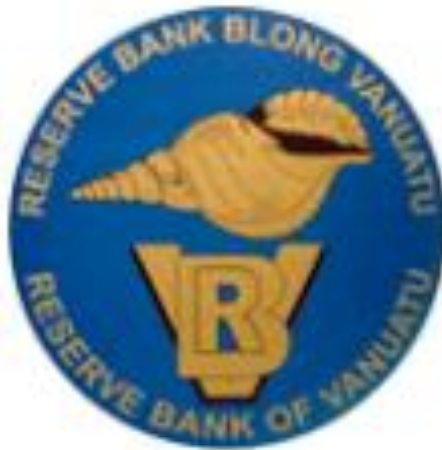


Vanuatu National Financial Consumer Protection Policy



November 2024

Acronyms and Abbreviations

ADB	Asian Development Bank
CBRP	ADB Pacific COVID-19 Business Recovery Program
CCP Policy	Vanuatu National Competition and Consumer Protection Policy. 2020. Port Vila.
DFS	Digital financial products and services
EDR	External Dispute Resolution
EIR	Effective Interest Rate
FCP	Financial Consumer Protection
FCP Diagnostic Report	ADB Vanuatu Financial Consumer Protection Diagnostic Report. (15 August 2024).
FI	Financial Institution
FI Act	Financial Institutions Act 1999 (as amended)
G20 FCP HLPs 2022	G20 High-Level Principles on Financial Consumer Protection (2022)
KFS	Key Facts Statement
LFI	Licensed Financial Institution
MFEM	Ministry of Finance and Economic Management
MFI	Microfinance Institution
Microfinance / Moneylending Diagnostic Report	Diagnostic Report for Policy Consideration: Microfinance and Moneylending in Vanuatu (15 August 2024)
MSME	Micro, Small, and Medium-sized Enterprise
MTTCNVB	Ministry of Tourism, Trade, Commerce & Ni-Vanuatu Business
NFIS	Reserve Bank of Vanuatu. 2018. National Financial Inclusion Strategy 2018 – 2023. Port Vila.
RBV Act	Reserve Bank of Vanuatu Act 1980 (as amended)
RBV	Reserve Bank of Vanuatu
VFSC	Vanuatu Financial Services Commission
WBG FCP Good Practices	World Bank Group. 2017. Good Practices for Financial Consumer Protection. Washington DC.
WBG Global FICP Survey	World Bank Group. 2022. Global State of Financial Inclusion and Consumer Protection. Washington DC.

Executive Summary

1. **The Government of Vanuatu recognizes the need for a national Financial Consumer Protection Policy (FCP Policy).** Such a policy aims to protect consumers from an imbalance in bargaining power and information deficiencies vis à vis financial institutions (FIs) and to build trust in the financial sector. This may in turn raise demand for financial products and services and encourage financial inclusion, resulting in economic benefits for all. It is especially important for consumers from marginalized and vulnerable groups including women, youth, and people with disabilities. Further, it is increasingly recognized that FCP frameworks need to apply for the benefit of owners of micro, small and medium enterprises (MSMEs), as well as individuals who acquire financial products and services for personal purposes.
2. **The Vanuatu FCP Policy has been developed in light of the comprehensive analysis and recommendations in the Asian Development Bank (ADB)-led Vanuatu Financial Consumer Protection Diagnostic Report dated 15 August 2024.** This report was prepared by the ADB funded Pacific COVID-19 Business Recovery Program (CBRP) at the request of the Governor of the Reserve Bank of Vanuatu (RBV). It was the subject of stakeholder consultations during the week of 12 – 16 August 2024. The proposed FCP Policy was also the subject of stakeholder consultations, including in the workshops and individual meetings conducted during the week of 18 – 22 November 2024.
3. **In summary, the FCP Policy is considered to be necessary for Vanuatu because:**
 - There are significant gaps between the Vanuatu legal and regulatory framework and international good practices for FCP. These gaps are a concern as a broad range of financial products and services are made available to Vanuatu consumers by both regulated and unregulated financial institutions and individuals.
 - A range of financial sector market practices of concern have also been identified. They include a lack of transparency to the terms and conditions, interest rates and fees and charges; high fees and charges for bank and payday loans; extremely high interest rates for payday loans; failure to give notice of changes to fees and charges; a lack of consistency in complaints policies and procedures; and the minimal arrangements for out-of-court resolution of disputes between financial sector consumers and FIs.
 - An FCP Policy and the related regulatory framework can also stimulate competition by having the same market conduct rules apply to all providers.
 - The new National Financial Inclusion Strategy 2025 – 2030) (NFIS) supports the need for the development of the FCP Policy.
4. **The development of an FCP Policy is also consistent with initiatives being taken by other countries in the Pacific Region, and elsewhere.** They include FCP frameworks which are in place, or being developed, in Fiji, the Solomon Islands, the Cook Islands and Papua New Guinea.
5. **In the FCP Policy:**
 - Part 1 describes the background to the development of the FCP Policy.
 - Part 2 describes the reasons why the FCP Policy is needed in Vanuatu.
 - Part 3 describes the current FCP legal and regulatory framework.
 - Part 4 describes the proposed overarching FCP Principles.
 - Part 5 describes an action plan for implementation of the FCP Principles.
 - Part 6 contains a roadmap for implementation of key FCP priorities.
 - Part 7 provides for ongoing review of the FCP Policy.

Part 1: Background

1. **In broad terms, “financial consumer protection” (FCP) “encompasses the laws, regulations, and institutional arrangements that safeguard consumers in the financial marketplace”.**¹ To put it another way, the focus of FCP frameworks is on ensuring fair treatment of consumers in their relationship with a provider of financial products and services, especially having regard to likely information asymmetries and imbalances in bargaining power. This is in contrast to prudential regulation where the focus is on the financial solvency and soundness of FIs and the market generally.
2. **An FCP framework is key to building trust in the financial sector, which can raise demand for financial services and encourage financial inclusion, resulting in economic benefits for all.** An FCP framework can also stimulate competition by applying the same market conduct rules to all types of financial product and service providers (traditional and innovative). Further, it is increasingly recognized that FCP rules need to apply to owners of micro, small and medium enterprises (MSMEs), as well as individuals.
3. **The risks faced by consumers of financial services arise from unequal bargaining power and / or information asymmetry challenges.** These risks may include aggressive sales and debt collection practices; terms and conditions and fees and charges which are not clearly disclosed; complex products which consumers do not understand and/ or do not meet their needs or financial capabilities; misuse of customer data; fraud or other misconduct; unreliable payments platforms; and discriminatory practices (including as to gender). They are exacerbated in environments where consumers face low levels of financial capability and are especially acute for individuals (including sole traders) and consumers in marginalized and vulnerable groups, including women, youth, and persons with disabilities.
4. **The rapid expansion of digital financial products and services (DFS) further supports the need for an FCP framework.** These developments may create new and enhanced risks for consumers because of new types of financial products and services (such as e-money); new distribution and service delivery channels (for example, through agent networks), new types of providers (such as telecommunication companies providing mobile money services), new data privacy and protection concern and the reported increases in different types of cyber fraud
5. **Global emergencies such as COVID-19 and the need to respond to natural disasters may exacerbate these issues, as well as creating new challenges.** The challenges include the increased use of unfamiliar DFS by vulnerable consumers, difficulty in meeting repayment obligations, deterioration in customer service with shorter banking hours and staff shortages.
6. **Against the above background a wide variety of FCP-related international standards, good practices and guidance has been developed.** A key example is the World Bank Good Practices for Financial Consumer Protection (2017)² (WBG FCP Good Practices). They contain standards covering retail financial products and services, including deposit and credit, insurance, private pensions, securities, and retail payments services. Importantly they provide that jurisdictions should have “a clear legal framework that establishes an effective regime for the protection of consumers”³. Further detailed guidance is provided on the following areas: the legal and regulatory framework; disclosure and transparency; fair treatment and business conduct; data protection and privacy; internal complaints handling and out-of-court alternative dispute resolution (ADR) systems; and depositor protection. There is also guidance on credit reporting systems which covers the legal and regulatory framework, consumer rights in credit reporting and disclosure and transparency. Finally, there is guidance on financial capability strategies and programs.⁴

¹ World Bank Group, header to responsible finance website: available [here](#).

² World Bank Group. Good Practices for Financial Consumer Protection. 2017. Washington DC.: available [here](#).

³ See, for example, Chapter 1, Section A1 of the WBG FCP Good Practices (relating to deposit and credit products)

⁴ There is also guidance on i) credit reporting systems which covers the legal and regulatory framework, consumer rights in credit reporting and disclosure and transparency (Annex B); and ii) financial capability strategies and programs (Annex C).

7. There are also other international good practices covering financial consumer protection issues. They include the G20 / OECD. 2022. High-Level Principles on Financial Consumer Protection (G20 FCP HLPs)⁵, which contains principles for all types of financial products and services and are similar in scope to the WBG FCP Good Practices. They cover the following topics:
- Principle 1: Legal, Regulatory and Supervisory Framework
 - Principle 2: Role of Oversight Bodies
 - Principle 3: Access and Inclusion
 - Principle 4: Financial Literacy and Awareness
 - Principle 5: Competition
 - Principle 6: Equitable and Fair Treatment of Consumers
 - Principle 7: Disclosure and Transparency
 - Principle 8: Quality Financial Products
 - Principle 9: Responsible Business Conduct and Culture of Financial Services Providers and Intermediaries
 - Principle 10: Protection of Consumer Assets against Fraud, Scams and Misuse
 - Principle 11: Protection of Consumer Data and Privacy
 - Principle 12: Complaints Handling and Redress

Part 2: Reasons for National Financial Consumer Protection Policy for Vanuatu

8. **The Government of Vanuatu's policy commitment to FCP is clearly demonstrated in Vanuatu's new National Financial Inclusion Strategy [2025-2030] (NFIS).** The priority Pillar 4 – Financial Education, Capability and Consumer Protection outlines priority actions to establish a robust consumer protection ecosystem for the financial sector.
9. **Vanuatu's National Competition and Consumer Protection Policy⁶ (CCP Policy), also supports the need for a consumer protection framework for the banking and insurance sectors.⁷** The CCP Policy is administered by the Ministry of Tourism, Trade, Commerce & Ni-Vanuatu Business.
10. **The FCP Policy is further supported by the comprehensive analysis and recommendations in the ADB-led Vanuatu Financial Consumer Protection Diagnostic Report, dated 15 August 2024 (FCP Diagnostic Report).** This report was prepared by the ADB funded Pacific COVID-19 Business Recovery Program at the request of the Governor of the RBV. It was the subject of consultations with government agencies and financial sector industry stakeholders during the week of 12 – 16 August 2024.
11. **The FCP Diagnostic Report indicates that, although the Government of Vanuatu has a commendable commitment to FCP, Vanuatu's current FCP legal and regulatory framework is extremely limited with significant gaps as compared to international good practices.** For example, not all providers of financial products and services are required to be licensed or registered; and there are no requirements for licensed financial institutions (LFIs) to disclose terms and conditions or fees and charges and no overarching fair treatment obligation; or rules concerning unfair terms; product design and suitability (including for responsible lending); fraud or misuse of customer assets; or for complaints handling by LFIs or for an external dispute resolution service which can deal with disputes between consumers and LFIs outside the courts system.

⁵G20 / OECD. 2022. High-Level Principles on Financial Consumer Protection, available [here](#).

⁶ Vanuatu National Competition and Consumer Protection Policy. 2020. Port Vila.

⁷ CCP Policy, paragraphs 4.2, 80 and 83.

12. **The gaps in the legal and regulatory framework are a concern as a broad range financial products and services are available to Vanuatu consumers (including individuals and MSMEs).** They include products and services provided by licensed domestic banks; one other licensed deposit taking institution; moneylenders providing payday loans; 2 microfinance institutions; general insurers and insurance intermediaries; savings and loan societies (financial co-operatives); and securities firms (financial dealers, mutual funds, and unit trusts).
13. **A range of market practices of concern have also been identified.** They included: a lack of transparency as to terms and conditions, interest rates and fees and charges for common consumer products and services; the level of fees and charges for bank loans and in relation to payday loans; failure to give notice of changes to fees and charges; a lack of consistency in complaints policies and procedures; and the non-existence of an external dispute resolution service for disputes concerning common consumer products (especially credit and deposit products). A further concern is the extremely high rates of interest charged by unregulated moneylenders for payday loans (often cited as around 10-20% per fortnight).
14. **Importantly, not all FIs providing financial products and services to consumers are required to be licensed or registered.** A key example is a credit provider who does not take any form of deposit, and regardless of whether they take security. Examples include a payday lender, a provider of credit for the purchase of goods and services (such as white goods purchased from a department store) and microfinance institutions who do not take deposits.
15. **Many other countries have also introduced standards reflecting formal international FCP good practices or are considering doing so.** A World Bank global survey indicates the extent to which this has been done (see World Bank Group. 2022. *The Global State of Financial Inclusion and Consumer Protection*⁸)(WBG Global FICP Survey). For example, the Survey indicated that of the 113 responding jurisdictions, 63 (56%) had had a stand-alone FCP law or regulation. Another relevant finding was that 55 jurisdictions had a general consumer protection law with specific reference to financial products and services. Other countries have also recently developed an FCP framework or are in the process of doing so. This includes Fiji⁹, the Solomon Islands¹⁰, the Cook Islands¹¹, Papua New Guinea¹², and Tonga¹³.
16. **Separate to the FCP Diagnostic, the ADB's CBRP also conducted a diagnostic on the need for a policy and regulatory framework applicable to money lenders, and unregulated microfinance institutions.** This diagnostic is the subject of a report dated 15 August 2024 entitled the *Diagnostic Report for Policy Consideration: Microfinance and Moneylending in Vanuatu* (Microfinance / Moneylending Diagnostic Report). The Government will address separately the need for a national policy which specifically addresses microfinance and moneylending activities in Vanuatu.

⁸ World Bank Group. 2022. *The Global State of Financial Inclusion and Consumer Protection*, available [here](#)

⁹ The Reserve Bank of Fiji announced on 29 March 2024 the release of Financial Systems Development Policy Statement t No.3 for the Protection and Fair Treatment of Financial Consumers (FSDPS 3), as well as the Prudential Supervision Policy Statement No.3 on Minimum Requirements for the Management of Culture and Conduct Risk for Supervised Entities (PSPS 3). The press release is available at: <https://www.rbf.gov.fj/reserve-bank-of-fiji-approves-new-policies-for-financial-consumers-culture-and-conduct-risk/>

¹⁰ Solomon Islands, Central Bank of Solomon Islands Prudential Guideline No. 21 on Financial Consumer Protection, available at: https://www.cbsi.com.sb/wp-content/uploads/2023/06/PGN-21-Consumer-Protection-Guidelines_Revised-Final-032023-002.pdf

¹¹ Cook Islands Financial Supervisory Commission Proposed Financial Consumer Protection Guidelines 2024, available at: <https://www.fsc.gov.ck/Documentation/FC/draft%20FSC%20FCP%20Guidelines%20for%20Consultation%2030.09.pdf>

¹² Bank of Papua New Guinea, Financial Consumer Protection Bill 2023, available at: <https://www.bankpng.gov.pg/downloads/financial-consumer-protection-bill/>

¹³ National Reserve Bank of Tonga Strategy 2028, 5 – Year Plan includes the development of a Financial Consumer Protection Policy as a Key Strategic Results Area (KSRA) (KSRA 2.17), available at: http://www.reservebank.to/data/documents/Publications/NRBT_SP2028_Dec23.pdf

Part 3: Existing Financial Consumer Protection Legal and Regulatory Framework in Vanuatu

17. The FCP Diagnostic Report contained a detailed review of key Vanuatu financial sector laws against relevant aspects of the WBG FCP Good Practices and the G20 FCP HLPs. The key laws considered were as follows (as amended and referred to as a “Key Law”):

- Reserve Bank of Vanuatu Act 1980;
- Vanuatu Financial Services Commission Act 1993;
- Financial Institutions Act 1999;
- Co-operative Societies Act 1987;
- Credit Unions Act 1999;
- Insurance Act 2005;
- National Payment System Act 2021;
- Mutual Funds Act 2005;
- Unit Trusts Act 2005; and
- Financial Dealers Licensing Act 1971.

18. Other potentially relevant Vanuatu laws which were reviewed include the following (as amended):

- National Bank of Vanuatu Act 1990
- Vanuatu National Provident Fund Act 1986;
- Business Names Act 1990;
- Business Licence Act 1998; and
- Personal Property Securities Act 2008; and
- Price Monitoring and Consumer Affairs Act 2023.

19. For completeness, it is noted that Vanuatu does not appear to have a wide range of laws relevant to FCP which are commonly found in other jurisdictions. They include laws on private pension funds; microfinance or money lending or hire -purchase or credit sales of goods or services or a law on general consumer protection.

20. The FCP topics considered in the abovementioned FCP Diagnostic Report included:

- The FCP regulatory mandate of the RBV and the Vanuatu Financial Services Commission (VFSC)
- Licensing and registration;
- Disclosure and transparency;
- Fair treatment and business conduct;
- Data protection and privacy;
- Complaints and dispute resolution; and
- Enforcement powers.

21. The key findings of the FCP Diagnostic Report are summarised below.

22. Vanuatu does not have an overarching FCP law and there are only very limited FCP provisions in the legal and regulatory framework. The main areas covered to some extent are licensing requirements for some types of FIs and enforcement powers for the RBV and the VFSC. However, there remain significant gaps as compared to international good practices. The key gaps are as follows:

- **Not all FIs are required to be licensed or registered.** A key example is a credit provider who does not take any form of deposit. Examples could include:
 - a pay day lender;
 - a provider of credit for the purchase of goods and services (such as white goods purchased from a department store); and
 - a microfinance institution.
- **There are no, or only very limited, FCP provisions:**
 - for disclosure of terms and conditions, fees, and charges, including in a form which facilitates product comparisons;
 - requiring statements of account to be provided, or transaction receipts;
 - requiring customers to be treated fairly at all stages of the FI / customer relationship;
 - which make void terms which are substantively unfair;
 - which prohibit unfair sales practices (such as misleading and deceptive conduct);
 - setting responsible lending standards to the effect that a lender should have policies and procedures to ensure that a credit product can be repaid without substantial hardship;
 - requiring an FI to ensure a particular financial product or service is suitable for a specific customer;
 - requiring products or services to be designed to suit the needs of customers in the target market;
 - which prohibit restraints on the ability of customers to switch providers (such as onerous pre-payment fees);
 - describing professional competence standards for employees, agents, and other intermediaries;
 - requiring data protection and privacy safeguards;
 - setting common standards for complaints handling; and
 - requiring or providing access to an external dispute resolution scheme which can deal with disputes between consumers and FIs outside the courts system; and
- **The laws reviewed do not usually provide the relevant regulator with all the FCP – specific powers contemplated in the FCP Good Practices.** For example, power:
 - to suspend or withdraw a financial product or advertising material; and
 - to make orders requiring the payment of compensation and refunds to consumers;
 - or
 - to initiate action on behalf of consumers.

Part 4: Financial Consumer Protection Principles

23. The Financial Consumer Protection Principles (FCP Principles) set out below reflect international good practices adapted for the Vanuatu context and the results of stakeholder consultations.

24. The FCP Principles will:

- have potential to apply to any person or legal entity providing financial products and services in Vanuatu but initially will only be implemented in relation to entities licensed or registered by the RBV (LFIs), with other providers to be considered for coverage when the FCP Policy is first reviewed as contemplated below;
- be for the benefit of a “consumer” who is either an individual or a micro, small or medium enterprise; and
- apply in relation to all traditional and innovative financial products and services; and

- in the long term, be reflected in Vanuatu's overall financial sector legal and regulatory framework.

25. The FCP Principles are:

FAIR TREATMENT AND BUSINESS CONDUCT PRINCIPLE

Consumers are treated fairly and respectfully at all times, with fair treatment being central to the culture of the relevant LFI; LFIs do not engage in misleading, deceptive, fraudulent, abusive, or aggressive treatment or conduct which discriminates on the basis of a personal attribute of the consumer (such as their name, address, age, gender, race, ethnicity, religion, political affiliation, marital status, nationality or disability); and clear and distinct attention is paid to the special needs of vulnerable consumers.

DISCLOSURE AND TRANSPARENCY PRINCIPLE

LFIs provide consumers are provided with accurate and timely information in plain language at all stages of their relationship with a financial service provider, including about the features, risks, terms and costs of financial products and services, which is sufficient to enable them to make informed financial decisions.

PRODUCT DESIGN AND SUITABILITY PRINCIPLE

Financial products and services are designed and marketed by LFIs having regard to the likely financial capability, objectives and needs of consumers in the target market (including vulnerable consumers); they perform as expected; and any personal advice provided considers the consumer's individual financial capability, objectives, and needs.

RESPONSIBLE LENDING PRINCIPLE

LFIs provide credit facilities only after a thorough assessment of the ability of the consumer to repay the credit without substantial hardship and all borrowers are treated ethically if they are in default.

DATA PROTECTION AND PRIVACY PRINCIPLE

LFIs keep personal data confidential and secure having regard to the original purpose of collection and within the limits required by law and informed customer consent.

CONSUMER RECOURSE PRINCIPLE

Internal complaints resolution: LFIs have an adequate structure and written policies and procedures to resolve complaints efficiently, promptly, and justly.

External dispute resolution: Consumers and security providers who are dissatisfied with an LFI's response to a complaint have access to an external dispute resolution system which meets minimal criteria relating to independence, accessibility, effectiveness, and transparency.

Part 5: Action plan for implementation of the FCP Principles

FCP Guidelines

26. As a first step regulatory guidelines are to be developed by the RBV for implementation of the FCP Principles covering at least the high priority topics described below (FCP Guidelines). They will be the subject of stakeholder consultations with Government agencies, industry and the public.

27. The scope of application for the FCP Guidelines is to be as follows:

- The FCP Guidelines will apply to LFI's;
- Initially the FCP Guidelines will only apply to commonly used credit, deposit and payments products, although over time they may be extended to other types of financial products and services; and
- Protected consumers are to include individuals and entities operating micro, small and medium enterprises.

28. The FCP Guidelines will initially set out the RBV's expectations as to compliance without being legally binding. The expectations as to the extent of compliance may however depend on the nature, scale, and complexity of the relevant LFI's business. Further, over time consideration may be given to developing legally binding regulations or a separate Act of Parliament covering the Government's FCP priorities.

29. The FCP Guidelines are to cover at least the following high priority topics described below. Further details are to be developed. As noted above, the proposed FCP Guidelines will be the subject of stakeholder consultations.

Financial Consumer Protection Principles:

LFI's will be expected:

- to comply with each of the FCP Principles at all stages of the LFI consumer relationship including the pre-contractual, contractual and post-contractual stages; and
- to have a compliance plan, processes and procedures, resources and capacity to meet the expectations in the FCP Guidelines.

Fair Treatment and Business Conduct Principle:

- **Overall fair treatment obligation:** LFI's will be expected to treat consumers fairly and respectfully at all times, with particular attention to be paid to the needs of individuals (including sole traders) and vulnerable consumers such as youth, women, and consumers with disabilities.
- **Unfair business conduct:** LFI's should not engage in pressure selling; misleading, deceptive, abusive, or aggressive treatment of consumers.
- **Interest on credit products:** interest is expected to be calculated on a declining balance basis and disclosed in a way which is not misleading or deceptive. For example, interest should be disclosed as a per annum rate of interest (not a monthly or fortnightly rate) and consumers should be warned that variable interest rates may change. Consideration may also be given to setting expectations about potentially usurious interest rates charged on credit contracts, whilst taking into account possible adverse effects.
- **Unfair terms:** There will be an expectation that "unfair terms" should not be used in standard consumer contracts. In brief, these are terms which are commonly considered as reflecting a significant imbalance in the parties' rights and obligations, where the terms are not reasonably required to protect the LFI's interests.
- **Anti-competitive fees and charges:** Fees should not be so excessive as to limit a consumer's ability to move between LFI's. *Consideration may also be given to including an expectation that fees and charges should be reasonable on the basis of relevant costs.*

Disclosure and Transparency Principle:

- **Pre-contractual disclosures:** it is expected that advertising and sales materials will not be misleading or deceptive. Further, there will be an expectation that providers of fixed term credit will provide a short form, standardized Key Facts Statement setting out key terms and pricing information.

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- **Contractual disclosures:** All terms and conditions, interest rates and fees and charges are expected to be clearly and simply disclosed, with reasonable advanced notice of any changes during the term of any contract.
- **Ongoing contractual disclosures:** Expectations will cover statements of account and transaction receipts.
- **Format and manner of disclosures:** There will be expectations as to legibility and simple and clear expression. Consideration will also be given to the need for the use of local languages in disclosures (English, Bislama or French). Electronic disclosures can be used unless the consumer objects and provided they are in a form that can be kept for future reference.

Product Design and Suitability Principle:

- **Design for vulnerable consumers:** LFI should be proactive in relation to gender equality issues, including by designing financial products and services that address the unique needs and challenges of women, including women-led MSMEs. LFI should also have regard to the needs of other vulnerable consumers in designing financial products and services, such as youth and consumers with disabilities.
- **Personal advice:** Personal advice about the suitability of a financial product or service should be provided on request or it seems reasonably likely that the consumer needs that advice. Further, the advice should be provided in a local language the consumer can understand, depending on the consumer's needs.

Responsible Lending Principle:

- **Credit affordability:** LFI should have clear, documented policies and procedures to assess credit affordability.
- **Abusive debt collection practices:** Debtors should not be unfairly harassed in relation to an overdue debt, for example by unreasonable disclosures to third parties or physical threats or damage to property.

Data Protection Principle:

- **Processes and procedures:** LFI should have clear, documented policies and procedures to ensure confidentiality and security of the personal information of consumers and any security provider and including any business information provided by an MSME.
- **Use of personal and business information:** LFI should only use or disclose personal data for the original purpose of collection or as required or permitted by law or with the express consent of the consumer.

Consumer Recourse Principle:

The key expectations for implementation of this Principle will cover the following topics:

- Board approved policies and procedures for resolving complaints efficiently, promptly, and justly;
- Time periods for dealing with complaints;
- Channels for making complaints;
- Staff training and capacity;
- Publication of the process for making complaints;
- Record keeping (including sex-disaggregated data);

- Reporting complaints data to the RBV; and
- Advising complainants of any external dispute resolution service which they can access if not satisfied with how an LFI deals with a complaint, including any service provided by the RBV.

Amendments to legal and regulatory framework

30. **The following changes to the legal and regulatory framework are to be developed and implemented.**
31. **As a first priority, all consumer credit providers (regardless of whether they take deposits) are to be required:**
- to be licensed or registered under the Financial Institutions Act 1999 (FI Act); and
 - to comply with any FCP provisions applicable to banks and deposit taking financial institutions to the extent they are relevant to the products and services provided by the consumer credit providers.
32. **The above change is considered necessary for various reasons.** They include the widespread concerns identified in the FCP Diagnostic Report with moneylending practices and the desirability of having a level playing field in the FCP rules applying to all FIs, thus helping to promote competition, and potentially financial inclusion.
33. **In the medium term, consideration will be given to developing RBV regulations to implement the FCP Principles in a way which creates legal binding obligations for LFIs.** Further, in the longer term, an overarching FCP law may be developed. It is anticipated that the law would apply to all financial product and service providers and reflects international good practices and the Vanuatu context. However, these steps will only be taken after a thorough assessment of the impact of the FCP Guidelines and consideration of the feasibility of the proposed new regulatory framework.

External dispute resolution

34. **The FCP Consumer Recourse Principle reflects the widely recognized international good practice to the effect that complainants who are dissatisfied with an LFI's response to a complaint should have access to an external dispute resolution (EDR) service.** Such a scheme should operate outside the formal court system given the likely complexity, costs and time delays involved in use of the courts. However, with very limited exceptions, there is not a formal EDR scheme for financial sector consumers in Vanuatu.¹⁴
35. **As a starting point, RBV will provide an EDR service for disputes between LFIs and their customers.** This will be done under arrangements to be developed and implemented at a future date. In parallel, consideration will be given to long-term feasible EDR options for Vanuatu, whilst considering funding, capacity and resource constraints.

RBV supervisory capacity and resources

36. **The Government is committed to ensuring that the RBV has the required capacity and resources to implement this Policy.** This will include capacity and resources for RBV to develop the proposed FCP Guidelines and to supervise their implementation using a proportionate, risk based approach, to acquire and train relevant staff, to develop FCP-specific supervisory tools and manuals (including technical tools), to design and implement the abovementioned EDR service and to educate both industry and consumers about this Policy, the FCP Guidelines, the EDR service and related matters.

¹⁴ The RBV occasionally receive complaints about LFIs from consumers which are usually referred back to the LFI. Insurance complaints may however be mediated by the RBV under the Insurance Regulations 2006. The VFSC may also have referred to it disputes involving the financial institutions it regulates if the consumer has made at least 3 unsuccessful attempts to settle the matter with the relevant FI. These disputes are referred to a United Kingdom based dispute resolution service. Finally, it is noted that under the Price Monitoring and Consumer Affairs Act 2023, the functions of the Bureau of Price Monitoring and Consumer Affairs include providing a complaints service.

Part 6: Initial Roadmap

37. This Part sets out a proposed roadmap for key steps needed to implement the FCP Policy. The timetable is tentative given the likely need for:

- support from international development partners; and
- consultations with expert advisers, government agencies and public and private sector stakeholders on the various implementation steps.

KEY STEP	LEAD AGENCY	GOVERNMENT	TIMEFRAME
1. Financial Consumer Protection Guidelines (FCP Guidelines)	RBV		
Develop FCP Guidelines for consultation	RBV		Q2, 2025
Consult on, and finalize, FCP Guidelines	RBV		Q3, 2025
FCP Guidelines to be implemented	LFI		Q2, 2026 (subject to a specified transitional period)
2. Require all credit providers to be licensed / registered by RBV under FI Act			
Develop proposed amendments to FI Act	RBV, MFEM		Q4, 2025
Consult on, and finalize proposed amendments	RBV, MFEM		Q4, 2025
Amendments to take effect	All credit providers		Q1, 2026
3. EDR Service			
Develop operational procedures for initial EDR service to be provided by RBV	RBV		Q4, 2025
Consult on, and finalize, proposed operational procedures	RBV		Q4, 2025
RBV EDR service to commence	RBV, LFI		Q2, 2026
Consideration of long-term feasible EDR options for Vanuatu	RBV		Q2, 2026

Part 7: Review of FCP Policy

38. The intent is to review and update this FCP Policy on a regular basis. This will most likely be done every 3 to 5 years. This is necessary given the rapidity and extent of ongoing financial sector and technological developments and the need to take account of any changes to other Government policies and regulatory developments.