



The Sierra Leone Gazette

(Extraordinary)

Published by Authority

Vol. CXLXIII

FRIDAY 8TH APRIL, 2022

No. 20

FREETOWN. 8th April, 2022

Govt. Notice No. 93

BANK OF SIERRA LEONE

FINANCIAL CONSUMER PROTECTION GUIDELINES 2022

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PRINTED AND PUBLISHED BY THE GOVERNMENT PRINTING DEPARTMENT, SIERRA LEONE

Annual Subscription:—Inland—Le450,000.00, Overseas—Le2,750,000.00

To be purchased from the Government Bookshop, Wallace Johnson Street, Freetown. Price:—Le10,000.00

G.P. O/49/22/600/3.22.

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1.0. Authority

The Bank of Sierra Leone issues these Financial Consumer Protection Guidelines (hereafter referred to as 'the Guidelines') in exercise of powers conferred by Section 53 of the Other Financial Services Act 2001 and Section 53 of the Banking Act 2019 and any successor laws.

1.1. Objectives

The broad objective of these Guidelines is to enhance customer confidence in the financial services industry and promote financial stability. Other specific objectives of these Guidelines are to:

- a. protect customers from unethical and predatory practices that undermine trust in the use of financial products and services;
- b. improve communication between financial services providers and customers;
- c. support customers to best manage their finances and any financial shocks.

1.2. Scope

These Guidelines shall apply to all financial services providers licensed, registered and supervised by the Bank of Sierra Leone.

1.3. Interpretation

In these Guidelines, unless the context requires otherwise:

- (1) "Agent" means: a natural or legal person who provides agency services to customers on behalf of a principal under an agency agreement.
- (2) "Complaint" means: any dissatisfaction expressed by a customer about the provision of or failure to provide a financial product or service.
- (3) "Conflict of interest" means: a situation in which a person, such as a staff member or agent of a financial services providers, is in a position to derive personal benefit from actions or decisions made in her or his official capacity.
- (4) "Customer" means: a natural or legal person who uses, has used and/or may prospectively use any financial product or service. The term 'customer' is often used interchangeably with the term 'consumer'.
- (5) "Disclosure" means: any information (whether written, oral, or visual) on pricing, terms and conditions, risks, etc. which financial services providers share with customers.
- (6) "Duress" means: the act of using force, threats, abuse, etc. to coerce a customer into a contract or transaction.
- (7) "Fair treatment" means: the responsibility of financial services providers to conduct business in accordance with ethical and secure policies and practices, treat customers in good faith and with respect, ensure that sales are suited to the needs and financial situations of customers, apply responsible lending practices, etc.
- (8) "Financial services providers" means: a natural or legal person who is licensed either under the Banking Act 2019 or the Other Financial Services Act 2001 or any successor law to undertake financial activities in Sierra Leone.
- (9) "Gift" means: any item of value, such as a holiday hamper, which might generate a benefit to the recipient if accepted.
- (10) "Guarantor" means: a person who guarantees to pay a customer's debt should the customer default on a loan obligation.
- (11) "Key facts statement" means: a concise and user-friendly written summary of the key features and risks of a financial product or service.
- (12) "Overindebted" means: the condition of having too much debt. This term usually applies to customers who face major difficulties because their loan repayments are close to or exceed their income.

- (13) "Third party" means: a natural or legal person who is not the financial services providers (first party) or the customer (second party) such as an information technology service provider, etc.
- (14) "Total cost of credit" means: the total amount payable for a loan. The total cost of credit is calculated by adding all costs (interest payments, administrative fees, third party charges, etc.) which a customer is required to pay over the duration of a loan.
- (15) "Undue influence" means: the act of using a position of power and/or trust to persuade a customer to enter into a contract or transaction.
- (16) "Vulnerable" means: the condition of being susceptible to financial harm, particularly when a financial services providers is not acting with appropriate levels of care. Some customers are more vulnerable than others due to their personal circumstances and financial situation.
- (17) "Working day" means: any day except Saturdays, Sundays, and official national public holidays.

1.4. Responsibilities of the Board of Directors and Senior Management

In accordance with the Other Financial Services Act 2001 and the Banking Act 2019, the Board of Directors and Senior Management of a financial services provider shall bear ultimate responsibility for compliance with these Guidelines, including ensuring all business systems, policies, processes, and procedures align with customer needs, and monitoring and supervising the activities of staff, agents, and third parties acting on the institution's behalf.

1.5. Professional Competence

To ensure that all staff, agents, and third parties acting on the institution's behalf meet competency requirements, financial services providers shall establish:

- a. a training program for their staff to build familiarity with the products and services sold to customers and the financial customer protection requirements outlined in these Guidelines;
- b. a performance management system to ensure that the Board of Directors are adequately informed and able to take corrective action when needed.

1.6. Financial Education

Financial services providers shall collaborate with the Bank of Sierra Leone on Financial Literacy Campaigns within Sierra Leone.

2.0. Security of Funds

(1) Financial services providers shall:

- a. be liable to customers for losses due to fraud or misuse involving customer assets held, administered, or controlled by the institution, including the misuse of customer data and any breaches in data security, except in cases of customer fraud or gross negligence;
 - b. reimburse the full value of the unauthorised transaction and communicate with the customer throughout the investigation process, in accordance with section 5.1 (Complaints Procedures) of these Guidelines.
- (2) Financial services providers shall maintain records in writing (on paper or electronically) for at least 10 years:
- a. a transaction log of all transactions;
 - b. a fraud log of all suspected and actual instances of fraud, misuse and security breaches;
 - c. a service disruptions log of all planned and unplanned service disruptions such as system outages;

- d. a complaint log, in accordance with section 5.0 (Complaints Management) of these Guidelines.

2.1. Cybersecurity

In accordance with applicable legal provisions on cybersecurity, financial services providers shall develop and implement policies and procedures to ensure the confidentiality, security, and integrity of all customer data stored in its different databases, including a business continuity plan to ensure the reliability and availability of services.

3.0. Data Protection and Privacy

In accordance with applicable legal provisions on data protection and privacy, financial services providers shall:

- a. collect, use, store, process and share personal data only for legitimate purposes, including to prevent fraud and assess the suitability of a product or service for a customer, and in a manner that serves the customer's best interests, or if compelled by law;
- b. take every reasonable step to ensure that personal data is accurate and kept up to date, including providing customers with access to their personal data and updating or erasing any inaccurate or unlawfully collected or processed data;
- c. inform customers of the key facts related to data protection and privacy, including purposes of data collection and customers' rights, at or before data collection.

4.0. Fair Treatment

Financial Services Providers shall:

- a. act fairly, professionally, ethically, respectfully, equitably, honestly and reasonably in all dealings with customers especially those who are vulnerable;
- b. act in the best interests of customers throughout the product cycle, including the research, design, advertising and marketing, sales and distribution, contracting, and post sales stages.

4.1. Unfair Practices

Financial Services Providers shall not:

- a. engage in any unfair, unconscionable or deceptive practices which mislead customers;
- b. take advantage of customers whether or not they can fully understand the character or nature of a proposed transaction;
- c. discriminate against a customer on any grounds including sex, gender, race, colour, ethnic origin, tribe, community, creed, religion, sexual orientation, social standing, political opinion or disability;
- d. exert undue influence or duress on customers to enter into a transaction;
- e. offer, give, receive or solicit bribes or other 'gifts' or unfair inducements in return for special favour/advantage;
- f. engage in any practices that contravene the Banking Act 2019, Other Financial Services Act 2001, Anti-Corruption Act 2008, etc.

4.2. Unfair Terms and Conditions

Financial services providers shall not:

- a. include an unconscionable term in an agreement which causes a significant imbalance in the parties' rights and obligations to the detriment of customers;
- b. unduly limit customer choice or hinder competition including through bundling and tying practices;
- c. unduly limit a customer's ability to cancel or transfer a product or service to another institution.
- d. include a term which requires the customer to pay a disproportionately high sum in compensation or permit the financial services provider (FSP) to retain entire sums paid by the customer where the customer terminates the contract before its maturity;
- e. include a term which requires the customer to pay a disproportionately high sum in penalty as a consequence of a breach of contract by the customer;
- f. include a term which makes the customer fully liable for matters or losses incurred by the FSP that are not caused by the customer (excludes investment products where financial losses are due to changes in market prices);
- g. include a term which excludes or limits any obligation of the FSP to act with skill, care and diligence towards the customer in connection with the provision of any financial service or product;
- h. include a term which excludes or limits the FSP's liability for any error, omission, misrepresentation or negligence caused by the FSP's staff, representatives or agents;
- i. include a term which excludes or limits the FSP's liability for breach of contract or non-performance of obligations by the FSP;
- j. include a term which excludes or limits the FSP's obligation to honour commitments to the customer undertaken by the FSP's staff, representatives or agents;
- k. include a term which excludes or limits the customer's rights to take legal action or access to legal remedy in the event of total or partial non-performance of the FSP's contractual obligations;
- l. include a term which provides the FSP a right to vary the terms of the contract at its discretion without a valid reason and reasonable notice to the customer;
- m. include a term which provides the FSP a right to notify on variations to contract terms in any manner the FSP deems appropriate and the customer is deemed to have agreed to the variation;
- n. include a term which permits the FSP to unilaterally terminate the contract without reasonable notice except where there is a valid reason for doing so;
- o. include a term which gives the FSP the discretion to refuse the customer's request to terminate the contract without any valid reason;
- p. include a term which allows the FSP the exclusive rights to interpret any terms of the contract as it thinks fit;

- q. include a term which allows the FSP to assign or transfer the FSP's rights and obligations under the contract to the detriment of the customer.

4.3. Cooling-off Periods

Financial services providers shall:

- a) provide customers with a cooling-off period of 5 working days after purchasing a financial product or service during which the customer may cancel without incurring a penalty.
- b) be required to maintain and report to the BSL names of all customers who cancelled their facilities during the cooling-off period to prevent/avoid abuse of same.

4.4. Closure of Accounts

Financial services providers shall not close a customer's account without good reason and without providing a notice in writing (on paper or electronically) to the customer at least 30 working days in advance, except in cases where:

- a. the financial services provider has reported suspicious activity on the account for investigation;
- b. the customer is threatening, intimidating or violent toward staff or agents of the financial services providers;
- c. it is pursuant to an order of a court.

4.5. Product Suitability

- (1) Prior to entering into agreements with customers for any financial products or services, financial services providers shall take into account all information to assess:

- a. whether the products or services of interest suit the customer's needs, including:
 - i. risks, costs and potential negative impacts on the customer's financial situation;
 - ii. the customer's rights and obligations under the agreement.
- b. the customer's ability to fulfil the terms and conditions associated with financial products and services, particularly the customer's creditworthiness and ability to repay, based on information such as:
 - i. her or his debt repayment history;
 - ii. existing financial assets and obligations;
 - iii. for commercial-purpose loans, whether the customer's business is likely to generate sufficient cash flow;
 - iv. whether entering into the credit agreement would make the customer over indebted.

- (2) For all financial products or services, except fee-free basic accounts, financial services providers shall record:

- a. information collected on the customer's financial situation;
- b. the result of the product suitability assessment;
- c. any changes in the customer's financial situation and corresponding changes made to the product suitability assessment.

4.6. Debt Collection

- (1) If a customer does not make a repayment by the due date, financial services providers shall:
 - a. provide a notice in writing (on paper or electronically) at least **5 working days** for credit facilities with weekly repayments and **20 working days** for credit facilities with monthly repayments, prior to commencing any loan recovery processes;
 - b. make contact with the customer or guarantor only between **7 am and 8 pm**;
 - c. maintain records of all communication with customers.
- (2) Where a Financial services provider agrees to restructure a credit facility, the financial services providers shall:
 - a. provide the revised contract to the customer in writing (on paper or electronically).
 - b. shall read and explain to the content of the document to the customer in a language he/she understands.
 - c. ensure that the customer acknowledges his/her understanding of the document by signing or using finger print on every page.
- (3) Financial services providers shall not employ abusive debt collection practices, including:
 - a. physical and verbal violence, intimidation, threats and humiliation;
 - b. contact with people other than the customer or guarantor to discuss the customer's loan account.

5.0. Complaints Management

- (1) Financial services providers shall establish:
 - a. a separate unit responsible for customer complaints with staff who have the requisite knowledge to address customer complaints;
 - b. an internal manual of operation that clearly explains how customer complaints are addressed, escalated, and reported to the board and senior management, and who is responsible for each step of the process;
 - c. a range of free and appropriate communication channels - such as phone, SMS message, email, website complaint form, social media, letter, staff and agents - to address inquiries and complaints from customers;
 - d. a complaint log to record all complaints received and all correspondence and updates.

Format of the Complaint log

Case Number	Bank Reported	Case Details	Petitioner	Petitioner National ID	Date Received	Findings	Type of Complaint	Status	Remarks

- (2) Financial services providers shall deal with customer claims, complaints and disputes in a fair and timely manner.
- (3) Financial services providers are responsible for investigating and addressing complaints regarding agents and third parties.

- (4) Financial services providers shall submit monthly returns on the status of all cases to the Customer Protection Section at the Bank of Sierra Leone in the prescribed format and frequency.

5.1. Complaints Procedures

- (1) Financial services providers shall:
- a. provide a holding reply in writing (on paper or electronically) with a unique complaint reference number to the customer within 2 working days of receipt of the complaint;
 - b. investigate the complaint competently, promptly and impartially;
 - c. provide the customer with regular updates on the progress of the investigation;
 - d. assess what monetary or non-monetary relief (or both) may be appropriate;
 - e. explain its decision and any offer of monetary or non-monetary relief (or both) to the customer in a manner that is fair, clear and not misleading and in a language comprehensible to the customer;
 - f. resolve the complaint within 15 working days of receipt of the complaint and ensure that the agreed relief is accorded the customer instantly;
 - g. analyse complaints data to find patterns and take specific actions to address any recurring or systematic failings in processes, products and services, and staff behaviours.
- (2) If the financial services providers is unable to resolve the complaint within the stipulated period, the financial services providers shall:
- a. inform the customer of its requirement for additional time;
 - b. advise the customer of the outcome of the investigation within 10 working days.

5.2. Submission of Complaints to the Bank of Sierra Leone

The Customer Protection Section at the Bank of Sierra Leone shall:

- a. only accept complaints for review after the financial services providers has made a decision and the customer is not satisfied with this decision, including a lack of response;
- b. encourage mediation or reconciliatory meetings between customers and financial services providers;
- c. issue binding decisions for reviewed complaints, including orders for the financial services providers to comply with any offer of monetary or non-monetary relief (or both).

6.0. Disclosure and Transparency

- (1) Financial services providers shall disclose all relevant information at all stages of the relationship with customers, particularly in the pre-contractual stage.
- (2) All communication (whether written, oral, or visual) shall be in plain, simple language which is comprehensible to the customer.
- (3) Financial services providers shall read and explain every terms and conditions on the document to the customer in a language he/she understands and ensure that the customer acknowledges his/her understanding of the document by signing or using finger print on every page.

- (4) Financial services providers shall not disguise, diminish, obscure or conceal a material fact from the customer, particularly in the advertising stage, including providing false, misleading and unproven information, using voluminous documents, and omitting important terms and conditions.

6.1. Key Facts Statements

Prior to entering into any agreements, financial services providers shall provide the customer with a key facts statement in writing (on paper or electronically) and shall read and explain every terms and conditions to the customer in a language he/she understands and ensure that the customer acknowledges his/her understanding of the document by signing or using finger print on every page, containing the following information:

- a. the name, regulatory status, and business registration number of the financial services providers;
- b. contact information for inquiries and complaints;
- c. all relevant terms and conditions including the cooling-off period;
- d. all fees and charges applicable to each type of transaction or service allowed to be charged against the account, including costs such as account opening, account maintenance, international payments, overdraft facilities, balances below minimums, and account closure or cancellation;
- e. applicable initial rate of interest (fixed or variable), the basis upon which variable interest rates will be calculated if applicable, how and when the customer will be informed of new rates, and the maximum possible rate;
- f. for credit products:
 - i. all-inclusive total cost of credit in Sierra Leonean Leones (SLL) and a breakdown of the total cost, such as interest and principal payments, administration fees, and third party charges;
 - ii. a schedule and breakdown of all costs of each repayment instalment, or minimum monthly repayment in the case of revolving credit;
- g. any actual and potential conflicts of interest, particularly when the customer receives advice before entering into an agreement.

6.2. Guarantee Agreements

Prior to entering into any guarantee agreements, financial services providers shall provide a notice in writing (on paper or electronically) and shall read and explain every terms and conditions to the guarantor in a language he/she understands and ensure that the guarantor acknowledges his/her understanding of the document by signing or using finger print on every page.

The prospective guarantor shall be provided with the following minimum information:

- a. all relevant terms and conditions;
- b. advice on the quantum and nature of her or his potential liabilities;
- c. options to seek independent advice before acting as a personal guarantor.

6.3. Ex-ante Disclosure and Receipts

- (1) Before a financial services provider charges any fees, such as account maintenance and overdraft facility fees, and/or a customer makes a transaction, financial services providers shall provide a notice in writing (on paper or electronically) to the customer, free of charge, containing the following information:
 - a. a breakdown of all fees and charges which would be charged to the customer and, where applicable, fees imposed by third parties;
 - b. any actual and potential conflicts of interest, particularly when the customer receives advice before making the transaction.
- (2) After a customer makes a transaction, financial services providers shall provide a receipt in writing (on paper or electronically) to the customer, free of charge, containing the following information:
 - a. the name of the financial services provider;
 - b. the agent's unique ID number if applicable;
 - c. the amount, date, time and nature of the transaction;
 - d. a unique transaction reference number;
 - e. a breakdown of all fees and charges for the transaction;
 - f. the remaining account balance.

6.4. Account Statements

Financial services providers shall provide their customers, upon request, with periodic statements in writing (on paper or electronically) of her or his accounts, free of charge once every month, containing the following information:

- a. opening and closing balance changes;
- b. all transactions, values and dates, including a breakdown of fees and charges;
- c. interest rates applied to the account;
- d. any upcoming changes in terms and conditions.

6.5. Notices of Service Disruptions and Suspicious Account Activity

Financial services providers shall provide a notice in writing (on paper or electronically), including contact information for inquiries to all customers:

- a. at least 48 hours in advance for planned service disruptions, including when services will resume and, if available, the details of any alternative services;
- b. immediately after unplanned service disruptions and suspicious account activity.

6.6. Enforcement

- (1) To ensure compliance with Financial Consumer Protection guidelines within the financial industry, Bank of Sierra Leone shall ensure effective enforcement of these guidelines, with the application of appropriate sanctions.
- (2) Enforcement shall be timely, objective, firm and publicized to increase awareness and promote consumer trust.
- (3) The Bank of Sierra Leone shall have powers to obtain any relevant information from financial services providers and conduct off-site and on-site investigations to ensure compliance with these Guidelines.

- (4) Every financial services provider shall report in the form and at the time prescribed by the Bank of Sierra Leone.

6.7. Enforcement Methods

The BSL shall adopt effective mechanisms to support the enforcement of the Financial Consumer Protection guidelines.

1. The Bank shall conduct investigations when necessary, and findings shall form the basis for Management decision.
2. Contravention of the provisions of these guidelines shall attract appropriate sanctions which shall include the following:
 - a. Refund to customers in line with relevant regulations issued by the Bank;
 - b. Letter of apology;
 - c. Restriction on activities
 - d. Suspension from inter-bank activities;
 - e. Suspension/withdrawal of foreign exchange dealership license;
 - f. Denial of approvals;
 - g. Publication of infractions and sanctions;
 - h. Monetary penalties;
 - i. Product recall;
 - j. Adverts cancellation;
 - k. Warning letters to management /Board;
 - l. Suspension/removal of Board/management staff/employees;
 - m. Referral to law enforcement agencies for prosecution;
 - n. Revocation of banking license; and
 - o. Other sanctions deemed appropriate.
3. The BSL shall adopt other proactive mechanisms to monitor financial institutions' compliance with the provisions of the Financial Consumer Protection Guidelines.

7.0. Effective Date

These Guidelines shall become effective on the date it is published in the gazette.

This Publication Supersedes Publication of Extraordinary Gazette No. 18 Vol. CXLXIII of Friday 1st April 2022.