its internal capacity with consumer protection bodies of leading jurisdictions towards strengthening its operations and capacity.

2.9.2 Enforcement Methods

The CBN shall adopt effective mechanisms to support the enforcement of consumer protection regulations. These mechanisms shall be backed by regulations in the industry.

1. The Bank shall conduct investigations when necessary, and findings shall form the basis for Management decision.
2. Contravention of the provisions of this Framework or other regulations on consumer protection shall attract appropriate sanctions. The following are some of the sanctions the Bank may impose:
   a) Refund to customers in line with relevant regulations issued by the Bank;
   b) Letter of apology;
   c) Restriction on activities;

d) Suspension from inter-bank activities;

e) Suspension/withdrawal of foreign exchange dealership license;

f) Denial of approvals;

g) Publication of infractions and sanctions;

h) Monetary penalties;

i) Product recall;

j) Adverts cancellation;

k) Warning letters to management /Board;

l) Suspension/removal of Board/management staff/employees;

m) Referral to law enforcement agencies for prosecution;

n) Revocation of banking license; and

o) Other sanctions deemed appropriate.

3. The CBN shall adopt other proactive mechanisms to monitor financial institutions' compliance with the provisions of the Consumer Protection Framework.

3 Consumer Rights and Responsibilities

In a relationship between a financial institution and the consumer, both parties have rights and responsibilities which serve as the bedrock of the relationship. Thus, to enhance confidence in the financial system, consumers shall have basic rights and responsibilities which shall be protected by all stakeholders. Some of the rights and responsibilities of consumers are listed below.

3.1 Consumer Rights

The basic rights of consumers shall be:

a) **Right to be informed**– financial institutions shall provide accurate and timely information on products and services to enable consumers make informed decisions.
b) **Right to consumer education –** consumers shall be provided with knowledge needed to make informed and confident financial decisions to enhance their economic well-being.
c) **Right to choose**– consumers shall have the liberty to choose from a variety of products and services on offer at competitive rates without restrictions or compromising quality. This right extends to opting out when services are no longer satisfactory provided outstanding commitments are settled.
d) **Right to safety**– financial institutions shall provide a safe and conducive banking environment, channels and platforms.
e) **Right to confidentiality–** consumer information must be protected from unauthorised access and disclosure.
f) **Right to redress–** consumers shall have access to an efficient redress mechanism for settlement of claims or disputes.
g) **Right to be treated fairly–** consumers shall be treated fairly regardless of any complaint and dispute already existing between them, their financial knowledge or status, physical ability, age, gender, tribe or religion. However, subscription to certain products and services may offer consumers special benefits.

3.2 Consumer Responsibilities

Where there are rights, corresponding responsibilities shall exist. Thus, while the objective of this framework is to ensure that financial institutions act in the best interest of consumers, the consumers must at a minimum, carry out certain responsibilities as outlined below:

1 Duty of Knowledge and Understanding

The ability to make informed financial decisions that will be of benefit to the consumer is dependent on the depth of financial information acquired over time by the consumer. Therefore, it is important for consumers to acquire requisite financial knowledge that will help them manage personal finances. The responsibilities of a consumer include:

a) Self-education about consumer rights and responsibilities as well as other financial matters.

b) Endeavour to obtain accurate information from credible sources and make comparison before subscribing to financial products and services.

c) Seek clarification where necessary regarding financial products and services to ensure proper understanding of associated risks, contractual terms and conditions etc.

d) Negotiate beneficial terms to ensure that financial products and services suit the consumers' need.

2 Duty to meet or honour Financial Obligations

a) Consumers shall fulfil their obligations in contractual relationships with Financial Institutions.

b) Consumers shall be required to notify financial institutions of challenges that may constrain their ability to meet contractual obligations.

3 Duty to Protect Financial Instruments and Information

a) Consumers shall ensure that their personal information such as account numbers, Personal Identification Number (PIN), Bank Verification Number (BVN), access codes, financial instruments including cheques, payment cards are protected.

b) Records of financial transactions such as card receipts, account statements and transaction statements must be safeguarded, disposed or transmitted securely to avoid unauthorised access.

4 Duty to Provide Accurate and Up-to-date Information

a) Consumers shall provide accurate and up-to-date information to the financial institution.

b) Consumers shall give clear mandate to FIs and report any change to such orders in a timely manner.

5 Duty to Report Unethical Practices, Fraud and Error

a) Consumers shall obtain and review evidence of financial dealings with financial institutions including periodic statement of accounts to enable them make observations known to the FIs as and when due.

b) Consumers shall take immediate steps to notify FIs of observed compromise to personal information.

c) Consumers shall lodge complaints promptly and honestly through established redress platforms.

d) Consumers shall report cases of misconduct and malpractices by bank employee to the financial institutions and then to the regulator if dissatisfied with resolution by a financial institution.

e) Consumers shall report observed cases of sharp or unethical practices such as fraud, illegitimate charges and changes to interest rates (which the consumer is not notified of) by financial institutions to the CBN.

f) Consumers may make themselves heard individually or collectively through organised groups.

g) Consumers shall carry out due diligence to ensure that they deal with only licensed financial institutions.

CONSUMER PROTECTION DEPARTMENT
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