

FINANCIAL CONSUMER PROTECTION GUIDELINE



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I. Introduction

The protection of consumers is increasingly recognized internationally as a major objective of regulatory and supervisory bodies. An FCP framework is aimed at protecting consumers from an imbalance in bargaining power and information deficiencies vis à vis financial institutions. Such a framework is key to building trust in the financial sector which in turn can raise demand for financial services and hence encourage financial inclusion, resulting in overall economic benefits. Further, consumer confidence and trust in financial markets can promote financial stability, growth, efficiency, and innovation over the long term. An FCP framework can also stimulate competition by having the same market conduct rules apply to all types of FIs.

The risks faced by consumers of financial services are numerous and may have significant implications. In general terms, they 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. They are especially acute for individuals and small businesses. It is also widely recognized that special attention needs to be taken of the needs of vulnerable consumers who are likely to have low levels of financial capability or related technological skills or other special needs.

The rapid expansion of digital financial products and services further supports the need for the FCP Guidelines. These developments may create new and enhanced risks for consumers because of the development of new types of financial products and services (such as mobile money); new distribution and service delivery channels (for example, through agent networks), new types of providers (such as telecommunication companies providing mobile money services) and new data privacy and protection concerns.

The FCP Guidelines are broadly based on FCP international good practices, whilst considering the key FCP issues relevant to Vanuatu. However, they are not intended to cover all FCP issues that may arise in larger, more complex economies. Examples of particular concern in Vanuatu include non-disclosure of the true cost of credit provided by unregulated moneylenders and the unreasonably high (and potentially usurious) rates of interest they charge; the lack of rules for the disclosure of terms and conditions, interest and fees and charges for credit and deposit products; and the very limited provision for fair complaints handling processes. The focus for Vanuatu is accordingly on ensuring consumers are treated fairly by all FIs, and that they receive the information they need about credit and deposit products, have access to an efficient, prompt, and fair service for resolving complaints which is transparent and accessible; and on ensuring that FIs engage in responsible lending practices and protect the confidentiality and security of customer information.

II. Authority

The Financial Consumer Protection Guidelines (FCP Guidelines) are issued for the purposes of implementing the Vanuatu National Financial Consumer Protection Policy 2025 (FCP Policy). Specifically, the FCP Policy provides guidelines to be developed by the RBV for implementation of the Financial Consumer Protection Principles (FCP Principles) described in the FCP Policy (section 5.1).

The issue of the FCP Guidelines is also supported by the Reserve Bank of Vanuatu's (RBV's) principal objects under section 3 of the Reserve Bank of Vanuatu Act 1980 (as amended) (RBV Act). The RBV's objectives include *"to supervise and regulate banking business and the extension of credit"* and *"to promote a sound financial structure"* and *"to foster financial conditions conducive to the orderly and balanced economic development of Vanuatu"* *"to regulate and supervise domestic and international (offshore) banks"* (sections 3 (aa), (d), (e) and (f)). The RBV also has powers in relation to the regulation of interest and credit (section 34),

The FCP Guidelines also reflect the RBV's strategic priorities as outlined in the RBV Strategic Roadmap 2021 – 2025. These priorities include the modernization of the RBV's regulatory framework so as to better provide for digitization of financial services and products and innovation and the promotion of public awareness and education in relation to financial products and services. Further, the **Vanuatu National Competition and Consumer Protection Policy 2020** identifies as an area for review the laws, practices and procedures relating to "competition and consumer safeguards in the banking and insurance sectors (paragraph 80).

III. Definitions

In these Guidelines the following terms, unless the context requires otherwise, have the meanings specified below:

Term	Definition
Complaint	An expression of dissatisfaction made to an FI about a financial product or service or about the FI's conduct towards the relevant consumer which is not just a simple enquiry, and which is not immediately resolved when first made and "complainant" has a corresponding meaning.
Consumer	An individual or an MSME that is a current or a prospective customer of a FI in relation to a financial product or service to be used for personal or business purposes.
Dispute	A complaint made to an FI which: (a) has not been resolved to the complainant's satisfaction; or (b) the complainant has not been advised of the FI's decision within the timelines provided for by these Guidelines.
Effective interest rate or EIR	A per annum rate which reflects the true total cost of a fixed term loan (including all interest charges and other fees and charges) and which is calculated in accordance with a standardized formula approved by the RBV.
FCP	Financial Consumer Protection
Key Facts Statement" or KFS	A short form (1-2 pages) document summarizing key terms and pricing for commonly used financial products and services, which is in a standardized format approved by the RBV.
Financial institution or FI	An entity licensed or registered by the RBV
Financial products and services	Any product or service of a financial nature marketed, offered or provided to consumers by a financial institution and, without limitation, includes any credit, deposit, insurance or payments product or service.
Micro, small or medium enterprise or MSME	Any enterprise which has up to VT20,000,000 in gross annual revenue.
Payday loan	A loan which is repaid by deductions from the consumer's salary.
Payroll deduction	A any deduction made from a consumer's salary for the purpose of making a payment

	to a financial institution in relation to a loan or any other type of credit facility.
RBV	Reserve Bank of Vanuatu
VNPF	Vanuatu National Provident Fund.
Vulnerable consumer	A consumer, or a group of consumers, who is or are likely to have low levels of financial capability or related technological skills or to have other special needs in relation to financial products and services, and may include women, youth, the elderly, the unemployed, displaced persons, rural populations and persons with disabilities, who are functionally illiterate or are on low incomes.

IV. Application

1. **The FCP Guidelines apply to financial institutions operating in Vanuatu which are licensed or registered by the RBV (FIs).** FIs currently include licensed banks and other deposit taking institutions; and licensed insurers and insurance intermediaries (managers, agents and brokers). The RBV also expects that the Vanuatu Rural Development Bank (VRDB) and the Vanuatu National Provident Fund (VNPF) will comply with the Guidelines in CP Guidelines will apply to currently regulated moneylenders and other credit providers who are registered under new regulations being considered by the RBV.
2. **The FCP Guidelines are non-binding guidance as to the RBV's general expectations.** They are not to be interpreted as affecting rights and obligations under any law applicable in Vanuatu. This includes the following laws (as amended); the Financial Institutions Act 1999; National Payment System Act 2021; the Price Monitoring and Consumer Affairs Act 2023; the Personal Property Securities Act 2008; and the Vanuatu National Provident Fund Act 1986.
3. The RBV expectations to the extent of compliance with the FCP Guidelines will depend on the nature, scale, and complexity of the relevant FI's business. Relevant factors could be the types of financial products and services provided by an FI and the extent to which the consumers with whom the FI interacts may be considered as "vulnerable consumers: (see definition in section II "Definitions").
4. Initially the RBV only expects FIs to apply the Guidelines to commonly used credit and deposit products (each a "financial product or service" as defined above). This would include, for example, credit products such as secured and unsecured personal loans; home loans; credit cards; fixed term loans; credit sale facilities; and lines of credit (such as overdrafts); and deposit products such as transaction accounts, savings accounts, and fixed term deposits. Over time the Guidelines may be extended to apply to other types of financial products and services such as short and long-term insurance products; services provided by insurance agents and brokers; and payments products such as mobile money, mobile banking services, and domestic and international remittances.
5. **A "consumer" for the purpose of these Guidelines includes:** (i) individuals who acquire a financial product or service for personal purposes; and (ii) micro, small and medium enterprises (MSMEs) (including sole traders and corporate entities) which acquire a financial product or service for the purposes of their business. It is considered that MSMEs should be covered on the basis that they are as likely as individuals who engage with FIs for personal purposes to have an imbalance in bargaining power and information deficiencies vis à vis the FI. Further, it is likely to be very difficult to distinguish between a personal and a business purpose of a financial facility for a small MSME. An "MSME" is defined for these purposes is defined in the FCP Policy as any enterprise which has up to VT20,000,000 in gross annual revenue (paragraph 26). This definition also applies in these Guidelines.
6. **There is not a monetary cap on the value of a covered financial product or service.** This is because it would be difficult to determine appropriate limit(s) given the diversity in the value and type of relevant financial products and services; the rationale for FCP rules does not depend on their value; and FCP international standards do not support this approach.

V. Overarching FCP Responsibilities

1. FIs should have, and apply, documented internal processes, procedures, and policies which reflect these FCP Guidelines, including the Financial Consumer Protection (FCP) Principles described below. Depending on the nature, scale, and complexity of the relevant FI's business, this should include, for example:
 - (a) having a written plan for compliance with the FCP Guidelines which is approved, and regularly reviewed and updated, by the FI's Board or by senior management if there is no Board;
 - (b) FIs ensuring that they have the required resources and capacity to meet the expectations reflected in the FCP Guidelines (including appropriately trained staff and agents, IT systems, records and documented processes and procedures);
 - (c) designating a member of senior management to oversee compliance on a day-to-day basis; and
 - (d) in relation to their employees, agents, and other intermediaries, FIs should:
 - (i) ensure they are trained and monitored on relevant aspects of the FCP Guidelines, and on the features, risks, terms, and pricing (such as interest, fees, and charges) of the FI's products and services (to the extent relevant to their role);
 - (ii) take responsibility for their actions and omissions; and
 - (iii) have in place compensation and remuneration arrangements which do not create a conflict of interest with the expectations in these Guidelines and especially for the fair and respectful treatment of consumers.
2. The FCP Principles described below are as stated in the FCP Policy (Part 4), except that they refer to "FIs" rather than "FSPs".

VI. Fair Treatment Principle

Fair Treatment Principle:

FIs treat consumers fairly and respectfully at all times. In particular, fair treatment should be central to the culture of the relevant FI and FIs should 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.

FIs ensure consumer funds and other assets (such as savings, deposits, mobile money account balances, and securities) are safeguarded and protected against misuse, including against cybersecurity, fraud, scam and system risks.

3. FIs are expected to comply with the Fair Treatment Principle in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
4. **Overall fair treatment obligation:** FIs are expected to treat consumers fairly and respectfully at all times, with special attention to be paid to the needs of individuals (including sole traders) and vulnerable consumers.
5. **Unfair business conduct:** FIs should not engage in pressure selling; misleading, deceptive, abusive, or aggressive treatment of consumers.
6. **Interest on credit products:** FIs are expected to calculate interest on the declining balance of a loan or other credit facility and to disclose interest rates and charges in a way which is not misleading or deceptive. For example, interest rates 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 by the RBV to regulate potentially usurious interest rates charged on credit contracts, whilst taking into account possible adverse effects.¹
7. **Unfair terms:** There is an expectation that “unfair terms” should not be used in standard consumer contract and should not be enforced. In brief, these are terms which are commonly considered to reflect a significant imbalance in the parties’ rights and obligations, where the terms are not reasonably required to protect the FI’s interests. Examples include terms which:
 - (a) allow an FI to unilaterally change any terms of the contract;
 - (b) allow new fees and charges, and changes to existing fees and charges, to be introduced without notice and without allowing the consumer to withdraw from the contract without penalty;
 - (c) provide for broadly worded events of default, the occurrence of which means the entire loan balance is immediately repayable;
 - (d) contain broad exclusions of liability, not considering the conduct of the FI; and
 - (e) terms which purport to exclude the application of FCP rules in any regulatory standards.
8. **Fees and charges:** It is expected that:
 - (a) consumers will always be made aware in advance of the amount or method of calculation of any fee or charge, when the fee will be charged and what the fee is for;
 - (b) fees and charges are reasonable having regard to the FI’s direct costs for providing the relevant service or the average of those costs; and
 - (c) enforcement expenses, including those charged by an FI and any third-party debt collector, do not exceed in total the loss caused to the FI by the consumer’s default.

¹ See section 34 of the Reserve Bank of Vanuatu Act 1980

9. **Consumer mobility:** Consumers should not be restricted from moving between FIs. It is accordingly expected that:
- (a) a prepayment of a loan and an account closure (such as for a deposit account) should always be permitted;
 - (b) prepayments of loans and account closures should be processed as soon as reasonably practicable;
 - (c) fees should not be charged for the processing of a loan prepayment or an account closure; and
 - (d) however, a fee may be charged for the prepayment of a fixed term loan but only to the extent the fee reflects the FI's loss arising from the difference between the market rate for contracts of the relevant type at the time of prepayment and the fixed interest rate payable under the contract.

VII. Disclosure and Transparency Principle

Disclosure and Transparency Principle:

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

1. FIs are expected to comply with the Disclosure and Transparency Principle in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. Format and manner of disclosures:
 - (a) all disclosures made to consumers should be legible, and simply and clearly expressed;
 - (b) disclosures should be made in local languages (English, Bislama and French);
 - (c) disclosures can be made electronically unless the consumer objects and provided the disclosures are in a form that can be kept for future reference; and
 - (d) disclosures should be timely. This means, for example, that terms and conditions and fees and charges are disclosed before the contract is signed and notice of any changes should be given before they take effect.
3. **Specific transparency and disclosure expectations cover the 3 key stages.** They are the advertising stage; the pre-contractual / point of contract stage; and the post – contractual stage (while the contract is still in effect).

Advertising stage

4. Advertising through any media should clearly disclose the identity and contact details of the FI and their regulatory status; should not be misleading or deceptive; and should contain information and warnings recommended by the RBV from time to time (for example if there is a reference to the cost of credit then the advertisement may need to

refer to the fees and charges which are payable and the applicable annual percentage rate).

Pre-contractual/point of contract stage

5. Consumers should be given:

- (a) **Copy of key contractual documents:** A copy of the contract between the FI and the consumer should be given to the consumer to keep. A reference to a “contract” includes any letter of offer, applicable terms and conditions, schedules and, in the case of insurance, any applicable insurance policy.
- (b) **Contract documentation is expected to contain the following general information:** Information on the features and type of the financial product or service; all terms and conditions; key risks; any interest rate expressed as the true annual rate and how interest is calculated and whether it is a fixed or variable rate; details of all fees and charges payable to the FI or any third party including when they are payable and to whom; the nature of each fee and the amount or method of calculation; the FI’s regulatory status and contact information; information about how to make a complaint to an FI or raise a dispute with the RBV about an unresolved complaint; and information about how to cancel the contract..
- (c) **Information specific to different types of financial products or services:** Information specific to the type of financial product or service should also be provided in the above-mentioned contractual documents, with key information expressed prominently. **For example, the following information about credit and deposit products should be disclosed in addition to the information in paragraph (b):**
 - (i) **Credit products:** The type of credit; the amount or any applicable credit limit, and the applicable term; the amount or method of calculation of all required repayments and when they are due and the total to the extent ascertainable; the total to the extent ascertainable of interest charges and fees and charges and any default fees or rate of interest expressed as a true annual rate.
 - (ii) Payday loans:
 - a prominent, separately disclosed, warning in the form of Annex 1 on the front page of the contract; and
 - for the avoidance of doubt, details of any fee or charge payable in connection with a repayment made from the consumer’s salary including, without limitation, any fee or charge payable to a third party such as the consumer’s employer or the government agency which processes the repayment.
 - (iii) **Deposit products:** The term of the deposit (if any) and the penalty for withdrawing early (if any); and any minimum balance requirements.
- (d) **Securities / guarantees:** A security provider under a credit contract (such as a mortgagor or a guarantor) should be given a copy of the security they provide together with a copy of the credit contract, and any amendment. The security document should contain a prominent warning on the front page as to the effect of the security and any other information recommended by the RBV from time to time.

6. **Key Facts Statements:** The RBV expects that, in the longer term, FIs should provide consumers with a short form (1-2 pages) document in summarizing key terms and pricing for commonly used financial products and services, with the document in a standardized format approved by the RBV (KFS). The aim of a KFS is to facilitate comparability of offers from different FIs and enhance understanding of the key terms and pricing. A KFS should be provided on request from a consumer when a potential customer makes an enquiry about the relevant product or service (regardless of whether they ask for a KFS) and an updated version should be provided at the time the contract is entered into.
7. **At this stage, the RBV only expects that a KFS should be provided for fixed term credit products.** See Annex 2 for the proposed form of a KFS which is to be provided. This form may be amended by RBV from time to time. The RBV may also require a KFS to be provided for other commonly used financial products or services in the future (such as deposit accounts, motor vehicle insurance and mobile money).
8. **Effective Interest Rates:** Over time and with further consultation, FIs may be expected to provide prospective borrowers of fixed term credit with the Effective Interest Rate (EIR) for the relevant loan. The EIR is to be calculated in accordance with a formula to be issued by the RBV. An EIR reflects the true total cost of the loan (including all interest charges and other fees and charges). The EIR will be expected to be included in any advertisement which mentions the cost of credit, any KFS provided in relation to the product and in the signed contract document. Annex 3 provides an EIR formula example from Australia. The appropriate formula for the Vanuatu context is to be further considered.
9. **Public information:** FIs are also expected to prominently display the current standard fees and charges and interest rates for credit and deposit products on the FI's website and any other public channel used to communicate with consumers (such as Facebook) and in prominent notices in branches and in other consumer-facing premises (such as those of agents). The terms and conditions applicable to financial products and services commonly available to consumers should also be easily accessible through these channels.

Post-contractual stage:

10. FIs should provide or make available:

- (a) **Periodic statements of account** for credit and deposit products (and in the future for payments and long-term insurance products). These statements should be made available at least monthly and include opening and closing balances and detailed transaction information. For the avoidance of doubt, a periodic statement should be provided free of charge, with the fee for any printed copy to be based on the FI's direct costs for providing the copy or the average of those costs.
- (b) **Advance notice of changes to terms, interest rates and fees and charges should always be provided.** To put it another way, charges should not be made for interest or fees of which notice has not been given. Ideally at least 30 days' advance notice of changes should be given. This notice should be given via email, on websites, in branches, in nationally circulating newspapers, and by personal notice if to do so is reasonably practicable.
- (c) **Transaction receipts for any payment made to the FI.** The receipt should identify the amount paid and the relevant contract or security and should be made available as soon as reasonably practicable after the payment is received. For the avoidance

of doubt, this provision applies to payroll deductions as well as other loan repayments.

- (d) **Other information** on a financial product or service reasonably requested by a consumer (such as the balance of an account).

VIII. Product Design and Suitability Principle

Product Design and Suitability Principle:

FIs are expected to design and market financial products and services 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.

1. FIs are expected to comply with the Product Design and Suitability Principle in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. **Design for vulnerable consumers:** FIs should be proactive in relation to designing financial products and services to suit the needs of vulnerable consumers, such as by designing financial products and services that address the unique needs and challenges of women who are personal customers and women-led MSMEs. FIs should also have regard to the needs of other vulnerable consumers in designing financial products and services, such as youth and consumers with disabilities.
3. **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.
4. **Other considerations:** Financial institutions are also expected to have regard to general economic conditions in complying with this Principle. Relevant factors in this context may include inflation rates, unemployment levels, technological changes and the impact of natural disasters, amongst other factors.

IX. Responsible Lending Principle

Responsible Lending Principle:

FIs 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.

1. FIs are expected to comply with the Responsible Lending Principle in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. **Credit affordability:** FIs should have and implement clear, documented policies and procedures designed to ensure that a credit facility will only be made available to a consumer after a reasonable assessment of the consumer's ability to repay the credit without substantial hardship. The FI should also take reasonable steps to verify the information on which they rely to assess a consumer's creditworthiness.
3. **Unsolicited offers of credit:** An FI should not make unsolicited offers of credit directed to a specific person, including by sending out unsolicited credit cards.
4. **Fair treatment of consumers suffering financial hardship:** FIs are encouraged to respond promptly and reasonably to any request for debt restructuring or other relief in the case of financial hardship, such as that caused by a pandemic or any natural disaster or external shock.
5. There is also an expectation that any debt re-structuring arrangement is documented in an agreement signed by the FI and the consumer. The agreement should include a clear and prominent statement of the impact of the agreement on the terms of the contract; the total amount due; repayment frequency and amount and interest accruals. The aim is to ensure that consumers understand the monetary impact of the arrangement.
6. **Defaults:** The RBV expects FIs to follow these guidelines:
 - (a) **Notice of default** under a credit contract should be given at least 30 business days before enforcement proceedings commence for a credit contract.
 - (b) **Default interest or fees** should only be charged in relation to the actual repayment amount which is overdue for payment and while the default continues and the total of any such interest or fees should not exceed the FI's reasonable costs of the default. The contract document should include disclosure of any default interest or fees which may be payable, when they are payable and a detailed and prominent example, including information as to the amount payable.
 - (c) **Enforcement expenses:** An FI should only seek to recover enforcement expenses they have incurred and should only allow a third-party debt collector to recover enforcement expenses, if the contract with the consumer requires payment of the expenses and to the extent they are reasonable.

- (d) **Debt collectors:** FIs should require any debt collector collecting their overdue debts to comply with relevant aspects of these Guidelines and FIs should take responsibility for any acts or omissions of any such debt collector.
- (e) **Disclosure to credit bureau:** Consumers should be advised in advance that information about a default may be advised to a credit bureau.

X. Data Protection and Privacy Principle

Data Protection and Privacy Principle:

FIs 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

1. FIs are expected to comply with the Data Protection and Privacy Principle in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. **Policies and procedures:** FIs 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. For example, the RBV expects that:
 - (a) an FI will take reasonable steps to ensure that any personal or business information it holds or uses about a consumer is accurate and up to date;
 - (b) an FI will have a privacy policy documenting in plain language its policies in relation to the management of personal and MSME business information;
 - (c) the privacy policy is published on the FI's website and on any other channel through which the FI communicates with consumers and is also clearly referenced in terms and conditions; and
 - (d) an FI will respond as soon as reasonably practicable to any request from a consumer for access to their personal or business information and to any request for correction.
3. **Use and disclosure of personal and business information:** FIs should only use or disclose personal data for the original purpose of collection or as required or permitted by law or with the prior consent of the consumer. Consent for this purpose should be express and informed and "informed consent" means consent that is freely given and unambiguous, in plain language, given for specific purposes and separate from general terms and conditions.
4. For the avoidance of doubt the Guidelines in this Section X are not intended to limit any rights or obligations arising under the Data Protection and Privacy Act No. 13 of 2024 (or any other law).

XI. Consumer Recourse Principle: Complaints to an FI

Consumer Recourse Principle:

Internal Complaints Resolution: FIs have an adequate structure and written policies and procedures to resolve complaints efficiently, promptly, and justly.

1. FIs are expected to comply with the Consumer Recourse Principle for Internal Complaints Resolution in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. **Processes and procedures:** FIs are expected to have and apply Board approved, documented and clear internal complaints resolution processes and procedures which are designed to resolve complaints efficiently, promptly, and justly. These processes and procedures should be accessible and transparent to consumers and should meet the following standards.
3. **Complaints handling function / unit:** An FI should have a complaint handling function or unit which is independent of the staff member(s) and business unit responsible for the events giving rise to the complaint and for which senior management is responsible.
4. **Channels:** A range of channels for making complaints should be made available (such as, for example, branches, online, or by phone or social media). The FI should ensure that these channels meet the needs of vulnerable consumers (for example, those with low levels of digital capability and those with hearing or sight impairments), as well as the needs of other consumers.
5. **Timelines:**
 - (a) a complaint should be acknowledged by the FI within a short period (no more than 2 business days) and ideally given a unique identifying number which should be advised to the consumer; and
 - (b) the FI should provide their final response to a complaint as soon as reasonably practicable and, if reasonably possible, within 10 business days.
6. **Information for complainant:** The complainant should be kept informed of the process and timelines for considering a complaint and any request for an update should be responded to as soon as reasonably practicable.
7. **Training:** Staff and agents are to be appropriately trained on an FI's complaints processes and procedures, including the needs of vulnerable consumers.
8. **Publicity:** The public, and complainants, should be made aware of the complaints handling process by prominently describing it in terms and conditions and KFSs, on the FI's website and any other public channel used to communicate with consumers (such as Facebook) and in notices in branches and other consumer-facing premises (such as those of agents).
9. **Complaints data:**

- (a) FIs are to provide reports to the RBV on complaints they receive at the intervals, and with the form and content, specified by the RBV from time to time;
- (b) FIs should use data from complaints to improve their financial products and services and related systems, practices and documentation; and
- (c) the RBV may publish aggregate complaints data on a regular basis, or from time to time highlighting and evolving risks of concern for consumers and FIs.

10. **FIs are also expected to maintain a register of all complaints they receive and to allow the RBV to inspect it.** The Complaints Register should include information such as the name of the complainant; their gender, the date of the initial complaint; the reason for the complaint, the dates and details of each interaction with the complainant in relation to the complaint and the FI's response to the complaint. The Complaints Register should be maintained in any form specified by the RBV from time to time.

XII. Consumer Recourse Principle: Disputes between a consumer and an FI

Consumer Recourse Principle:

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

1. FIs are expected to comply with the Consumer Recourse Principle for External Dispute Resolution in all aspects of their operations. The following guidelines are designed to assist in the implementation of this expectation.
2. **External dispute resolutions system:** Consumers who are dissatisfied with an FI response to a complaint should have access to a dispute resolution system which is external to the FI and operates outside the courts (EDR). Such a system normally meets minimal criteria relating to independence, accessibility, effectiveness, and transparency. In Vanuatu this role is to be at least initially fulfilled by the RBV. However, it should be recognized that the RBV can only make recommendations – it does not have power to make binding decisions.
3. **Publicity:** The RBV expects FIs to publicize the EDR service provided by the RBV, whilst noting that a consumer should first seek to have a complaint resolved by the relevant FI. This should be done in terms and conditions and KFSs, on the FI's website and any other public channel used to communicate with consumers (such as Facebook) and in notices in branches and other consumer-facing premises (such as those of agents).
4. **Complainants should be reminded of the RBV's services at the time of making a complaint.** The complainant should also be advised that the RBV should not be approached until the complainant has been given a decision on their complaint by the FI, or the time for doing so has expired (whichever comes first).
5. **EDR processes and procedures:** RBV may issue further FCP Guidelines on the processes and procedures it will follow in providing the proposed EDR services. This further guidance

may, without limitation, cover RBV investigations and information gathering; timelines for making a decision; the format and type of decisions which may be made; confidentiality; and disputes subject to mandatory or discretionary exclusions.

XIII. Commencement and transitional arrangements

1. FIs are expected to follow the FCP Guidelines from the date which is 12 months from the date on which the RBV publicly issues the FCP Guidelines (Commencement Date).
2. The FCP Guidelines apply to:
 - (a) a contract or security entered into or given on or after the Commencement Date; and
 - (b) a contract or security which is entered into or given before the Commencement Date but only in relation to anything done, or omitted to be done, after the Commencement Date.

XIV. Review of FCP Guidelines

1. These FCP Guidelines will be reviewed from time to time, and at least every three years.

Do you really need a payday loan today?

It can be VERY EXPENSIVE to borrow even small amounts of money for short periods. High rates of interest and fees may apply. And it becomes MORE expensive if you default or roll over your loan.

Remember too that borrowing may not solve your money problems.

If you do take the loan, carefully check all amounts deducted from your pay.

If you have a complaint, contact your lender. If they cannot help you, contact the Reserve Bank of Vanuatu at **23333**.

ANNEX 2: KEY FACTS STATEMENT FOR FIXED TERM LOAN

INSERT
LENDER'S
LOGO /
BRAND

KEY FACTS STATEMENT FOR FIXED TERM LOAN

THIS IS NOT AN OFFER OF CREDIT OR A CONTRACT OF ANY SORT

(Your final loan offer may vary because of your personal finances or due to interest rate or fee changes)

LENDER'S NAME:

YOUR NAME:

DATE PREPARED:

YOUR LOAN - HOW DOES IT COMPARE?
Loan Amount: ... VT <i>(E.g. After deducting upfront fees and charges, you will receive 115,000 VT.)</i>
Loan Term: ... years / months
Repayments: ... repayments of ... VT per week / fortnight / month, starting on <i>[insert date]</i> and ending on <i>[insert date]</i> <i>See the annexed Repayment Schedule</i>
Interest Type: fixed / variable <i>(E.g. If variable, the rate may be changed during the loan term and repayments may change.)</i>
Annual Interest Rate: ... % yearly <i>You may have to pay fees and charges as well as interest.</i>
Total Interest Charges: VT ...
Security: No / Yes If "Yes", describe security type <i>[land / goods / assets]</i> and provide details of the security.
TOTAL AMOUNT YOU HAVE TO PAY UNDER YOUR CONTRACT: ... VT (Loan amount, interest and fees and charges ASSUMING you make all repayments on time and as required by your contract) <i>(E.g. This means you will pay ... VT for every 1000 VT you borrow)</i>

FEES AND CHARGES	
Application Fee	___ VT
Establishment Fee	___ VT
Total of Repayment Processing Fees	___ VT
Total of Monthly Service Charges	___ VT
Total Insurance Charges (if applicable)	___ VT
[Other fees – describe each fee separately]	___ VT
TOTAL KNOWN FEES AND CHARGES <i>This amount should include any fees charged directly by the lender and any fees charged by a third party in connection with your loan but does not include fees for something which may not happen (such as a late payment)</i>	___ VT

OTHER IMPORTANT INFORMATION

YOUR RIGHTS AND RESPONSIBILITIES

Any questions or complaints? Call the lender: [TELEPHONE], email [EMAIL ADDRESS], or write to [MAILING ADDRESS] to contact us regarding your question or complaint.

If you cannot resolve a complaint with your lender, contact the Reserve Bank of Vanuatu 23333, email [EMAIL ADDRESS], or write to [MAILING ADDRESS]

Want to repay all or part of your loan early? You can do this, but a fee may apply. The prepayment fee is VT Or is calculated as follows: ...

IF YOU PAY LATE:

- **THE TOTAL AMOUNT YOU MUST PAY MAY SUBSTANTIALLY INCREASE**
- You may have to pay additional fees (for example, the fee for a missed repayment is VT ...)
- The late payment may be reported to a credit bureau
- Your ability to re-borrow may be affected
- **You may lose your security and / or a guarantor may need to pay**

CERTIFIED CORRECT

..... (Signature)
..... (Name)
..... (Date)
Lender's Representative

ANNEX – REPAYMENT SCHEDULE

REPAYMENT SCHEDULE					
Repayment number	Due Date	Amount	Principal	Interest and other fees	Balance due
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
TOTAL					

The Repayment Schedule for the total term of your loan should be provided if the loan term is up to XXX years. If the loan terms is for a longer period, the Repayment Schedule should be provided on request.

NOTES FOR LENDER *(these notes do not need to be included in the KFS provided to a consumer):*

1. **When to provide a KFS:** The Reserve Bank of Vanuatu expects lenders to provide a completed Key Facts Statement (KFS) in the abovementioned form for any type of fixed term credit product they provide:
 - (a) on request by a consumer;
 - (b) when a consumer makes an enquiry about the relevant credit product; and
 - (c) at the same time as the consumer is given the proposed final form of the contract.
2. **Disclosure date:** The information in the KFS should be current at the date the KFS is provided.
3. **Repayment Schedule:** The Schedule need only be included in the KFS with the final form of the contract and should reflect the number of repayments in the relevant contract term (which may be more or less than 12).

ANNEX 3: EFFECTIVE INTEREST RATE CALCULATION
THE FOLLOWING EXAMPLE IS FOR DISCUSSION PURPOSES DURING CONSULTATIONS ON
THE PROPOSED FINANCIAL CONSUMER PROTECTION GUIDELINES.

EXAMPLE: AUSTRALIA – NATIONAL CONSUMER CREDIT REGULATIONS (regulation 71 (1) – (7)). *Note Australia uses the term “comparison rate” rather than “Effective Interest Rate”.*

71 Comparison rate

- (1) This regulation applies if:
 - (a) a credit provider, before entering into a credit contract, informs the debtor of the comparison rate in accordance with subsection 16(3) of the Code; or
 - (b) a person publishes, or causes to be published, an advertisement that states or implies that credit is available and includes in the advertisement the comparison rate in accordance with Part 10 of the Code.
- (2) The comparison rate must be calculated as a nominal rate per annum, together with the compounding frequency, in accordance with this regulation.
- (3) The comparison rate is calculated using the formula:

$$n \times r \times 100\%$$

where:

n is the number of repayments per annum to be made under the credit contract (annualised if the term of the contract is less than 12 months), except that:

- (a) if repayments are to be made weekly, *n* is 52.18; and
- (b) if repayments are to be made fortnightly, *n* is 26.09; and
- (c) if the contract does not provide for a constant interval between repayments, *n* is to be derived from the interval selected for the purposes of the definition of *j*.

r is the solution of:

$$\sum_{j=0}^t \frac{A_j}{(1+r)^j} = \sum_{j=0}^t \frac{R_j + C_j}{(1+r)^j}$$

where:

A_j is the amount of credit to be provided under the contract at time j (the value of j for the provision of the first amount of credit is taken to be zero).

C_j is the fee or charge (if any) payable by the debtor at time j in addition to the repayments R_j , being a credit fee or charge (other than a government fee, charge or duty) that is ascertainable when the comparison rate is disclosed (whether or not the credit fee or charge is payable if the credit is not provided).

j is the time, measured as a multiple (not necessarily integral) of the interval between contractual repayments that will have elapsed since the first amount of credit is provided under the credit contract, except that if the contract does not provide for a constant interval between repayments an interval of any kind is to be selected by the credit provider as the unit of time.

R_j is the repayment to be made at time j .

t is the time, measured as a multiple of the interval between contractual repayments (or other interval so selected) that will elapse between the time when the first amount of credit is provided and the time when the last repayment is to be made under the contract.

- (4) The comparison rate must be correct to at least the nearest one hundredth of 1% per annum.
- (5) In the application of the above formulae, reasonable approximations may be made if it would be impractical or unreasonably onerous to make a precise calculation.
 Example: If repayments are to be made on a fixed day each month, it may be assumed that repayments will be made on that day each month even though the credit contract provides for payment on the preceding or succeeding business day when the due date is not a business day.
- (6) The tolerances and assumptions under sections 180 to 182 of the Code apply to the calculation of the comparison rate.
- (7) The comparison rate must be accompanied by a statement of the amount of credit on which it is based and the term for which credit is provided.

