

Methodological Guideline on handling of consumer appeals in financial institutions

1. General provisions

1.1. This Methodological Guideline (hereinafter – the Guideline) has been developed to increase the effectiveness of consumer finance protection mechanisms, and strengthen the operational and effective dispute resolution and determine methodological recommendations of the Central Bank of the Republic of Azerbaijan (hereinafter – the Central Bank) on handling of complaints by banks, local branches of foreign banks, insurers and investment companies (hereinafter - the financial institution) taking into account best international practices in consumer finance protection.

1.2. Where other rules related to acceptance, registration, handling and storage of consumer complaints are established by laws and other legal acts, including regulations of the Central Bank, this Guideline is applied in the part corresponding to those legal acts.

2. Definitions

2.1. The definitions used for the purposes of this Guideline bear the following meanings:

2.1.1. consumer – an individual or a legal entity that used, uses and states an intention to use financial services;

2.1.2. complaint – an appeal implying restoration and protection of violated rights and freedoms.

3. Internal rules on review of complaints

3.1. A financial institution adopts internal rules on handling of consumer complaints (hereinafter – Rules). The Rules are approved by the Board of Directors (Supervisory Board)

of the financial institution and all related staff of the financial institution are informed on the approved edition.

3.2. The requirements of the legislation on citizen appeals are taken into account when Rules are developed.

3.3. The Rules cover at least the procedures related to:

3.3.1. receiving and registration of complaints;

3.3.2. coordination of investigation and review of complaints;

3.3.3. decision making on and response to complaints;

3.3.4. compensation for damage to the consumer based on results of investigation of complaints;

3.3.5. complaint-related accountability system, powers and responsibilities related to accountability;

3.3.6. disclosure of summary information to consumers regarding complaints;

3.3.7. awareness-raising of financial institution employees on the relevant legislation, rules of conduct with consumers and review of complaints, taking measures on periodicity and results.

4. Organization of handling of complaints

4.1. Maximum access to consumer complaints should be provided, and the means of appeal should not be limited. Complaints can be made verbally (by direct contact with the financial institution, by phone) and/or in writing (including, but not limited to, directly on paper, by mail, electronically, by fax, by e-mail, in the 'appeal' section of the website, on an official social media in their accounts and/or in other forms without limitation).

4.2. Possible methods of appeals and contact information for complaints are disclosed using at least the following forms:

4.2.1. In information, advertisements or memory sheets: information is disclosed as – If you have any questions or complaints, please call (phone number to be provided), send to e-mail address (e-mail address to be provided) or apply (e-mail address to be provided) (in this case contact information of the structural unit established to handle complaints (coordinator) is provided);

4.2.2. on the website, mobile application and other electronic service terminals: possible methods of appeal for complaints, as well as contact information of the designated structural unit (coordinator) established to handle complaints are clearly and legibly recorded;

4.2.3. through Call Centers: contact information of the designated structural unit (coordinator) established to handle complaints is delivered to consumers through Call Centers (or a hotline) in an automated manner;

4.2.4. agreements with consumers include contact information of the dedicated structural unit (coordinator) established to handle complaints.

4.3. The financial should make at least the following information public:

4.3.1. possible means for appeals to make complaints;

4.3.2. the order of issuing complaints by consumers to financial institutions;

4.3.3. deadlines for responding to complaints;

4.3.4. information on next steps in case of disagreement with financial institution's decisions on complaints, including contact information of the Central Bank (Annex 1).

4.4. Information disclosed to consumers should be written in a simple, understandable language and be accessible to consumers.

4.5. To regulate relations with consumers, protect their rights and handle and respond to their complaints, a dedicated structural unit is established in the financial institution, except for banks, taking into account the volume of transactions and the number of customers, or a coordinator is appointed from among the employees of the financial institution. In banks, this function is performed by a dedicated structural unit.

4.6. Contact information of the special structural unit (coordinator) is published on the official website of the financial institution or changes to the old information is made within 2 (two) working days after the creation of the department (appointment of the coordinator), as well as changes to that information. Contact information includes 1st, last and middle names of the head of the dedicated structural unit (coordinator), phone number of the dedicated structural unit (coordinator), e-mail address, postal address and other contact information.

5. Activities of the dedicated structural unit or a coordinator

5.1. To handle and investigate consumer complaints, a relevant work regime and division of powers is established in the financial institution for operational information sharing by the dedicated structural unit (coordinator) with other relevant structural units.

5.2. Sufficient resources (human, information, space, supply (software and hardware) and accessories) are provided to ensure the operation of the dedicated structural unit (coordinator). Employees of the dedicated structural unit or coordinators should have related comprehensive knowledge and experience, and regular trainings and seminars should be organized for them. To prevent a conflict of interest, the head of the dedicated unit or the

coordinator should be out of business operations, not involved in the payment process, and have sufficient authority to investigate complaints.

5.3. The Board of Directors (the Supervisory Board) of the financial institution controls activities of the dedicated structural unit (coordinator) and the head of the dedicated structural unit or the coordinator is directly accountable to the Board of Directors (the Supervisory Board).

5.4. The internal audit checks the activity of the dedicated structural unit (coordinator) at least once a year, a report on audit findings is discussed at the Supervisory Board and the Audit Committee in banks, at the Board of Directors (the Supervisory Board) and the Audit Committee in non-bank credit institutions, at the Board of Directors and the Revision Committee in insurers and at the Board of Directors (the Supervisory Board) in investment companies, related defects and shortages are identified and relevant assignments are issued to relevant structural units on their elimination.

5.5. The dedicated structural unit (coordinator) at least:

5.5.1. reviews written and verbal complaints from consumers and answers accordingly;

5.5.2. develops documents on the rights and obligations of consumers, including the process of reviewing complaints, ensures their accessibility to consumers;

5.5.3. conducts verbal talks and meetings with consumers, gives advice and explanations depending on the nature of complaints;

5.5.4. exchanges pressing information with relevant structural units to investigate complaints, submits inquiries, requests relevant documents, receives written and verbal references and information from them;

5.5.5. provides training for employees in contact with consumers, on collection and transfer of consumer complaints to the structural unit, consumer behavior and other topics;

5.5.6. registers complaints from consumers in the register, summarizes the information in the register in accordance with the period and nature of receipt;

5.5.7. maintains and summarizes statistics on its activities and the main causes of consumer complaints;

5.5.8. submits reports on results of its activities at least once a quarter to the Board of Directors (Supervisory Board) of the financial institution, as well as to the executive body on a regular basis as provided in internal rules on handling complaints;

5.5.9. conducts investigations to identify violations of consumer rights, legitimate interests and rules of ethical conduct in relations with consumers and prepares relevant

proposals to the executive body, as well as the Board of Directors (Supervisory Board) to eliminate shortcomings;

5.5.10. organizes investigation and response of Central Bank's consumer complaints related inquiries and submits relevant reports in the required time and manner;

5.5.11. takes measures to inform consumers to increase their financial literacy.

5.6. Incoming complaints are sent to the relevant execution by the dedicated structural unit (coordinator) no later than the next working day.

6. Complaint handling

6.1. The financial institution handles and responds to complaints no later than the deadlines established by the Law of the Republic of Azerbaijan on Citizens' Appeals.

6.2. Persons whose actions or inactions are complained of should not be involved in the investigation of complaints. If the complaint contains information on corruption or circumstances that create conditions for corruption in the financial institution, the management is immediately notified and appropriate investigations are carried out through the financial institution's internal control system.

6.3. In case Central Bank's inquiries regarding consumer complaints are investigated by the financial institution within 7 (seven) working days, the Central Bank, or in case specified in the inquiry of the Central Bank a consumer should be answered as per Item 6.1 of this Guideline. The amount, duration, methodology of compensation proposed by the financial institution to compensate the consumer for the damage caused to him/her and the steps to be taken by the consumer to accept or reject the compensation payment should be clearly and audibly communicated to the consumer in writing. The period set by the financial institution for the consumer to make a decision on acceptance or refusal of compensation should not be less than 10 (ten) working days.

6.4. In case of refusal of the financial institution to satisfy the complaint or pay the amount of compensation demanded by the consumer or offer less compensation than required, the consumer should be informed on the reasons, as well as next steps for handling of the consumer's complaint.

7. Registration of complaints and their tracking by consumers

7.1. All received complaints are registered and each registered complaint receives a special registration number.

7.2. A dedicated structural unit (coordinator) registers complaints in accordance with the 'Standard Form for Compiling the Complaints Register' (Annex 2). The register

information serves to identify, effectively classify and regulate the grounds and nature of consumer complaints. Registered complaints are kept in the register for at least 5 (five) years, unless otherwise provided by the legislation and regulations of the Central Bank.

7.3. Information in the register is summarized in terms of the period of receipt (on a semi-annual basis) and the nature of complaints (number of answered, currently considered or rejected complaints and their distribution across products and services, including the specific content of the complaint) is placed on the 'appeals' section of the financial institution's website on a semiannual basis and kept there for at least 3 (three) years.

7.4. The financial institution tracks consumer complaints via a special registration number. In this case, the stage of the complaint should be tracked online and the date of each stage be recorded.

8. Reporting

8.1. A dedicated structural unit (coordinator) analyzes registered complaints, investigates the reasons for complaints and develops a report on findings.

8.2. The report covers at least the information on:

8.2.1. consumers;

8.2.2. the number of, nature of and reasons for complaints;

8.2.3. segregation of complaints in terms of products and services;

8.2.4. the number of complaints answered, currently under review or pending;

8.2.5. the number of compensated complaints and compensation amounts;

8.2.6. comparative analysis of information as per Items 8.2.1-8.2.5 herein vs previous periods (monthly, quarterly and annually);

8.2.7. proposals to eliminate shortcomings (proposals should cover the selling of products, types of products, means of communication with consumers, advertising information and similar processes, product and information sharing, and other issues).

8.3. Reports are discussed at least once a quarter by the Board of Directors (Supervisory Board) of the financial institution, as well as by the executive body in the periodicity provided for in internal rules for handling complaints and relevant decisions are made.

Governor of the Central Bank

Elman Rustamov

Where to issue a complaint?

to financial institution

- If you have a complaint about us, please contact us (the financial institution you are served by) first.
- State the reason for your dissatisfaction and the nature of the problem (better to apply in writing (hard or soft copy)).
- Your appeal is handled and answered within the period (indicate the deadline) established by the Law of the Republic of Azerbaijan on Citizens' Appeals.
- If you want someone else to apply on your behalf, then you need to make it official. Because when the application is submitted to the institution(s) you will apply to through a representative, the documents confirming the authority of the representative should be attached with the application.

to the Central Bank of the Republic of Azerbaijan

- If you do not agree with the results of the complaint, you can apply to the Central Bank of the Republic of Azerbaijan (the Central Bank) through the 966 Hotline or officially (in writing (using mail, e-mail, telegram and other means)). The Central Bank takes steps to handle your complaint or provide you with an appropriate explanation regarding your appeal.
- The Central Bank handles and answers to your appeal within the period (indicate the deadline) established by the Law of the Republic of Azerbaijan on Citizens' Appeals

to the Banking Ombudsman, mediator (mediation institution) or court

- If you are not satisfied with answers of the Central Bank or the financial institution, you can apply to the Bank Ombudsman, mediator (mediation institution agreed in advance with the financial institution or offered to you by the financial institution) and (or) the court.
- The parties should attend a preliminary mediation session prior to going to court for commercial disputes. A mediator or mediating institution mutually agreed by the parties conducts the initial mediation session on the mentioned disputes.

- The Banking Ombudsman is a permanent body under the Azerbaijan Banks Association to investigate disputes between banks and their individual customers, and may consider civil disputes related to the conclusion, amendment, execution or termination of contracts when an individual acts as an applicant. The Banking Ombudsman only considers claims in the amount equivalent to USD10,000 (ten thousand) (according to the official exchange rate of the Central Bank as of the day of receipt of the application). The Banking Ombudsman is not authorized to consider appeals of legal entities and individuals engaged in entrepreneurial activities.
- You may apply to court under the legislation.

Note: The Constitution of the Republic of Azerbaijan guarantees your judicial protection in all cases. Therefore, regardless of whether the complaint is submitted to a financial institution, the Central Bank of the Republic of Azerbaijan, a mediator (excluding commercial disputes) or the Banking Ombudsman, you have the right to file your complaint directly in court.

Standard Form for Compiling the Complaints Register

A complaint received by the financial institution is registered at least under the following categories:

1. General information on the receipt of the complaint;
2. Information about the applicant;
3. Product type and service information;
4. Information on the type and content of the complaint;
5. Outcome.

1. General information on the receipt of the complaint:

- Date of receipt of the complaint and special registration number;
- Presentation facilities;
- Information obtained from previous appeals (if any);
- Monitoring of activities carried out;
- Deadline.

2. Information about the applicant:

- Name of the applicant (for individuals 1st, last, middle names; for legal entities organizational-legal form, TIN);
- Contact information of the applicant (address, phone number, e-mail, etc.);
- An individual or a legal entity;
- Social status (a disabled person, veteran, student, a martyr family, etc.); *
- Age;*
- Gender*

** The financial institution can use this information to implement awareness-raising policies aimed at relevant groups to raise awareness about the complaint.*

3. Product type and service information:

3.1 Sample for banks and non-bank credit:

Loan:

- Consumer loan;
- Car loan;
- Mortgage loan;
- Business loan;
- Other.

Bank account and bank deposit:

- Bank account;
- Demand deposit;
- Term deposit;
- Other.

Other bank operations:

- Fast money transfers;
- Currency exchange;
- Online banking;
- Credit cards;
- Debit cards;
- Implementation of Decree No. 551 of the President of the Republic of Azerbaijan of 28 February 2019 ‘on additional measures to resolve problem loans of individuals in the Republic of Azerbaijan’;
- Other.

Request for reception;

Other.

3.2. Sample for insurers:

Compulsory insurance:

- Compulsory motor third party liability insurance;
- Compulsory real estate insurance;
- Compulsory insurance of civil liability related to the use of real estate;
- Compulsory state personal insurance of military men;
- State compulsory personal insurance of court and law enforcement officers;
- Compulsory insurance against occupational accidents and occupational diseases;
- Other.

Voluntary insurance:

- Voluntary motor insurance;

- Real estate fire and other risks insurance;
- Credit risk insurance;
- Individual accident insurance;
- Civil liability insurance;
- Medical insurance;
- Travel insurance;
- Crop insurance;
- Farm animal insurance;
- Life insurance against death;
- Life (savings) insurance;
- Other.

3.3. Sample for investment companies:

Main investment services:

- Receipt and execution of customer orders related to transactions with securities or derivative financial instruments;
- Individual investor portfolio management;
- Providing investment advice;
- Unsecured placement and underwriting of securities;
- Committed placement and underwriting of securities;
- Transactions with securities or derivative financial instruments at its own expense as a member of the Central Depository and Stock Exchange;
- Margin trade.

4. Information on the type and content of the complaint:

- Refusal to grant a loan;
- Refusal to apply for a loan discount;
- Illegal loan registration;
- Incorrect calculation of loan debt;
- Non-refundable deposit;
- Incorrect calculation of deposit interest;
- USSR deposits;
- Incorrect placement of information in the CCR or credit bureau;
- Non-deletion of information from the CCR or credit bureau;
- Termination of warranty;

- Registration of illegal warranty;
- Incorrect assessment of property damage;
- Refusal to pay insurance indemnity;
- Late payment of insurance premiums;
- Difficulties in paying insurance payments (additional documents requested, conducting investigation, etc.);
- Other.

5. Outcome:

The outcome is grouped on the following:

- The consumer was given an explanation;
- The consumer's complaint was partially satisfied;
- As the resolution of the consumer's complaint is not within the competence of the financial institution, it is directed to another institution (specify the name of the institution);
- The consumer's complaint was satisfied;
- The consumer's complaint was not satisfied;
- Under review.