

ANNUAL REPORT
2013



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VISION

The Ombudsman for Banking Services will be known by all banks and their customers for its impartial and well-reasoned resolutions of all complaints within four months.

MISSION

The Ombudsman for Banking Services is dedicated to providing banks and their customers with a quick and efficient dispute resolution service. Our professional staff aims to do this in a fair, impartial and confidential way and strives to improve general banking practice.

SERVICE STANDARDS

Core values:
The Ombudsman and his staff are committed to the following values:

- fairness
- independence
- professionalism
- accountability
- accessibility and
- timeliness.



**Advocate
John Myburgh SC**

With almost 38 million cellphone users and 22,2 million consumers enquiring in 2013 about cellphone banking, South Africa is certainly keeping pace with the global electronic banking revolution. In many ways, it is at the forefront of developments in this dynamic market, with continued innovations in mobile banking products and services spurred by the intense competition among banks for the consumer's rand.

While the evolution of a cashless society means accessibility and convenience, it also exposes users to increasing numbers of devious schemes designed to relieve them of their money.

During 2013, the Ombudsman for Banking Services experienced a significant increase in cellphone fraud cases, which indicates the need for the banks to institute ever more sophisticated security measures to remain one step ahead of the opportunists and criminals.

Bank information technology specialists need to work with mobile application developers and wireless network service providers to address the challenges associated with security of financial transactions and transmission of financial information electronically and continually update systems to counter new threats.

Security should address the physical part of the device, any thick-client application running on the device in the case of phone theft, authentication of the device with service providers before initiating a transaction, user ID/password authentication, encryption of data being transmitted and data held on the device for reference later.

That said, the banks seem to be heeding the call for added security measures to combat crime, which is encouraging to us and reassuring to consumers. Of course, it is in their interests to do so, having incurred significant losses recently at the hands of an international syndicate. This syndicate infected restaurant computers with a virus to extract customer details for card cloning.

South Africa still has more than 11 million unbanked consumers, most in outlying areas, so the scope for remote banking is tremendous.

However, we question the research findings published during 2013, which assert that 67% of adults in South Africa – 22,5 million – are now banked. This equates to 3,5 million additional customers over 2012.

Although this finding may be comforting to the banks, we contend that many of these individuals are simply recipients of personal loans or social grants who use a bank account to receive their funds and then withdraw the money. This does not constitute real banking and we believe the distinction should be drawn more clearly when the research results are released.

I and my fellow board members are proud of the work of the OBS and of the strategic direction it has taken, which has allowed it to perform its core function of dispute resolution while extending its influence across the continent and further afield, where its expertise is sought by ombud schemes in-the-making and those well-established but seeking to benefit from the best practices of others.

And the OBS has certainly proved itself a model of best practice, having subjected itself during the year to external scrutiny in the form of an audit commissioned proactively to measure its efficacy in dispute resolution.

Ombudsman Clive Pillay's status as a thought leader in the ombud community was reinforced with his election during 2013 onto the executive committee of the African Ombudsman and Mediators Association, whose vision is to develop the ombudsman institution to promote good governance, the rule of law and human rights in Africa.

It is also a source of great pride that the OBS policy has been loaded on the website of the International Network of Financial Services Ombudsman Scheme, based in Queensland, Australia.

Clive and his team, during 2013, acquitted their duties with the effectiveness and excellence that South African banks and their customers have come to expect. The OBS of today is an organisation to which consumers can go with confidence when they encounter banking hiccups and on which the banks can rely for fair and measured decisions.

With the growing use of smartphones and tablets in South Africa and the escalation of mobile banking, the OBS will have its work cut out for it again in 2014. The board is confident that it is more than equal to the challenge.

**Advocate John Myburgh SC
Chairperson**



**Advocate
Clive Pillay**

The year in review was one of the busiest in the history of the Ombudsman for Banking Services. Our adjudicators handled a total of 4 950 cases.

As in previous years, ATM-related complaints dominated the workload, with more than 1 800 cases investigated, compared to just over 1 100 in 2012. Ironically, this sharp increase can be attributed in part to the banks' continuous upgrade of security measures to prevent electronic banking fraud, which has prompted fraudsters to return to the now 'easier pickings' of ATMs. A new trend has emerged in these criminals' removal of the toll-free numbers from ATMs to delay consumers' alerts to their banks.

Still, the office processed just over 200 more internet banking disputes than in the previous year. This is to be expected given the surge in electronic banking and the general growth in the numbers of bank customers.

The improved processes and procedures introduced at the OBS's office over the past two years continue to bear fruit in the efficiency with which our adjudicators process cases. We were able to bring down our average turnaround time per case to 82 days from 87 in 2012. Enhanced internal processes, with the banks' increasing willingness to accept our findings, enabled us to close 72% of our cases at assessment stage. This is up from the 71% of the previous year.

Here, the banks must be commended for treating their customers' concerns with the respect they deserve and for being open to our suggestions.

The OBS does not follow a rigid approach to complaint resolution. One size does not fit all. Flexibility is key to reaching solutions that take into account the unique characteristics of each case. We cannot be bound by legal rights alone in a decision that, after all, may affect a person's life irrevocably.

As an extension of our primary function of complaint assessment, we maintained our relationships with similar organisations in Africa and globally in the interests of advancing the ombud community through networking and expertise sharing.

The office hosted a six-person delegation from Tanzania in January 2013, imparting practical advice on setting up an ombud scheme.

Another visitor was the chief executive officer of the Financial Services Regulatory Authority of Swaziland, who has been mandated by his government to establish a financial services ombud.

Later in the year, we welcomed a delegation from the Islamic Development Bank of Saudi Arabia. Discussions centred on our role and on governance and compliance issues.

A talk on business and ethics was given at the Wits University Business School to a group of emerging banking industry leaders, graduates of the executive development programme of the Banking Sector Education and Training Authority (Bankseta).

The office delivered a presentation on cellphone banking at the International Network of Financial Ombudsman conference in Taipei and addressed the Irish Trade and Investment Mission in Sandton in November on its services and on the financial regulatory landscape in South Africa.

Consumer awareness remains a priority for the OBS. We use every opportunity to publicise the services we offer and to caution consumers against making themselves vulnerable to cybercrime, such as divulging personal information and visiting websites at the prompt of an email.

During the year we made widespread use of television, radio and print to communicate our messages nationwide. Our website was given a facelift to enhance user-friendliness and navigability.

As the OBS reflects on another successful year of dispute resolution, I thank my small band of dedicated colleagues for the unstinting efforts and unflagging pursuit of excellence they bring to each case that crosses our desks.

The effects of their work extend way beyond the actual complainants, touching the lives of their families and friends, and South African consumers countrywide.

May those effects continue throughout 2014.

**Advocate Clive Pillay
Ombudsman for Banking Services**

BUILDING UNDERSTANDING OF THE OMBUDSMAN ROLE

During 2013, the Ombudsman for Banking Services maintained relationships with similar organisations in Africa and globally in the interests of advancing the ombud community through networking and expertise sharing.



The Ombudsman with Thuli Madonsela, public protector and executive secretary of the African Ombudsman and Mediators Association (AOMA) at the executive committee meeting of AOMA.



Bankseta skills development and research manager Trevor Rammitlwa and chief executive officer Max Makhubalo flank Ombudsman Clive Pillay after his presentation on business and ethics to graduates of the Bankseta executive development programme.



Irish Minister of Trade and Development, Joe Costello, and the Banking Ombudsman, Clive Pillay, after the latter's presentation on the South African financial regulatory landscape.

‘The independence of the Ombud schemes is not up for debate.’ – Clive Pillay, in his research paper, an excerpt of which was published as an expert opinion, entitled ‘The road to twin peaks’, in Banker SA, edition 8 2013.

BANKER SA
Magazine of The Banking Association South Africa



Abdihamed Mao, from the group integrity office of the Islamic Development Bank, Saudi Arabia, with Ombudsman Clive Pillay.

Ombudsman Clive Pillay celebrated Human Rights Day in Diepsloot, with Isaac Gaseitsekgoi and others, collecting litter as part of an environmental initiative to improve living conditions in the area.

Ombudsman Clive Pillay with Bongani Nxumalo, chief executive officer of the Financial Services Regulatory Authority of Swaziland.



Growing relationships
ADVOCACY
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OBS PUTS ITS HEART INTO EMPLOYEE WELLNESS

A healthy team is a happy, motivated team. The OBS staff wellness programme promotes a healthy lifestyle for all, from office to home and all points between. An expert from the South African Heart and Stroke Foundation recently visited the OBS office to address staff on eating for a healthy heart and the importance of good nutrition to avoid conditions such as diabetes and high cholesterol.



The OBS team prepares to get into fine form in the company's gym.



As the South African Heart and Stroke Foundation prepares to adjudicate on the fitness of OBS adjudicators, managers Edrich Buytendorp and Johan Conradie take the lead.

PROVEN PEACE OF MIND FOR ALL PARTIES



Vera Ristic
Executive PA
to the
Ombudsman



Small beginnings ... the
OBS team of 2000, when
the office was known as
the Banking Adjudicator.

The OBS prides itself on the integrity of the processes and procedures it applies to all cases that reach the desks of its adjudicators. As part of its commitment to consolidating its credibility for impartiality, independence and integrity, the office commissioned an independent external audit of the case work done by its adjudicators.

During the audit, retired Supreme Court of Appeal judge, Jonathan Heher, studied numerous cases opened during 2013, assessing them for:

- adjudicator fairness,
- objectivity,
- balance,
- efficiency, and
- insight.

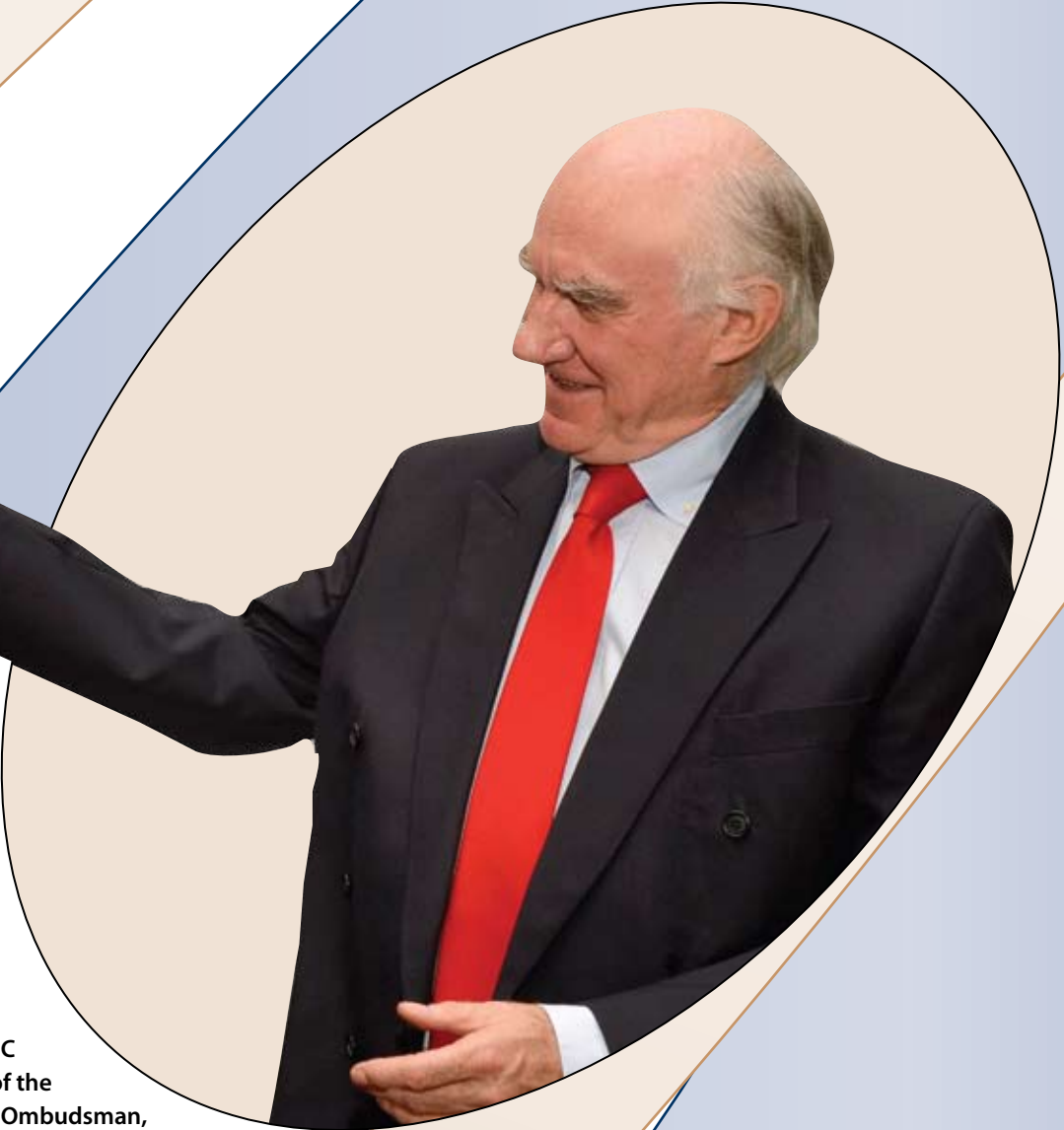
Heher stated that:

- all cases were handled timeously, with adequate opportunity for both parties to participate;
- the office was proactive in seeking settlements;
- assessments of disputes were clear, logical and easy to understand;
- the process was balanced and fair to both parties;
- the adjudicators maintained objectivity, and demonstrated insight into and understanding of legal issues, industry codes and guidelines, and good banking practice.

He concluded the audit thus ... "I have satisfied myself after careful perusal of each file that the questions can be answered positively in every instance, without reservation."



OBS chairperson
Advocate John Myburgh SC
spearheaded the update of the
Handbook of the Banking Ombudsman,
a publication aimed at informing consumers,
educators and banking officials about the work of the
OBS and legislation and regulations
affecting the banking sector.



CASE STATISTICS



Edrich Buytendorp
Manager:
Case Processing
and Assessments



Helena van der Merwe
Adjudicator



Ronel van der Merwe
Adjudicator

Case flow comparison

ENQUIRIES	2009	2010	2011	2012	2013
Walk in	481	3 69	191	382	361
Referrals	6 114	4 712	1 893	2040	3 802
Call centre	5 967	33 060	18 748	16 698	15 860
Total enquiries	12 562	38 141	20 832	19 120	20 023
FILES OPENED	3 366	4 241	3 684	4 450	4 613
How closed:					
Matter solved at bank	2 342	2 716	2 482	3 214	3 676
Ombudsman investigates	973	1 013	1 242	1 236	1 458
Total closed	3 315	3 729	3 724	4 450	5 134

Due to a combination of improved systems at the OBS, continued commitment of the banks to resolve disputes speedily and consumers' increasing willingness to accept settlements, the office was able to close 80% of all matters after they were initially referred to the banks. The number of cases requiring further investigation, being the more complex disputes, reduced accordingly.

Even though there was an overall increase in the number of cases opened, the majority of cases were still concluded at the assessment stage without requiring further investigation and adjudication by the OBS.

The number of files opened in 2013 per bank is not necessarily indicative of the individual bank's customer complaints handling performance or its performance in general, for that matter. Banks vary considerably in size, client profile, product mix and their liability to the public, the latter variance ranging from less than 1% to as high as 30%. All of these factors impact on the number of complaints made against a bank.

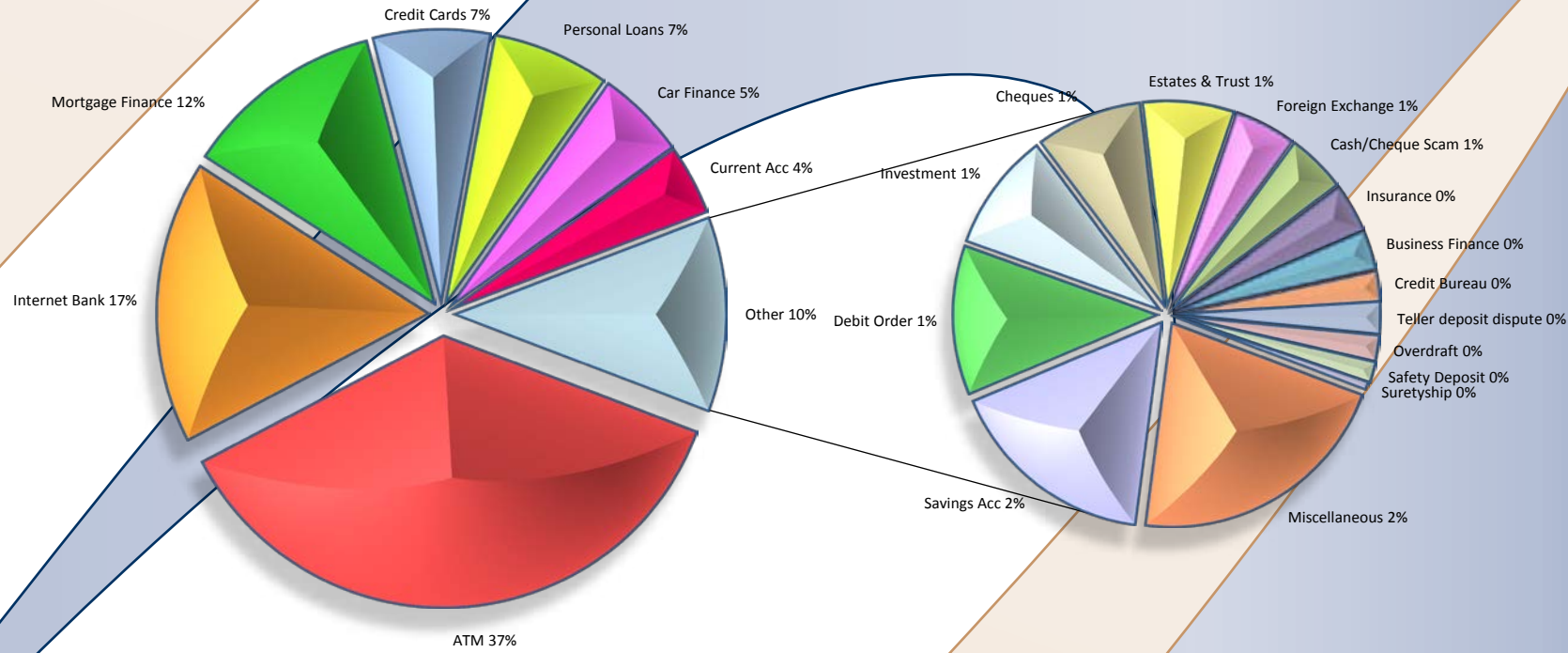
Total assets – October 2013

Absa	760 361 789
First Rand	770 548 143
Nedbank	643 868 909
Standard	954 604 744
Other	622 544 970
Total	3 751 928 555

Files opened per bank

	2013	2012
Absa	970	1 335
FNB	927	1 260
Standard Bank	980	845
Nedbank	688	648
Capitec	867	252
African Bank	112	72
Teba/Ubank	27	9
Investec	7	8
Mercantile	9	7
Ithala	8	5
Bidvest	10	4
Bank of Athens	5	3
VBS	0	1
GBS Mutual	0	1
Sasfin	1	0
HBZ	1	0
HSBC	1	0

Cases opened per category in 2013



ATM-related fraud increased by 6% year on year. Fraudulent ATM transactions accounted for 23% of the complaints received. Cellphone phishing, which is a major sub-category of internet banking, increased as a percentage of the total internet banking-related complaints from 19% in 2012 to 46% in 2013.



Dimakatso Mangena
Adjudicator



Kwanda Vabaza
Adjudicator



Kerisha Govender
Adjudicator

Case STATISTICS

How the cases were closed in 2013

Case category	For bank	%	For public	%	Cases	Total %
ATM	1 227	66%	638	34%	1 865	100%
Internet banking	466	57%	354	43%	820	100%
Mortgage finance	372	64%	209	36%	581	100%
Credit cards	195	53%	173	47%	368	100%
Personal loans	163	50%	164	50%	327	100%
Car finance	137	61%	86	39%	223	100%
Current accounts	113	53%	101	47%	214	100%
Other	71	60%	48	40%	119	100%
Savings accounts	34	43%	45	57%	79	100%
Debit orders	34	47%	38	53%	72	100%
Current accounts	23	51%	22	49%	45	100%
Cheques	21	53%	19	48%	40	100%
Investment	18	49%	19	51%	37	100%
Estates and trusts	23	66%	12	34%	35	100%
Cash/cheque scams	13	52%	12	48%	25	100%
Foreign exchange	11	50%	11	50%	22	100%
Overdrafts	11	73%	4	27%	15	100%
Insurance	6	40%	9	60%	15	100%
Business finance	14	100%		0%	14	100%
Credit bureau	8	57%	6	43%	14	100%
Suretyships	9	90%	1	10%	10	100%
Teller deposit disputes	6	75%	2	25%	8	100%
Safety deposits	5	100%		0%	5	100%
Security	2	100%		0%	2	100%
2013 grand total	2 982	60%	1 973	40%	4 955	100%
2012 comparative %		58%		42%		

The percentage of findings in favour of a complainant dropped by 2%. This is attributable, in large, to the fact that many complainants were simply debt-stressed and others were victims of fraud. In these instances, there was no maladministration on the part of the bank and, therefore, findings could not be made in favour of the complainants.

How the 4 955 cases were resolved in 2013

Result	Case totals	%
The complainant withdrew the case	8	0,2%
The complainant did not respond to requests for information, leading to closure of the file	18	0,4%
The complaint was upheld fully	1 197	24%
Only a portion of the complaint was upheld	613	12,4%
The complaint was not upheld	2 956	59,7%
No award was made, but information was provided	163	3,3%

Period from opening to closing of all files in 2013

	2013	2012
Closed within 2 months	46%	44%
Closed within 2-4 months	30%	32%
Closed within 4-6 months	18%	15%
Closed within 6-9 months	6%	9%
Closed after more than 9 months	0%	0%

Service standard targets

	2013	2012
Files closed in 6 months	94%	91%
Average days to closure	82	87

Cases closed at assessment

	2013	2012
	72%	71%

In 2013, the number of complaints closed at the assessment stage increased from 71% to 72%. This impacted favourably on turnaround times.

1 458 cases for further investigation were finalised as:

	2013	2012
Assessment reports	1 436	1 316
Formal mediations	18	20
Provisional recommendations	3	2
Final recommendations	1	0

Terminology

Assessments

Assessments constitute a summary of the matter, setting out the complainant’s case, the bank’s response and the OBS’s assessment of the matter and its conclusion as to liability.

Where the bank’s offer is considered to be fair and reasonable and where the OBS believes that there is no reasonable prospect of making an award in favour of the complainant, it is then suggested that the complainant accept the bank’s offer.

All assessments always invite complainants to make further submissions or submit new and relevant evidence that may influence the initial finding.

Mediations

Mediations are formal meetings between representatives of the bank and the complainant with an OBS adjudicator acting as a mediator. The mediator guides the debate between the parties and facilitates an agreed settlement.

Provisional recommendations

Provisional recommendations are detailed reports incorporating any new evidence tendered and submissions made after an assessment has been done. If the new evidence is tendered or further submissions are made, the matter proceeds to a final recommendation.

Determinations

A determination is a binding written ruling made by the Ombudsman.

Appeal/review

An appeal/review of the matter is done by a member of the review panel who is a retired judge of the High Court of South Africa.

Total recovered from banks (million Rands)

2009	9,9
2010	11,6
2011	17,6
2012	16,4
2013	23,0

In 2013, the office awarded R6,6 million more to complainants than in 2012. This is due to the fact that more cases were closed in 2013. Also, bigger awards were made in ATM, internet banking and mortgage finance cases.

It is often very difficult to reflect a finding made by the OBS in actual monetary terms, as many recommendations take the form of the bank providing a specific service, performing a specific task or writing off certain amounts. The amounts reflected above are, therefore, indicative only and do not necessarily reflect actual payments made by the bank to the customer.

How the complainant learnt of the OBS

	2013	2012
Through the bank	44%	42%
Word of mouth	45%	43%
Newspaper	3%	5%
Radio	2%	2%
Television	2%	3%
Magazines	0%	1%
Referred by other organisations	1%	2%
Other	3%	2%

There was a 2% increase in ‘through the bank’ referrals. This appears to indicate that banks are becoming more committed to taking customers’ concerns seriously and sorting out problems. A 2% increase in ‘word of mouth’ referrals would seem to suggest increasing consumer appreciation of the proven impartiality, independence and integrity of the office and the reasonableness of its decisions.

Media equivalent advertising value

R35 864 059,24

ACKNOWLEDGING EXCELLENCE FOR 12 YEARS

The prestigious OBS Annual Excellence Awards ceremony was held in November 2013 at the Radisson Blu in Sandton, to honour the top banks in dispute resolution and to recognise the efforts of individual bank officials.

Banks are judged on the quality and timeliness of responses and on their fairness, while individuals are assessed on their knowledge of their bank's products, services and processes; the promptness and efficiency of their responses, and enhancements to the bank's internal complaints-handling procedures.



Members of Absa, the winning bank in category A.



Les Barrett of Standard Bank is the individual winner in category A.



Investec is the winning bank in category B.



Sonette Botha of African Bank is the individual winner in category B.



Johan Conradie
Manager:
Investigations



Nerosha Moodley
Adjudicator



Frans Maja
Adjudicator

NO REVERSAL OF FORTUNE

Criminals transferred €28 900 from the complainant’s overseas account at a foreign bank, into a fraudulently opened savings account with a South African bank, which they were able to open as they had all the complainant’s legitimate details and a falsified copy of his passport. The complainant realised only later that the funds had been fraudulently transferred from his overseas account and then instituted his claim.

The complainant alleged that the South African bank had been negligent in opening the account into which the money was paid. He requested that the transaction be reversed and that the sum be credited to his foreign bank account.

The bank submitted that it had complied with its duty of care when opening the beneficiary account and that there was no reason to suspect any criminal activity.

The OBS’s investigation confirmed this and further revealed that all exchange control regulations had been met.

Since the onus lies with the foreign bank to confirm the legitimacy of the transfer of the funds before it effects a transfer, the complainant was advised to redirect his complaint to his foreign bank.

DRIVEN TO DEBT

When his payment distribution agency failed to effect two payments, the complainant’s car was repossessed. The complainant, who was under debt counselling, wanted to resume payments and asked for his vehicle to be returned. The bank, submitting that the debt review order had been infringed, had instituted legal action, after which the vehicle was sold. As a gesture of goodwill, the bank offered the complainant a 50% discount on the outstanding balance – R36 000.

The National Credit Act allows a bank to sell a vehicle and recover any shortfall after the required valuation notices are sent to a customer. Thus the OBS declared the bank’s discount offer fair and reasonable.

MERCHANT THE MENACE?

A merchant debited three amounts totalling R21 000 from the complainant’s account. The latter had asked the bank to reverse the first debit, which it could not do. In spite of his request that a hold be put on the account, the two additional debits went through.

The complainant explained that he authorised only the first payment, after which he tried to return the product to the merchant, who refused to take it back.

On investigation, the OBS found that the complainant had signed an agreement that authorised the seller to deduct payments from his credit card. The merchant also produced three sales vouchers for the transactions signed by the complainant.

The bank cannot reasonably be expected to act as a court in deciding on services not provided or any other dispute between seller and buyer.

Since the OBS determined that the customer had authorised the three debits and he acknowledged that he had received the product, the bank cannot charge back the transactions to the merchant. The complainant was advised to take up his dispute about the product and the claim for a refund with the merchant.

TAKE THE MONEY AND RUN

When the intended recipient of R26 000 did not receive the payment, it was discovered that the bank teller had made a mistake copying the account number handwritten by the customer and had paid the money into the wrong account. The client claimed the amount from the bank. The bank refused, contending it was the customer’s responsibility to check the details before payment.

In such cases, the holder of the account into which the funds were deposited must agree to have the transaction reversed and the reversal will be successful only if the entire amount is available for recovery. In this case, the funds had already been withdrawn by the accountholder.

In an affidavit provided by the teller, she stated that she asked the customer to verify the details and subsequently tried, unsuccessfully, to contact the third party to recover the funds. The OBS determined that the teller failed in her duty of care. However, the customer had signed the beneficiary detail document, indicating that it was correct.

It was agreed that responsibility would be shared and the bank refunded 50% of the claimed amount.

HUBBY NOT A HIT WITH THE MISSUS

The bank granted the complainant’s husband credit of R190 000. As they were married in community of property, she asked that the debt incurred be written off as she had not given her consent. Furthermore, she stressed, it was reckless lending since her husband could not afford the repayments.

The bank advised that the credit was awarded on the strength of the husband’s good credit rating and that the onus was on the husband to obtain approval from the wife before applying for credit.

Given that the bank was reliant on the accuracy of the information supplied by the applicant and the fact that the husband had indicated that he had obtained the necessary spousal consent, the OBS found that there were no grounds for writing off the outstanding balance.

On the allegation of reckless lending, it ruled that only the husband could make such a claim as he was the contractual party to the credit agreement.

The office has, however, initiated an investigation into the validity of a credit agreement entered into without spousal consent, as it does not necessarily agree with the stance of the bank. This matter was deemed better suited to a court of law.

FEE PLEA BRINGS NO GLEE

The bank employee found out that she had been paying customer interest rates on her loan and current account agreements rather than special staff rates since 2005 and asked the OBS to assist her to effect a reversal of the incorrect fees. The adjudicator verified the preferential staff rates, but determined that the onus is on the staff member to ensure he or she receives this benefit. Staff rates are detailed in the employment contract. They are also communicated annually, both formally and in internal publications, and are reflected on monthly bank statements.

In the opinion of the OBS, a reasonable person would have spotted any discrepancies and queried them immediately, not eight years later. The matter was deemed more appropriate for a dispute resolution process dealing with labour law and employment since the benefit derived from the employment contract and not from the loan or current account agreement.



Ayanda Dyasi
Adjudicator



Vaheeni Naidoo
Adjudicator



Yvonne Barnard
Adjudicator

Case SUMMARIES

24

REIGN IN SPAIN SENDS HIS MONEY DOWN THE DRAIN

During a visit to Spain, the complainant visited various nightspots. On one occasion, he asked two local women to direct him to the nearest ATM. They then went to an apartment. The next day he noticed suspicious SMS notifications from his bank for amounts totalling R240 000. Given that these transactions were not in line with his normal spending pattern, he believed the bank should have detected the fraud and stopped his cards.

The bank refuted this on the grounds that he had compromised his cards and PINs and that each transaction was carried out using the correct PIN.

Although he denied compromising his cards, it was clear to the OBS that this had happened. He stopped the card hours after the disputed transactions, and the bank is responsible only for transactions occurring after a card has been stopped.

The OBS found that, as the customer had been using his card regularly in Spain before the disputed transactions, the bank should not be held responsible for losses incurred through fraudulent activities not having been picked up timeously.

It proved an expensive trip for the complainant.

PRESCRIPTION EASES THE PAIN

The complainant paid the instalments on his bank-financed vehicle for five years before being retrenched. The bank repossessed the vehicle but could not sell it because it was discovered it had been cloned. It was kept in storage.

Nevertheless, the complainant was asked to continue paying the monthly instalments to settle the outstanding balance of R196 000. He countered that he wanted to reach a settlement agreement.

The OBS found that, since three years had passed after the repossession, the debt had prescribed in terms of the Prescription Act. The bank was urged to write off the outstanding debt and remove the complainant's default listing with the credit bureau. It would keep the vehicle to sell. Both parties accepted the finding.

EXTRA, EXTRA, BE KEYED UP ABOUT IT

The complainant wanted the bank to take responsibility when he was credited with R68 000 against an approved loan of R44 000, as this increased his indebtedness. The bank countered that he was aware of the extra funds and did not query it, but continued to use the funds. Legal action was threatened should payment not be forthcoming.

The OBS found that the bank should not have granted the extra credit without conducting a credit assessment, but that the complainant should have queried the extra amount.

Since the complainant had made use of the funds, It was recommended that the bank write off the interest on the erroneous R24 000 credit, leaving the customer liable for the capital only. The bank agreed, provided the debt was repaid over a year, which was deemed reasonable.

WRITE WRONG

A R4 000 cheque made out to an insurance company subsequently found its way into the hands of a third party. The amount was paid over to him by the bank. The complainant asked for a reimbursement.

The bank refuted the claim because the cheque had not been altered; it was an order cheque with a general crossing, therefore not restrictive; the payee line contained the accountholder's name and account number; the handwriting seemed to be that of the drawer, and the teller could confirm the name of the accountholder against the beneficiary of the cheque.

Upon investigation, the OBS found that the cheque was issued in the name of a company and deposited by the fraudster into his personal account, which should have sounded alarm bells. Furthermore, the teller should have noticed the discrepancies in the handwriting. Since a collecting bank owes the owner of a cheque a duty of care not to collect proceeds negligently on behalf of someone not entitled to payment, the bank agreed to the recommendation that it reimburse the complainant.

TO FEE OR NOT TO FEE

A husband and wife applied to cancel their bond account because they wanted to open a new one at the bank at which the wife worked, so that they could benefit from a preferential bond rate. They were notified that R92 000 would be included in the cancellation figures, being the amount owed by a close corporation (CC) for which the husband had signed surety.

The CC had been sequestrated several years earlier, with the bank being listed as a creditor.

As the bank did not act timeously, the debt had prescribed. The bank was contesting the prescription in the High Court, but it could not prove that a valid claim existed at the time the complainant lodged a dispute with the OBS.

The adjudicator determined that it was unreasonable for the bank to delay the transfer of the bond pending the upcoming legal action and that it would still have a valid claim against the complainant if the High Court decision is found in its favour.

The bank accepted this position and the bond cancellation continued.

FEELING DOWN DIDN'T UP THE OFFER

The bank debited the complainant's account with R1 000, which it said was related to a R12 000 loan. He denied he had been granted a loan.

The bank maintained that he had applied for the loan but had not been notified when it was paid into his account. He had used R3 000 of the loan, having been informed by a bank consultant that it was from a stop order from another of his accounts. The error was acknowledged and the R3 000 written off, interest reversed, the personal loan account closed and his credit bureau profile updated.

The R1 000 debited had been unpaid and re-credited to his account.

The complainant maintained that R3 000 was not commensurate with the inconvenience he suffered, but the OBS, while acknowledging his distress, found the bank's offer fair and reasonable. The complainant was advised that a higher amount could be sought through a court of law.

STERLING OUTCOME AFTER BOTTOM LINE POUNDING

A British pension fund deposited funds monthly into the complainant’s British bank account, which he regularly drew again by depositing a cheque into his South African account. He needed the equivalent of £30 000 and R382 000 was immediately credited to his local account, but not made available for use.

The cheque subsequently returned unpaid and the bank then debited his account with an extra R42 000 to compensate for the difference in exchange rate from the time the cheque was deposited.

The cheque was unpaid because the bank had not followed the correct procedure for cheques exceeding £25 000, which, in terms of the mandate of the foreign bank, required special processes.

The OBS questioned why the bank would credit the complainant’s account before the cheque had been cleared, yet not give him access to the funds. Had it not credited the account, the loss of R42 000 would not have materialised. Although the bank maintained that the complainant had benefited from the interest on the credited amount, the OBS found that any such benefit was far outweighed by the loss he had suffered. The bank agreed to reimburse the R42 000.

PIN IN STOPS PAYOUT

The complainant received notifications of two withdrawals after his card became stuck in the ATM. While reporting the matter to the bank, a third withdrawal notice came through. He claimed a R5 000 refund, stating that his card had been cloned.

The bank found no evidence of this as the withdrawals were made with his card and PIN. The OBS investigation supported this. The bank can be held liable only for transactions occurring after a card is stopped, and as the complainant’s disputed transactions happened before his card was stopped, the bank could not be expected to compensate for these.

However, the bank had not stopped the card immediately and the delay had allowed the third transaction to go through. It offered compensation of R1 000, which the OBS deemed fair and reasonable.

STAY OF EXECUTION

Financial difficulties prevented the complainant from meeting his bond payments and his house was sold in execution for R13 000. He approached the bank to ask that the property be returned and a new payment plan put in place.

The bank stated that many attempts were made to assist the customer to sell the property and several sales in execution were stayed to allow him to meet minimum payments, to no avail.

The OBS found that the bank had done everything in its power to help the home owner to pay off his debt and that, ultimately, it had had no alternative but to sell in execution.

NO CHEQUE CHECK RESTORES BALANCE

A phony client ‘erroneously’ deposited R90 000 into the complainant’s account. The latter, seeing that the deposit was reflecting, deducted what she was owed and transferred the balance to the account number given by her ‘client’.

The cheque then returned as unpaid. The complainant noted that this status reflected two days after the cheque was returned and queried why a cheque with alterations and a spelling mistake was accepted, when a cheque with similar alterations was rejected when the complainant tried to deposit it at a different branch. The bank countered that the beneficiary account had been opened with legitimate documentation.

Considering the inconsistencies between the bank’s branches in accepting altered cheques, the OBS determined that due care was not taken when the fraudulent cheque was collected by the bank, since the alteration was visible.

The bank was deemed liable for the loss and agreed to refund the complainant.

WHEELS DEAL FAR FROM COOL

The complainant’s vehicle broke down on the day he bought it from the bank and he wanted to cancel the contract by exercising the cooling off right. The bank told him this was not possible as he had signed the contract at its premises. It referred him to the dealer. He paid a few more instalments before stopping. The vehicle was then repossessed by the bank. The complainant wanted the bank to refund all his instalments.

The OBS pointed out that vehicle sale agreements are entered into with the bank and not the car dealer, and advised the bank that the complainant’s claim was against it. Furthermore, in terms of the Consumer Protection Act, the complainant may return the goods for repair or replacement, or be refunded.

The bank agreed to refund the instalments, which amounted to R20 000. It retained the car.

FINE PRINT, FINE MESS

The complainant was granted a home loan in the 1990s and a personal loan 10 years later. He was then retrenched and applied for debt restructuring. He settled the home loan account, but the bank refused to cancel the bond as it was security for debt owing in the personal loan account.

The complainant denied having put up the property as security, but the bank produced a signed copy of the bond agreement to this effect.

The bank was within its rights to refuse to cancel the bond.

KICK UP ARREARS FOR SELLER

The customer’s home loan account was in arrears. He emailed the collections department, stating that he had an offer to purchase his property. After the sale, the customer was charged an early cancellation fee. He objected, stating that his email served as notice to cancel.

The bond documentation stated that both parties to the agreement had to sign the cancellation documentation and that the bank can charge 90 days’ interest from the date of receipt of the notice of cancellation. Neither of these conditions was met.

There was no basis for the bank to reverse the fees.

COMMUNICATION AT A PREMIUM

When the life insurance policy on his bond account lapsed because of lack of payment of premiums for four years, the bank conceded that the non-payment was the result of a communications breakdown between it and the insurance company. It agreed to pay the arrear premiums to reinstate the policy.

The complainant asked for the surrender value to be paid or the premiums refunded.

During its investigation, the OBS found that the complainant should reasonably have received notice from the insurance company that the premiums were no longer being paid. Nevertheless, the premiums were debited from the account and reflected on his statements, but rather than being paid to the insurance company, they were deducted from his bond balance.

Therefore, the bank was asked to refund the complainant four years' worth of premiums, amounting to R15 000.

THE NAME OF THE BLAME

The complainant and his father shared the same name and held accounts with the same bank. When the father passed away, the bank closed the complainant's account and transferred his R59 000 into the deceased estate's account. The complainant and his two siblings were to share the estate equally.

The complainant wanted the bank to refund the R59 000.

The bank maintained that the complainant had signed a power of attorney authorising the deceased to operate on the account.

However, it was clear from the documentation that the complainant, and not the deceased, was the accountholder. The former did not instruct the bank to close the account.

The OBS asked the bank to refund R39 000, as the complainant had already received R20 000 from the estate.

CIVIL SOLUTION IN EXES' SPAT

The complainant had a joint bank account with his ex-wife and was still paying the bond instalment even though he no longer lived in the house. He asked the bank either to collect the bond instalment from his ex or ensure he could move back into the house so that he could continue to pay his share of the bond.

It was clear to the OBS that the complainant and his wife were both liable for the instalments. Equally clear was that the bank had no role to play in the dispute between the two.

The complainant's claim was against his wife, not the bank, and would best be pursued through civil action.

A TELLER OF TALL STORIES?

The complainant had an arrangement with the bank to leave large sums of money with the teller, which the latter would count later. The teller would then give the deposit book to the complainant's security guard at close of business.

On this occasion, the teller returned the funds to the guard, claiming they did not amount to R108 000, as indicated by the customer.

The OBS was concerned, firstly, about the informal arrangement. And it did not agree with the bank that returning the funds to the security guard was tantamount to returning them to the complainant. Furthermore, the bank chose to sidestep its internal procedures that customers wait while their transactions are processed.

The bank agreed to refund the amount claimed.

AD DIDN'T ADD UP

In spite of an advert promising that funds deposited via the ATM advance deposit system are available immediately, the complainant's R1 000 deposit reflected only the following day, resulting in her debit order being returned unpaid.

She wanted the bank to refund the penalty fee charged, but the bank maintained that she had received a receipt stating that deposits made after 21:00 would reflect only the following day.

The OBS determined that, since this proviso was not included in the advert, and the complainant was made aware of the condition only after she had made the deposit, the bank should refund the penalty fee.

PASSPORT TO NOWHERE

Chargebacks of almost R1,5 million for credit card purchases were debited against the merchant's account because he did not provide the bank with signed, imprinted vouchers. He wanted the charges reversed as he had submitted copies of the card and the purchaser's passport.

The OBS found that the merchant's agreement made no provision for card or passport copies and the chargebacks were in accordance with the agreement and with international Mastercard and Visa rules.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

FOR THE YEAR ENDED 31 DECEMBER 2013



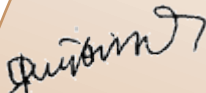
John Myburgh SC
Chairperson

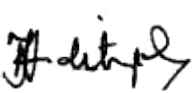


Tefo Raditapole
Director



Cas Coovadia
Director


JF Myburgh SC


TN Raditapole

The directors are required in terms of the South African Companies Act No 71 of 2008 to maintain adequate accounting records to enable the company to satisfy all reporting requirements applicable to it and provide for the proper conduct of an audit. This regulation requires that the accounting records must be kept in such a manner as to provide adequate precautions against theft, loss or intentional or accidental damage or destruction, falsification, to facilitate the discovery of any falsification and to comply with any other applicable law dealing with accounting records, access to information, or confidentiality. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethics standards in ensuring the company's business is conducted in a manner that, in all reasonable circumstances, is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The financial statements have been audited by the independent auditing firm, Nkonki Inc, which has been given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors and committees of the board. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on page 31.

The annual financial statements set out on pages 30 to 49 were approved by the board on 12 March 2014 and were signed on its behalf by:

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

To the shareholder of Ombudsman for Banking Services

We have audited the annual financial statements of the Ombudsman for Banking Services, which comprise the statement of financial position at 31 December 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 34 to 49.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit opinion

In our opinion, the annual financial statements fairly present, in all material respects, the financial position of the company at 31 December 2013, and its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other matter

Without qualifying our opinion we draw attention to the fact that supplementary information set out on page 50 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 December 2013, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The directors' report is the responsibility of the directors. We have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the directors' report and accordingly do not express an opinion thereon.

Nkonki Inc
12 March 2014
Per: Nyarai Muzarewetu
Chartered Accountant CA(SA)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013



Nicky Lala-Mohan
Alternate Director



Penelope Beck
Director



Ina Steyn
Director

The 2013 report of the
DIRECTORS

The directors present their report for the year ended 31 December 2013.

1 Review of activities
Main business and operations

The principal activity of the company is banking dispute resolution and related services and it operates principally in South Africa. There were no major changes herein during the year. The operating results and statement of financial position of the company, a tax-exempt entity, are fully set out in the attached financial statements and do not, in our opinion, require any further comment.

2 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3 Events after the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

4 Directors' interest in contracts

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

5 Directors

The directors of the company during the year and to the date of this report are as follows:

Table with 3 columns: Name, Role, and Details. Rows include JF Myburgh SC, TN Raditapole, C Coovadia, NM Lala-Mohan, D Terblanche*, P Beck**, I Steyn, T Venter, J Taylor, and TN Msibi.

P Beck** appointed on 11 October 2013. D Terblanche* resigned on 3 July 2013. All directors are South Africans..

6 Secretary

The company's designated secretary is Corporate Law Services (Pty) Ltd (addresses on the facing page).

7 Auditors

Nkonki Inc was the auditor for the year under review. The re-appointment of the auditor will be done in accordance with section 90 of the South African Companies Act No 71 of 2008 at the annual general meeting.

CERTIFICATE FROM THE COMPANY SECRETARY
FOR THE YEAR ENDED 31 DECEMBER 2013

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Properties Commission (CIPC) for the financial year ended 31 December 2013 all such returns and notices as are required of a public company in terms of the Act, and that all such returns and notices are true, correct and up to date.

Handwritten signature of M. W. van der Merwe

Corporate Law Services (Pty) Ltd.
Company Secretary

The address of the Company Secretary is:

Corporate Law Services (Pty) Ltd

Table with 2 columns: Business Address and Postal Address. Rows include Central Office Park, Unit 3, Centurion, and 0157.

The address of the Accounting Officer is:

Nkonki Inc
Nkonki House
1 Simba Rd, cnr Nanyuki Rd
Sunninghill
2157

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013



Tanya Venter
Director



Jason Taylor
Director



Thembelihle Msibi
Director

Figures in Rands

	Notes	2013	2012
Assets			
Non-Current Assets			
Property, plant and equipment	5	906 093	936 153
Intangible assets	6	398 012	84 717
		1 304 105	1 020 870
Current Assets			
Trade and other receivables	7	275 234	114 185
Cash and cash equivalents	8	27 132 187	19 642 861
		27 407 421	19 757 046
Total Assets		28 711 526	20 777 916
Equity and Liabilities			
Equity			
Retained earnings		2 100 715	1 030 388
Current Liabilities			
Trade and other payables	11	26 355 473	19 747 528
Current portion of long-term liabilities	9	255 388	-
		26 610 811	19 747 528
Total Equity and Liabilities		28 711 526	20 777 916

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Rands

	Notes	2013	2012
Subscriptions			
Other income	12	21 961 642	20 925 238
Operating costs		6 300	9 600
		(21 485 076)	(19 706 512)
Operating surplus	13	482 866	1 228 326
Finance income			
	14	790 468	692 066
Surplus for the year		1 273 334	1 920 392
Retained income at 1 January 2013			
		827 381	(890 004)
Surplus for the year		1 273 334	1 920 392
Retained income at 31 December 2013		2 100 715	1 030 388

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013



Louise Hall
Manager:
Finance and
Human Resources

Figures in Rands

	Retained earnings	Total
Balance at 1 January 2012	(890 004)	(890 004)
Total comprehensive income for the year		
Surplus for the year	1 920 392	1 920 392
Total comprehensive income for the year	1 920 392	1 920 392
Balance at 31 December 2012	1 030 388	1 030 388
Balance at 1 January 2013	1 030 388	1 030 388
Other – operating lease smoothing	(203 007)	(203 007)
Total comprehensive income for the year		
Surplus for the year	1 273 334	1 273 334
Total comprehensive income for the year	1 273 334	1 273 334
Balance at 31 December 2013	2 100 715	2 100 715

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Rands

	Notes	2013	2012
Cash flows from operating activities			
Surplus for the year		1 273 334	1 920 392
Operating lease smoothing		(203 007)	-
Amortisation of intangible assets		336 403	90 155
Depreciation of tangible assets		494 736	402 088
Investment income		(790 468)	(692 066)
Profit on disposal of property, plant and equipment		(6 300)	-
Operating cash flow before working capital changes		1 104 698	1 720 564
Working capital changes			
Increase in trade and other receivables		(150 535)	(18 185)
Increase/(decrease) in trade and other payables		6 597 431	(4 768 826)
Cash generated by operating activities		7 551 594	(3 066 447)
Interest received		790 468	692 066
Net cash from operating activities		8 342 062	(2 374 381)
Cash flows from investing activities			
Property, plant and equipment acquired		(464 676)	(324 282)
Intangible assets acquired		(649 698)	(116 586)
Proceeds on disposals of property, plant and equipment		6 300	-
Net cash utilised in investing activities		(1 108 074)	(440 868)
Cash flows from financing activities			
Loans raised		255 338	-
Net cash utilised in financing activities		255 338	-
Increase in cash and cash equivalents		7 489 326	(2 815 249)
Cash and cash equivalents at beginning of the year		19 642 861	22 458 109
Cash and cash equivalents at end of the year	8	27 132 187	19 642 861



Jacqueline Plantinga
Administrator



Irene Thupi
Administrator



Queen Tladi
Administrator

1 General information

The Ombudsman for Banking Services is a non-profit company incorporated in South Africa.

2 Statement of compliance with International Financial Reporting Standards

The annual financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRS), which includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the IFRS Interpretations Committee, and the requirements of the Companies Act of South Africa. A summary of significant accounting policies is set out in note 3.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Summary of significant accounting policies

3.1 Property, plant and equipment

Property, plant and equipment (PPE) are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset if it is probable future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

All property, plant and equipment is initially recorded at cost with subsequent measurement at cost less accumulated depreciation and any accumulated impairment losses.

The realised portion of the revaluation reserve is transferred to accumulated reserves. An annual transfer from the revaluation reserve to accumulated reserves is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to accumulated reserves.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the company. All other expenditure and ongoing repairs and maintenance are expenses in the period in which it is incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives. Items of property, plant and equipment are depreciated from the date that they are installed and available for use. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

The major categories of assets are depreciated at the following rates:

IT equipment	3 years
Furniture and fittings	5 years
Security equipment	5 years
Office equipment	5 years

The carrying amounts of the company's tangible and intangible assets are reviewed at each year end to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the greater of its fair value less cost to sell and its value in use.

3.2 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the entity, from which the entity expects to derive future economic benefits.

An intangible asset is identifiable if it either is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets that are acquired and have finite useful lives are initially recognised at cost, with subsequent measurement at cost less any accumulated amortisation and any impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.



Maggie Machete
Administrator



Abraham Mhlanga
Administrator



Anni-cee Emmanuel
Administrator

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets, amortisation is recognised in the statement of comprehensive income and is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives.

Intangible assets are amortised at the following rates:
Computer software 2 years

3.3 Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in comprehensive income over their estimated useful lives, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.4 Financial instruments

The company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through comprehensive income) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financials asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through comprehensive income, loans and receivables and available-for-sale financial assets.

Financial assets

3.4.1 Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts, if any, except for the following receivables:

Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less impairment losses for bad and doubtful debt, if any; and

Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount less impairment losses for bad and doubtful debt, if any.

At each statement of financial position date, the company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in operating surplus or deficit when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, ie the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

3.4.2 Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

3.4.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve. When an investment is derecognised, the gain or loss accumulated in reserves is reclassified to comprehensive income.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to comprehensive income. The cumulative loss that is reclassified from reserves to comprehensive income is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in comprehensive income. Changes in the cumulative impairment losses attributable to the application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in comprehensive income. However, any subsequent recovery in the fair value of the impaired available-for-sale equity security is recognised in other comprehensive income.

3.4.4 Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, which are measured at their original invoice amount.

3.4.5 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.



Tumelo Babusi
Administrator



Lize-Ann Noortman
Administrator

3.5 Employee benefits

a – Post-retirement obligations

The company provides benefits to employees through a defined benefit plan and a defined contribution plan in terms of the Pension Funds Act, 1956. The pension plans are funded by payments from employees and the company, taking account of the recommendations of independent actuaries.

Obligations arising from the defined contribution plan are recognised as an expense when they are due.

For the defined benefit plan, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income to spread the regular cost over the service period of employees in accordance with the advice of actuaries who carry out a full valuation of the fund every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related liability. When the calculation results in a benefit for the company, the recognised asset is limited to the net total of any unrecognised past service cost and the present value of any future refunds from the plan or reductions from future contributions to the plan.

Any actuarial gain or loss is recognised in other comprehensive income when it occurs.

b – Short-term employee benefits

The cost of all short-term employee benefits is recognised on an undiscounted basis during the period in which the employee renders the related service.

Accruals for employee entitlement to annual leave represent the present obligation that the company has to pay as a result of employees’ services provided to the balance sheet date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short-term bonuses in the company as the company has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.6 Revenue recognition

Subscriptions are recognised to the extent that it is probable that the economic benefits will flow to the company and the subscriptions can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and value added taxation (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with.

In these financial statements, surplus is used instead of profit as the company is not profit driven, yet could generate surplus subscriptions over costs.

a – Rendering of services

Subscriptions are accounted for when services are rendered. When the outcome of a transaction involving the rendering of services can be estimated reliably, subscriptions associated with the reference “to the stage of completion of the transaction” shall be recognised at the statement of financial position.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of subscriptions can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably;
- the costs incurred for the transaction and the cost to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, subscriptions shall be recognised only to the extent of the expenses recognised that are recoverable.

3.7 Finance income

Finance income comprises interest income on funds invested, dividends received and gains on day one of recognition of an external interest-free loan.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

4.1 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between amounts recognised as an expense and the contractual payments is recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Rands

5 Property, plant and equipment

	2013 Cost	Accumulated depreciation	2013 Carrying value	2012 Cost	Accumulated depreciation	2012 Carrying value
Owned assets						
Furniture and fittings	657 754	(365 601)	292 153	657 754	(234 051)	423 703
Other property, plant and equipment (security equipment)	40 372	(40 372)	-	40 372	(40 372)	
Office equipment	142 741	(135 535)	7 206	134 095	(130 606)	3 489
IT equipment	2 038 472	(1 431 738)	606 734	1 582 443	(1 073 482)	508 961
	2 879 339	(1 973 246)	906 093	2 414 664	(1 478 511)	936 153

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2013 Carrying value at end of year
Owned assets					
Furniture and fittings	423 703	-	-	(131 551)	292 152
Office equipment	3 489	8 646	-	(4 929)	7 206
IT equipment	508 961	456 030	-	(358 256)	606 735
	936 153	464 676	-	(494 736)	906 093

	Carrying value at beginning of year	Additions	Disposals	Depreciation	2012 Carrying value at end of year
Owned assets					
Furniture and fittings	555 254	-	-	(131 551)	423 703
Other property, plant, equipment	1 891		-	(1 891)	
Office equipment	11 248			(7 759)	3 489
IT equipment	445 561	324 282	-	(260 882)	508 961
	1 013 954	324 282	-	(402 083)	936 153

Figures in Rands

6 Intangible assets

	2013 Cost	Accumulated amortisation/ impairment	2013 Carrying value	2012 Cost	Accumulated amortisation/ impairment	2012 Carrying value
Computer software	1 297 686	(899 674)	398 012	647 989	(563 272)	84 717

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year	Fair value gains/ additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2013 Carrying value at end of year
Computer software	84 717	649 698	(336 403)		398 012

	Carrying value at beginning of year	Fair value gains/ additions	Amortisation/ impairments	Reclassified held for sale/ disposals	2012 Carrying value at end of year
Computer software	58 287	116 586	(90 155)		84 718

7 Trade and other receivables

	2013	2012
Trade debtors	156 408	12 198
Sundry debtors		5 987
Prepaid expenses	12 312	
Deposits	96 000	96 000
Tax refunds	10 514	
	275 234	114 185

Figures in Rands

	2013	2012
8 Cash and cash equivalents		
Favourable cash balances		
Bank balances	27 132 187	19 642 861
9 Borrowings		
Current portion of long-term liabilities	255 338	
	255 338	
Repayable within one year, transferred to current liabilities	(255 338)	
10 Commitments under operating leases		
The entity rents several offices under operating leases. The leases are for an average period of five years with fixed rentals over the same period..		
Minimum lease payments under operating leases recognised as an expense during the year	2 181 225	1 903 347
At year-end, the company has outstanding commitments under non-cancellable operating leases that fall due as follows:		
Within one year	1 831 839	1 598 473
Later than one year but within five years	2 289 798	4 126 274
	4 121 637	5 724 747

Figures in Rands

	2013	2012
11 Trade and other payables		
Provision for leave pay	209 462	128 171
Accrued employee costs	974 790	963 273
Subscriptions received in advance	24 800 317	17 985 122
Trade creditors	85 131	162 901
Value added tax	285 773	508 062
	26 355 473	19 747 528

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. The carrying amounts approximate fair value.

Employees' entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to the statement of financial position date.

Figures in Rands

12 Subscriptions

An analysis of subscriptions is as follows:

Subscriptions received

	2013	2012
	21 961 642	20 925 238

13 Operating surplus

Operating surplus is arrived at after taking into account the following items:

Income

Profit on disposal of property, plant and equipment

6 300 9 600

Depreciation

Owned assets

Furniture and fittings

(131 551) (131 551)

Other property, plant and equipment (security equipment)

(1 891)

Office equipment

(4 929) (7 759)

IT equipment

(358 256) (260 882)

(494 736) (402 083)

Auditors' remuneration

Audit fees – current

118 462 113 107

Operating lease charges

Premises

2 181 225 1 903 347

14 Finance income

Interest received

790 468 692 066

15 Surplus

The surplus was generated due to budgeting for a general manager's position which became redundant during the financial year. The 2014 budget has been adjusted accordingly.

Figures in Rands

16 Directors' emoluments

Fees paid to directors for services:

JF Myburgh SC

149 793 104 860

TN Raditapole

88 468 68 480

D Terblanche

34 026 79 180

T Venter

90 736 85 600

TN Msibi

79 394 32 100

J Mathekga

10 000

P Beck

22 684

C Coovadia

N Lala Mohan

I Steyn

J Taylor

465 101 380 220

17 Risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest risk

The company has no borrowings that are either at fixed interest rates or market interest rates.

Investment risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company deposits cash with only major banks with high quality credit standing and limits exposure to any one counterparty. The company deposits the bulk of its cash in a money market call account managed by Stanlib and transfers cash to an FNB current account as and when funds are required for operations.

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in Rands

	2013	2012
Gross subscriptions	21 961 642	20 925 238
Subscriptions received	21 961 642	20 925 238
Other income		
Finance income	790 468	692 066
Profit on sale of fixed assets	6 300	9 600
	796 768	701 666
	22 758 410	21 626 904
Expenditure		
Amortisation – intangible assets	336 403	90 155
Auditors' remuneration	118 462	113 107
Bank charges	10 184	9 384
Board fees	465 101	380 220
Call centre	212 952	284 696
Consulting fees	161 519	60 867
Depreciation – tangible assets	494 736	402 083
Entertainment and travel	116 718	100 495
Equipment rental and maintenance	239 256	290 737
Gifts	2 265	1 474
Insurance	84 956	73 673
IT expenses	992 458	752 143
Lease rental on operating lease	2 181 225	1 903 347
Offsite storage	17 248	34 455
Postage and courier services	9 836	6 630
Printing and stationery	44 177	58 913
Promotions	668 268	467 238
Recruitment fees	238 928	65 031
Repairs and maintenance	88 049	83 974
Salaries	14 485 014	13 887 681
Staff welfare	36 037	42 421
Subscriptions and publications	54 799	63 506
Tax, penalties and interest	75 769	121 908
Telephone and fax	161 479	179 800
Training and development	189 237	232 576
	21 485 076	19 706 512
Surplus for the year	1 273 334	1 920 392

CONTACT INFORMATION

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