



**Strategic Plan &
Projected Income and
Expenditure Statement
2022**

OFFICE OF THE ARBITER FOR FINANCIAL SERVICES

FIRST FLOOR, ST CALCEDONIES SQUARE, FLORIANA FRN 1530 MALTA

V: (+356) 21249245 / 80072366

M: (+356) 79219961

www.financialarbiter.org.mt

Table of Contents

Requirement to produce a yearly Strategic Plan.....	2
Brief Notes	2
Taking stock	4
The OAFS objectives for 2022 and beyond.....	5
Planned relocation of the OAFS offices	9
Income and Expenditure Statement for 2022	10
Annex 1 - REVISED Projected Income and Expenditure (2021) and PROJECTED Income and Expenditure (2022)	11

Abbreviations

Act	Arbiter for Financial Services Act, 2016
ADR	Alternative Dispute Resolution
CRO	Customer Relations Officer
OAFS/Office	Office of the Arbiter for Financial Services

Legislation (Malta & EU)

Act XVI of 2016	Arbiter for Financial Services Act, 2016 (<i>Chapter 555 of the Laws of Malta</i>)
ADR Directive	Directive 2013/11/EU on alternative dispute resolution for consumer disputes (Directive on consumer ADR) <i>OJ L 165</i>

Requirement to produce a yearly Strategic Plan

Article 9(3) of the Act obliges the Board of Management and Administration of the Office of the Arbiter for Financial Services (OAFS) to prepare and approve a Strategic Plan for the year, in consultation with the Arbiter for Financial Services.

The report is required to specify the objectives of the activities of the OAFS for the financial year concerned; the nature and scope of the activities to be undertaken; the targets and criteria for assessing the performance of the OAFS; and the uses for which it is proposed to apply the OAFS's resources.

A copy of the strategic plan, as approved by the Board, is required to be sent to the Minister for Finance who shall lay it on the Table of the House of Representatives and shall also be made available to the public.

Act XVI of 2016, Arbiter for Financial Services Act

The legislation establishing the Arbiter for Financial Services - [Act XVI of 2016](#) - came into force on 18 April 2016.

Shortly after the coming into force of this Act, Government published Legal Notice 137 of 2017 titled "Arbiter for Financial Services (Designation of ADR Entity) Regulations, 2017". By virtue of this Legal Notice, the Minister for Finance, as the competent authority for the purposes of the ADR Directive, appointed the Office of the Arbiter for Financial Services as the ADR (Alternative Dispute Resolution) entity for financial services in Malta in accordance with the ADR Directive.

Brief Notes

The Office of the Arbiter for Financial Services (OAFS)

- Set up by law with power to mediate, investigate and adjudicate complaints filed by customers against all financial services providers.
- Composed of the Arbiter for Financial Services and the substitute Arbiter, if any, the Board of Management and Administration (the Board) and of such officers and staff members appointed or employed with the Office.
- Its day-to-day management is the responsibility of a Board (referred to as the Board of Management and Administration) headed by a chairperson. The Board is not in any way involved in the complaints' handling and decision-making process.

The Arbiter for Financial Services

- Totally independent and impartial of all parties concerned to the complaint and is not subject to the direction or control of any other person or authority.
- Has the authority to determine and adjudge a complaint by reference to what, in his opinion, is fair, equitable and reasonable in the particular circumstances and substantive merits of the case.
- Is required to deal with complaints in a procedurally fair, informal, economical and expeditious manner.
- May, if he thinks fit, treat individual complaints made with the Office together, provided that such complaints are intrinsically similar in nature.
- Can make awards up to €250,000, together with any additional sum for interest due and other costs, to each claimant for claims arising from the same conduct.
- Decisions are binding on both parties but subject to appeal to the Court of Appeal (Inferior Jurisdiction).

Complaints handling

- Natural persons and micro-enterprises may lodge a complaint with the OAFS.
- Complaints may be lodged against all financial services providers, which are or have been licensed or otherwise authorised by the Malta Financial Services Authority or any other financial services law, which offers or have offered financial services in or from Malta.
- The charge for lodging a complaint with the OAFS is €25 which is reimbursable in full if the complainant decides to withdraw his complaint or the parties to the complaint agree on to settle the dispute.
- Before submitting a complaint with the OAFS, a customer has to give a financial service provider reasonable opportunity to deal with a complaint. Supporting evidence to this effect would be requested of the complainant.
- Complaints about the conduct complained of, which are or have been the subject of a law suit before a court, tribunal or ADR entity in any other jurisdiction initiated by the same complainant on the same subject matter, will not be accepted.

Taking stock

THE CHALLENGES AND OPPORTUNITIES BROUGHT BY THE PANDEMIC IN 2020

This strategic plan has been developed against the background of the opportunities, but persistent threats, brought by the COVID-19 global pandemic.

The OAFS' utmost priority was, and remains, the wellbeing of its staff. During 2021, the Office switched to hybrid working arrangements. While some staff are working from home only, others have been given the opportunity to work from the office or home according to agreed planned schedules. These arrangements are primarily meant to contain the spread of the virus whilst ensuring that the OAFS continues to provide a service at minimal disruption. Such arrangements will continue to be in place for the foreseeable future but will be reviewed as the need arises.

The OAFS has endeavoured not to allow the pandemic to disrupt its high level of service. Its Customer Relations Officers are accessible by phone, email and via its online portal. However, mindful that some consumers may be unwilling to discuss their affairs over the phone or are simply unable to describe their enquiry in writing, meetings in person at the office will be arranged by appointment respecting safety protocols as mandated and updated by the local health authorities from time to time. The OAFS also offers callers a call-back service for calls made from a mobile number.

In regard to formal cases, all mediation sessions conducted by the mediator and hearings convened by the Arbitrator will continue to be held virtually using video conferencing software applications. The Office has been and will continue to be sensitive to situations in which complainants do not have access to internet connectivity or are unable to master such software applications. In such (rare) cases, the OAFS will accommodate mediation or hearings over the phone or in person at its offices on a case by case basis.

CASE LOAD DURING THE FIRST 10 MONTHS OF 2021

The OAFS operates in a demand-led environment. As such, the number of new cases that may be lodged during the year cannot be projected on the basis of previous years' complaint workload. Unexpected events in financial services or changes to EU and Maltese law may generate an increase in the number of complaints received by the OAFS.

During the first 10 months of 2021, 145 new complaints were registered, which is equivalent to the total number of complaints registered in 2020. The number of complaints, however, is not indicative of the complexity of the underlying cases that are presented to us.

Over 70% of the cases registered up to the end of October concern an insurance matter, mostly life insurance. This is followed by investments (37%) and banking (34%) cases. Around 68% of these complaints were submitted online through the OAFS online portal.

Other than those cases which have been referred to mediation, all cases have been called for a first hearing and only a few remain to be called for a second hearing.

As at end of October 2020, the Arbiter issued decisions on 135 cases, sixty of which were reviewed into one collective decision as the merits of the case were intrinsically similar in nature. Further cases are expected to be determined by year end and decisions issued accordingly. Preliminary data also reveal that there has been an encouraging increase in the number of cases resolved at mediation, compared to previous years.

Besides formal complaints, the OAFS also processes enquiries and minor cases which may either require the provision of information or informal intervention with the financial provider concerned. The number of enquiries and minor cases received during the first 10 months of 2021 amounted to 735, a 21% drop over the same period in 2020. A large proportion of these enquiries relate to banking issues, followed by insurance and investments.

The OAFS 2021 Annual Report will contain a summary of the Arbiter's decisions delivered during the year as well as highlights of main issues that have been brought up through enquiries.

The OAFS objectives for 2022 and beyond

In its operations, the OAFS deals with the public and a range of private financial services providers. It is therefore reasonable to expect the OAFS to provide an efficient and transparent public service. Indeed, the OAFS' operational objectives continue to be built on accessibility, fairness, transparency, accountability, and independence. The OAFS' objectives for the coming year, its sixth year since it has been setup, will continue to build on those of the previous years.

The five pillars of the OAFS' operational objectives are amplified below.

A. IMPROVING ACCESSIBILITY AND AWARENESS BY BOTH CUSTOMERS AND FINANCIAL SERVICES PROVIDERS ABOUT RIGHTS TO COMPLAIN, DEALINGS WITH FINANCIAL SERVICE PROVIDERS AND THE DISPUTE RESOLUTION PROCEDURE OF THE OAFS.

The OAFS is required to provide an accessible service to both customers and financial service providers.

- i. The deployment of the case and file e-solution management system at the start of 2021 has been a success. A number of enhancements, some aimed towards improving the user experience, were also deployed during 2021 even if these were planned for 2022. Bringing forward the deployment of such enhancements and transitioning into a completely new system required considerable resources and testing. However, such investment and commitment improved the overall operability and accessibility of the system, for both front-end (users using the website to lodge a complaint) and back-end (OAFS staff).
- ii. The OAFS will continue to enhance its digital services over the course of the next year, mindful that there are many consumers who are not online, vulnerable, or who prefer to talk to someone in person. The Office understands that the ability to talk through a problem with another human being, rather than a screen, can be very important, and therefore accessibility, including the ability of complainants to communicate with its Customer Relations Officers through their chosen method, will remain a key value which will inform the technological changes that are made.
- iii. The online user experience during the complaint lodging stage will be reviewed in 2020 and enhancements to the OAFS website will be made as necessary. There are also medium-term plans for complainants and financial services providers to be able to upload and access case documentation securely through the same case management system.
- iv. Some consumers may choose not to be represented when lodging a complaint with the OAFS offices. The OAFS will ensure that such consumers will not be disadvantaged or discouraged from accessing its redress mechanism which has been designed to deal with complaints in a procedurally fair, informal, economical and expeditious manner.
- v. The OAFS will continue to disseminate information on its role to various interested bodies such as the media, statutory bodies, customer bodies, lawyers, financial sector representative bodies and to the general public.
- vi. To ensure that parties, mostly complainants, do not feel nervous when using such video conferencing applications, OAFS staff will provide the necessary assistance in regard to the use of such software as and if necessary.

B. RESOLVING COMPLAINTS IN ACCORDANCE WITH BEST PRACTICE AND THE HIGHEST STANDARDS OF CUSTOMER SERVICE

As the handling of complaints is at the very heart of the OAFS's public service function, it must be ensured that such matters are treated with the highest standard of customer service – including courtesy, timeliness, confidentiality and impartiality. The approach of the OAFS in this area must be to seek to investigate and reach a resolution to the problem at issue.

- i. The OAFS will continue to provide an efficient service through its informal resolution mechanism, which is the first level of service that the Office provides to consumers. As part of this service, the OAFS continuously interacts with both complainants and providers aiming towards a faster and effective resolution of minor disputes. When such early intervention initiatives do not lead to a satisfactory resolution, the Office's Customer Relations Officers will provide information to the consumer about our complaints procedure to enable them to lodge a formal complaint.
- ii. The law requires the OAFS to attempt the resolution of complaints by way of mediation. The OAFS observes an increase not only in the number of cases that are referred to mediation but also in the success rate of cases that are resolved at that stage. Mediation can provide a faster, easier and more satisfactory way to resolve complaints. The OAFS will strive to continue nurturing this encouraging trend, mindful that it also requires the willingness of the parties to the dispute to pursue such redress technique.
- iii. If mediation is not successful (or refused), the OAFS will continue to deploy its extensive powers under the law to review cases in an informal, economic, fair and impartial manner. The OAFS will strive to issue decisions within a reasonable time after the case investigation has been concluded, mindful that a number of cases may be more complex than others and that the quality of decisions should not be compromised. The Arbiter's decisions are legally binding on both the complainant and on the financial service provider, subject only to an appeal to the Court of Appeal (Inferior Jurisdiction).

C. EXECUTING THE OAFS'S ROLE AND INDEPENDENT FUNCTIONS IN A MANNER THAT IS TRANSPARENT AND ACCOUNTABLE AND TO LEAD BY EXAMPLE AS A MODEL OF BEST PRACTICE

The OAFS is a public body, and the requirements of accountability and transparency are essential if it is to retain the confidence of the public. The OAFS' organisational structure will be continuously reviewed to ensure that it supports good internal and external communications, as well as the co-ordination of its activities, in order to achieve effective and optimal outcomes.

- i. As the law stands, the Board is required to maintain a register of all decisions delivered by the Arbiter which become *res judicata*. Complementary to this, decisions of the Arbiter are available on the OAFS' website (www.financialarbiter.org.mt). The name of the complainant(s) is (are) pseudonymised. Users can narrow down decisions through a range of search criteria. The online database of decisions also indicates whether cases have been appealed, in which case, the Court of Appeal (Inferior Jurisdiction) reference number is also provided. The submission of electronic complaint forms and documents through a secure online environment has facilitated the processing of

complaints especially for the increasing number of non-residents of Malta who are lodging complaints with the OAFS.

- ii. Besides the statutory requirement to submit an annual report as well as a strategy statement to the Minister for Finance and Employment, quarterly cash flow statements as well as half-yearly financial statements will continue to be submitted to the Ministry for as long as Government subventions continue to be made to the OAFS.
- iii. In terms of the ADR Directive, the OAFS is obliged to provide detailed information about its operations to the Minister for Finance and Employment, as competent authority in terms of and for the purposes of this Directive. The OAFS will discharge its duties under the Directive, as well as its obligations under its operative law, in its 2021 Annual Report.
- iv. Administration of the finance and people and culture role will be reviewed on an ongoing basis, including the annual audit of the OAFS financial records by the National Audit Office.

D. DEVELOP THE ABILITIES, SKILLS AND COMPETENCE OF STAFF SO AS TO ENSURE CONTINUED IMPROVEMENT IN ORGANISATIONAL PERFORMANCE

The quality of the OAFS's service to the public is crucially dependent upon the capacity, performance and motivation of its staff. Moreover, if staff are expected to give their utmost to the OAFS, the OAFS must in turn encourage and show commitment towards the development of its staff. In particular, the OAFS must make sure staff have opportunities to participate in internal and external training and development on a regular basis.

- i. The OAFS will continue to keep abreast of changes in the wider financial services and legislative environment to enable it to respond to an ever-evolving landscape.
- ii. To support and encourage continued staff training and development – especially mediation – the OAFS will organise induction and support programmes and encourage participation at external courses.
- iii. Regular staff briefings will be held to keep staff informed of general developments in financial services and customer service standards.
- iv. Further books and other technical materials will be acquired for internal use.
- v. The staff handbook will be updated as necessary to cater for new and updates exigencies as they arise.

E. EU AND INTERNATIONAL OBLIGATIONS

The OAFS will continue to keep abreast with international developments in financial services and customer services to ensure that its techniques remain current and service standards primed to modern expectations.

The OAFS is an active member FIN-NET, the financial dispute resolution network of national out-of-court complaint schemes in the EU.

It is also a member of the International Network of Financial Services Ombudsman Schemes (INFO Network). The INFO Network is the worldwide association for financial services ombudsmen and other out-of-court dispute resolution schemes entrusted with resolving financial consumer Complaints.

The OAFS will continue working in close collaboration with FIN-NET and the INFO Network to further enhance best practices in the resolution of financial services complaints.

Planned relocation of the OAFS offices

The OAFS has been informed by the Ministry for Finance and Employment that urgent maintenance works are planned for the building that currently houses its operations. As a result, the OAFS has been requested to relocate its operations to new offices in Msida. It is expected that the OAFS will transition to such new offices some time in 2022.

Income and Expenditure Statement for 2022

The provision of a professional and efficient service to all stakeholders who deal with the OAFS at any stage is a primary objective. For the OAFS to do so, it must have the appropriate financial resources.

Annex 1 outlines the financial plans for the OAFS for 2022. Circumstances may require changes and the Board shall ensure that these plans are kept under constant review for its relevance and effectiveness.

A. EXPLANATORY NOTES

Legal basis

In terms of article 9(2)(a) of the said Act, the Board of Management and Administration is required to prepare and approve a statement with estimates of income and expenditure relating to the OAFS for the year 2022.

The Board has approved the projected income and expenditure for 2022 (as featured in Annex 1 to this document).

In terms of article 9(2)(c) and pursuant to article 9(2)(d), the OAFS's estimates for 2022 are being submitted to the Honourable Minister for Finance and Employment for his consideration.

Assumptions

Income

So far, the OAFS has been financed by means of subventions made available by Government. However, the OAFS is

still committed to raise levies, charges or fees as provided by the Act.

Expenditure

A major part of the OAFS's budget is allocated to salaries and benefits to staff. Other than the Arbiter for Financial Services (whose salary is reimbursable from the Consolidated Fund) and the chairman of the Board, the current staff complement of the OAFS is composed of the following officials:

- Two Case Analysts
- One Customer Relations Officer
- One Officer in charge of mediation
- One PA to the Arbiter
- One Administrative Assistant
- One Receptionist
- One Support Staff
- One Driver

Annex 1 - REVISED Projected Income and Expenditure (2021) and PROJECTED Income and Expenditure (2022)

	Revised 2021 forecast	Forecast 2022
Government subvention	675,000	675,000
Complaint Fees	2,000	3,000
Total Projected Income	€ 677,000	€ 678,000
Salaries and Wages	479,000	480,000
Hospitality	1,000	1,000
Office Maintenance & Upkeep	13,500	3,000
Office Services	25,000	35,000
Membership & subscription	1,700	1,700
General Expenses	32,600	35,000
Vehicle, Leasing and Fuel Expenses	18,000	18,000
Professional Fees	5,000	5,000
Travelling Expenses		5,000
Rent	-	5,000
Software Maintenance and Support	5,000	5,000
Training	1,000	1,000
Utilities	-	10,000
Depreciation Charge	7,000	15,000
	€ 588,800	€ 619,700
Capital Expenditure		
Case and File Management System (Enhancements)		5,000
Office Furniture		50,000
	--	€ 55,000
Total Projected Expenditure	€ 588,800	€ 674,700
Surplus/Loss for the period	€88,200	€ 3,300

Notes:

- (1) All figures are approximate and subject to change. Full year audited figures for financial year ending 31 December 2021 will be reported in the OAFS Annual Report for the year. Reserves and surpluses not shown.
- (2) A provision for rent, utilities and other ancillary expenditure is being made in anticipation of the OAFS' relocation to new offices. The provisions are conservative as the terms of the relocation are still under discussion.
- (3) The Government subvention for 2022 is as reported in the Draft Financial Estimates 2021 under the Ministry for Finance and Employment's vote. Additional funds may be required to cover for unanticipated expenditure for the year.