

Consumer tribunal dismisses credit watchdog's case against Finbond

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5 Sep 2017

The National Consumer Tribunal has dismissed the National Credit Regulator's (NCR's) claims of excessive overcharging against Finbond Mutual Bank, saying it was unable to make a finding on the matter.



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In 2015, the credit watchdog laid complaints against Finbond for overcharging customers for credit life insurance, and for failing to disclose to customers the commissions paid by third-party insurer Guardrisk, which underwrote the policies.

The NCR argued this breached sections of the National Credit Act barring credit providers from forcing customers to buy insurance at unreasonable costs.

The act also prohibits the nondisclosure of any fees or commissions paid to the credit provider relating to credit agreements.

But in a judgment signed by Tribunal member Tanya Woker, issued two weeks ago and made public on Monday, the Tribunal said the NCR did not present the evidence needed to make a finding.

"The critical issue is whether the insurance premium which Guardrisk charges is unreasonable, taking into consideration the actual risks and circumstances of each credit agreement," Woker wrote in the unanimous judgment.

She said the Tribunal needed to compare the insurance Guardrisk offered against similar products Finbond would be able to offer its customers.

Only once it was established that Finbond could have obtained much more reasonable rates from Guardrisk's competitors, could the Tribunal find that the cost of Finbond's credit life policies were unreasonable.

The NCR had failed to provide this evidence, the judgment says.

"Without this evidence the Tribunal is unable to make a finding that the insurance which [Finbond] offers to its consumers is unreasonable," said Woker.

Finbond hailed the judgment as a victory for the bank on Monday, saying the Tribunal ruled in its favour.

"The [Tribunal] " also pointed out that Finbond Mutual Bank was entitled to require its consumers to maintain credit life insurance and no evidence was presented by the NCR which justifies the [Tribunal] to make a finding that the insurance offered by Finbond to its customers is unreasonable."

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