Call made to beef up bank insurance

The Ombudsman for Banking Services wants the swift introduction of deposit insurance, particularly to benefit less sophisticated customers.

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This echoes similar calls from the International Monetary Fund that South Africa introduce a safety net for customers if their bank fails, and to protect the financial system.

Ombudsman Clive Pillay said the banking industry should "step up its sluggish response to the implementation of reforms and adopt a more decisive stance, particularly to deposit insurance".

He said banks had argued that deposit insurance would be expensive. "But I think there is just an unwillingness to investigate the pros and cons fully."

Deposit insurance involves banks paying a small fee on deposits so that if they face insolvency, customers will be paid a major portion of their deposits.

This type of insurance is common globally. China is the most recent convert, with the introduction of insurance for deposits of up to 500000 yuan (R976000) from next month.

Pillay also called for lower remittance costs in South Africa, the most expensive of the Group of 20 countries for sending remittances, according to World Bank research.

The global average cost in the third quarter of last year was 7.9% of the value sent, while it was 11.3% to send the equivalent of $200 (R2420) to sub-Saharan Africa, the bank found. In SA, remittances costs an average of 19.5% of the value.

The Payments Association of SA was working on reformulating tariffs for sending remittances, Pillay said.

Despite his criticism of the banks, he said they had always been willing to participate in the ombud processes.

His department resolved 4179 cases last year, 69% in favour of banks and 31% in favour of consumers.

In 2013, 60% of complaints were resolved in favour of banks and 40% in favour of customers.

Source: Herald