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FINANCE COMPANIES CONSUMER PROTECTION PRINCIPLES

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SECTION 1: PREAMBLE

1. CONSUMER FINANCIAL PROTECTION IN THE KINGDOM OF SAUDI ARABIA

The Saudi Central Bank (SAMA) is responsible for supervising banks, finance companies, insurance companies, money changers and credit information companies. Since the issuance of its Charter in 1952 and the Banking Control Law in 1966, SAMA has been working on protecting consumers' interests and ensuring that financial institutions deal with consumers in a professional and fair manner.

SAMA's role has been gradually developing with the expansion of the financial sector. In 1424H (2005), it became responsible for the insurance sector under the Cooperative Insurance Company Control Law issued by Royal Decree No. M/32 dated 02/06/1424. In 2012, it also became responsible for supervising and overseeing finance companies under the Finance Company Control Law issued by Royal Decree No. M/51 dated 13/08/1433H, expanding its role in enhancing consumer protection.

Best practices in financial services area indicate that there is a trend in a number of countries to monitor financial institutions' mechanisms for developing new products and services, selling mechanism to consumers and offering them consultations when problems occur or in case they want to make complaints. Many studies on these issues were conducted. The findings indicated that fair treatment of consumers leads to increasing profit and contributes to raising the level of consumers' satisfaction. Many countries and international organizations, such as G20, Financial Stability Board, and Organization for Economic Cooperation and Development, are considering amending and setting new standards in consumer protection area. Due to the development of the financial sector in the Kingdom, SAMA continues to review these developments and issue appropriate supervisory instructions to improve the consumer protection principles. Its strategic objectives include ensuring that consumers dealing with institutions supervised by SAMA get a fair treatment transparently and honestly, and obtain financial services and products easily and smoothly at suitable costs and high quality.

2. DEFINITIONS

SAMA: the Saudi Central Bank.

Finance Laws: the Real Estate Finance Law, Financial Leasing Law, and Finance Company Control Law.

Finance Company: a company having a license for practicing one or more financing activities stipulated by the Finance Company Control Law and its implementing regulations.

Consumer: a natural person having/or to whom products and services are offered by finance companies.

Awareness Raising: promoting financial guidance principles, ability to understand key financial terminologies used by financial institutions, and distinguishing between various products or services offered by these institutions.

Disclosure: revealing data and information in a clear, transparent and credible manner, and refraining from withholding any information that may be influential or significant to any party of the financing agreement.

Conflict of interests: cases whereby the finance company's objectivity and independence of its decision or one of its

employees would be affected due to their conflict with the company's interests and not committing to justice, integrity and responsibility.

Advertisement: a commercial message promoting a financial product or service advertised directly or indirectly by any medium.

Consultation: obtaining a recommendation or advice from an individual or a qualified entity after taking into consideration the consumer's personal circumstances and goals.

Guaranteed Communication Means: a registered mail, by-hand delivery and any registered electronic means that can be proved and retrieved.

Financing: granting credit by contracts for activities stipulated by the Finance Company Control Law and its implementing regulations.

Financing agreement: an agreement by which credit is granted for activities stipulated by the Finance Company Control Law and its implementing regulations.

Financing Amount: maximum or total amounts a consumer can obtain under the financing agreement.

Annual Percentage Rate (APR): the deduction rate where the current value of all installments and other payments payable by the consumer, which represent the total amount payable by the consumer, are equal to the current value of the financing amount payments on the date on which the financing amount or its first payment is available for the consumer.

Outsourcing: an arrangement by which a third party (service provider for instance) provides a service that was formerly provided by the finance company itself or a new service it intends to offer, in compliance with the requirements of rules and regulations issued by SAMA in this regard.

Employee: any natural person, including directly contracted employees or outsourced employees, working for a finance company, whether inside or outside the company's headquarters, and is subject to its administration or supervision in return for a financial consideration.

Error: any behavior leading to a violation of the documented policies and work procedures of the company, in addition to the violation of regulations and instructions in a way that affects the rights and interests of one or more consumers.

Complaint: any objection or complaint made to the finance company as a result of any violation leading to its non-compliance with the provisions of the financing agreement and/or relevant laws and instructions.

Complaint Resolution: following effective measures and procedures for addressing and settling consumers' complaints within a specified period.

SECTION 2: PRINCIPLES OF THE PROTECTION OF FINANCE COMPANIES' CONSUMERS

3. INTRODUCTION

- 3.1 SAMA protects finance companies' consumers against non-professional practices they may encounter when dealing with finance companies. It also safeguards the consumers' rights and ensures obtaining them. Implementation of these principles will help achieve the desired goals and contribute to the determination of responsibilities and duties of each party. The scope of these principles covers finance companies' individual consumers (current and future).
- 3.2 The principles are binding to finance companies and complementary to the instructions and controls issued by SAMA, and should be applied to all transactions made with individual consumers not later than 21/03/1437H corresponding to 01/01/2016.
- 3.3 Finance companies should provide a free hard copy of these principles at their branches and give it to consumers at the start of a transaction or when obtaining a new financing product or service. A soft copy of the principles should be posted on the companies' websites.
- 3.4 Finance companies should provide all records, documents, information and data requested by SAMA in this respect.
- 3.5 SAMA issued these principles on the basis of the powers assigned to it under the following laws:
1. Real Estate Finance Law issued by Royal Decree No. M/50 on 13/08/1433H (03/07/2012).
 2. Financial Leasing Law issued by Royal Decree No. M/48 on 13/08/1433H (03/07/2012).
 3. Finance Companies Control Law issued by Royal Decree No. M/51 on 13/08/1433H (03/07/2012).
 4. Real Estate Finance Law Implementing Regulations issued by the Minister of Finance's Resolution No. 1229 on 10/04/1434H (20/02/2013).
 5. Financial Leasing Law Implementing Regulations issued by the Governor's Resolution No. 1/M F C on 14/04/1434H. (24/02/2013).
 6. Finance Companies Control Law Implementing Regulations issued by the Governor's Resolution No. 2/M F C on 14/04/1434 (24/02/2013).

4. GENERAL PRINCIPLES

In 2011, G20, through a task force from the Organization for Economic Cooperation and Development, developed high-level principles concerned with consumer financial protection. The principles are complementary to the existing financial laws, particularly the implementing regulations related to consumer protection.

The principles provide a general framework for consumer financial protection for they are used by financial organizations worldwide and are considered a main part in the development of consumer-related financial laws.

4.1 Fair and Equitable Treatment

Finance companies should treat consumers fairly and equitably during all stages of the relationship between them, and meet the obligations under the finance laws and their implementing regulations and other relevant instructions issued by SAMA. They should also apply the best practices followed internationally to safeguard consumers' rights and meet obligations as this should be an integral part of the company's culture and a major element in designing and developing financing products and services. In addition, finance companies should exert due diligence and pay special attention to consumers with low income and education, the elderly, special

need individuals of both genders by offering financing products and services meeting their needs and providing appropriate services at low cost.

4.2 Disclosure and Transparency

Finance companies should update the information of the financing products and services offered to consumers; it should be clear, concise, easy to understand, accurate, not misleading, and easy to access, especially the conditions and main features thereof. This should include a description of the rights and responsibilities of each party and details of prices and commissions charged by the finance company, fines, risks and the mechanism of terminating the business relationship and the consequences thereof. Furthermore, they should provide information about the alternative financing products and services offered by them.

4.3 Financial Education and Awareness

Finance companies should work on spreading financial culture, developing the skills of the current and future consumers on how to obtain financing products and services appropriate for their needs, raising their level of awareness, enabling them to understand major risks and helping them to make informed and effective decisions, and directing them to the entity concerned to obtain information if needed.

4.4 Business Ethics and Conducts

Finance companies should conduct business professionally and responsibly, provide their services honestly and transparently, perform their duties timely and with high quality in a way that serves the consumers' interest during all transaction process made between them, as finance companies are considered primarily responsible for the protection of consumers' financing interests.

4.5 Protection against Fraudulence

Finance companies should implement the maximum level of supervisory measures and security procedures to follow up financing processes, protect them against fraud or illegitimate use through using clear procedures and electronic systems that enable them to achieve this goal.

4.6 Protecting Privacy of Information

Finance companies should protect consumers' financial and personal information, safeguard its privacy, not use it except for specified professional and regulatory purposes with the consumer's approval, and should not disclose it to any third party without SAMA's permission.

4.7 Complaint Settlement

Finance companies should have in place an appropriate mechanism easy for consumers to submit their complaints. It should be fair, clear and effective through which complaints are followed up and resolved without delay in accordance with SAMA's relevant instructions.

4.8 Competition

Finance companies should help consumers search for and compare the best services and products, and their prices and providers by providing and publishing appropriate information about these services which will assist consumers take appropriate decisions.

4.9 Outsourcing

Finance companies should ensure that the outsourcing entities assigned with tasks comply with the requirements of these principles, serve consumers' interests and bear the responsibility for protecting them. Finance companies are not exempted from responsibility if the outsourced service provider fails to comply with applicable rules and regulations in any of the transactions or tasks assigned to it pursuant to Article (37) of the implementing regulations of the Finance Company Control Law.

4.10 Conflict of Interests

Finance companies should establish written policies on conflict of interests. They should ensure the implementation and existence of policies that help in identifying transactions that are likely to be a source of conflict of interests. If a conflict of interest is likely to occur between the finance company and any other party, the finance company should inform the consumer of these cases.

4.11 Adequate Resources

Finance companies should exercise due diligence to provide human and operational resources that are sufficient and necessary to carry out their business, serve their consumers in all regions of the Kingdom and establish centers suitable for serving consumers and various channels for communicating with them.

5. MUTUAL RESPONSIBILITIES

Finance companies should work on raising the level of knowledge and training appropriate for their employees in order to reinforce the mutual responsibilities through promoting ongoing awareness and education programs provided by finance companies collectively, apart from initiatives undertaken by each finance company for its consumers. Mutual responsibilities that should be emphasized include the following:

5.1 Honesty in Providing Information

Consumers should provide complete and accurate information when filling any form pertaining to the finance company, refrain from providing misleading, wrong or incomplete information, and update the information if needed.

5.2 Reading All Information Provided by Finance Companies

Consumers should read all details that highlight the obligations incurred in return for a financing product or service and make sure they understand those obligations and are able to commit to their conditions.

5.3 Asking Questions

Consumers should enquire about any item or condition laid down in the financing agreement or any other document provided by the finance company in case of lack of clarity, and ask the finance company's employees questions who should answer such questions in a professional and clear manner that helps the consumer takes the appropriate decision.

5.4 Making Sure of the Financing Agreement Data

Consumers should ensure that the issued copy of the financing agreement includes all essential information including, but not limited to, the consumer's personal information, financing amount, APR, and summary of the financing agreement. It shall also include all the agreement's appendices, such as the repayment schedule and attached statements, etc.

5.5 Complaint Submission Mechanism

Finance companies should provide the information and data necessary to the consumer illustrating the mechanism for making complaints, such as the contact numbers and addresses for making and following up on a complaint and the timeframe for notifying the consumer of the result. The consumer should take the initiative to use this service and know how to escalate the complaint to higher levels when necessary.

5.6 Using Financing Products or Services under Terms & Conditions

Consumers should not use the financing product or service except in accordance with the related terms and conditions, after ensuring their understanding fully.

5.7 Non-Exposure to Risks

Some financing products or services involve varying levels of risk. Therefore, finance companies should clarify that to consumers in writing. Consumers, however, should not buy any financing product or service when feeling that the risks are not suitable to their financial status.

5.8 Obtaining Products and/or Services Commensurate with Needs

When applying for a financing product or service, finance companies should ensure its suitability for the consumer's needs. Consumer should disclose all its financial obligations made with all entities and ensure that it can fulfill the obligations incurred after obtaining the financing product or service.

5.9 Illegal Practices

Finance companies should instruct Consumers to inform them immediately upon detecting any illegal procedures concerning the product or service provided, and the companies should correct and address these procedures to avoid their reoccurrence.

5.10 Financial Difficulties Faced by Consumers

The Consumers should communicate with the finance company it deals with to ask for consultation when facing financial difficulties and that it is unable to fulfill the financing product's or service's obligations. Accordingly, the company shall discuss the available options commensurate with its financial status.

5.11 Updating Information

The Consumer should update its personal information, including contact information such as phone numbers, P.O. Box, and e-mail. The update should be constant and as required by the finance company. Consumers shall be responsible for consequences arising from not providing the finance company with updated information. Moreover, they should not use irrelevant addresses such as those pertaining to friends or relatives as this may divulge their financial information.

5.12 Power of Attorney

Consumers should be cautious when granting a power of attorney to another person to carry out its financial transactions and it should be aware of the risks emanating from granting it.

5.13 Incomplete Forms

Consumers should ensure that all required fields are filled and make sure of the figures in the forms provided for signature. They should not sign blank or incomplete forms.

5.14 Forms

Consumers should review all information they have provided in the forms to ensure the correctness of information and nonexistence of mistakes in the data written. Finance companies should ensure that as well. Consumers should be aware that their signature on the forms means their approval of the form's content.

5.15 Don't Disclose your Personal Information

Finance companies should emphasize the consumers' responsibility for not disclosing any personal or financial information to any party other than the finance company under any circumstances.

5.16 Repayment of Monthly Payment

Consumers should commit to repayment of the outstanding monthly installments on due dates without delay. Delay in repaying the installment is deemed a violation of the agreement where additional costs shall be incurred.

5.17 Financed Asset Maintenance and Responsibilities before Official Authorities

Consumers should maintain the financed asset and assume responsibility before official authorities for any misuse.

SECTION 3: MAIN OBLIGATIONS

Without prejudice to Finance Laws and their Implementing Regulations and instructions issued by SAMA, finance companies will be subject to these principles and details included in this part concerning the obligations and laws related to the financing product or service that support "the General Principles" of consumer protection.

6. TERMS AND CONDITIONS

- 6.1 The finance company shall provide the consumer with the updated terms and conditions of the financing product and service, either in the form of a booklet or a leaflet that includes all terms and conditions or through other channels available to finance companies. Consumers shall be encouraged to read them before beginning the relationship. These terms and conditions should be posted on the company's website.
- 6.2 The finance company shall include in the terms, conditions and application forms warning statements clearly stating the possible consequences that the consumer may be exposed to when using the financing product or service contrary to the conditions agreed upon in the application form.

6.3 The finance company shall include all terms and conditions in the financing product or service application form that shall be filled by the consumer in Arabic, in a clear, comprehensive and not misleading language. An English translation shall be provided upon the consumer's request.

6.4 The finance company shall inform the consumer by guaranteed means of communication of any change in the terms and conditions within at least (30 business days) before making any change.

6.5 The finance company shall allow the consumer to make objection if it does not agree on the change made in the terms and conditions by notifying the finance company of its objection within (10 business days) after receiving the notification of the aforementioned changes by guaranteed means of communication. The aforementioned notification should include the objection period, duration and procedures.

7. FEES, COMMISSIONS & PRICING

The finance company shall not make any change in fees and commissions consumers should pay after signing the financing agreement, including fees and commissions related to external service providers.

8. INFORMATION PROTECTION AND MAINTAINING CONFIDENTIALITY

8.1 Permanent or temporary employees of finance companies and employees of

the third party, whether they are on-the-job or after leaving their posts, should sign the consumer information confidentiality form, ensure not to disclose financial and personal information and limit access thereto to authorized persons only.

8.2 The finance company should apply a clear Code of Conduct for employees assigned to roles that include sales and marketing of financing products, follow up and collection of non-performing financing accounts. The finance company shall provide those employees with a copy of the Code of Conduct and receive their acknowledgment of receiving it. The Code of Conduct must prohibit the following:

1. Any contact with the defaulted consumer's relatives, neighbors or colleagues or any visit to its workplace to request or transfer information on the solvency of the consumer or guarantor.
2. Any contact (written or verbal) with the consumer or guarantor to transfer incorrect information on the consequences of defaulting to meet their obligations to the finance company.
3. Any contact with the defaulted consumer by using envelopes, the writing on which indicate that they contain information on debt collection.
4. Any violation of the consumer's information confidentiality and conflicts of interests and professional values.

9. ADVERTISEMENT AND MARKETING

- 9.1 The finance company shall communicate with consumers by using at least two preferred means of communication for example, but not limited to, e-mail, registered mail, SMS and telephone. The company may also use its main channels (branches and website) as well as the media (audio, visual, printed, etc.) for marketing its financing products and services by using advertisement and marketing methods it deems suitable for the targeted segment of the public, in accordance with rules, regulations and instructions issued by SAMA and having regard to the other relevant rules.
- 9.2 The finance company shall ensure that the notice sent does not contain any personal information of other consumers when sending notices or advertisements to more than one consumer by e-mail or any other means of communication.
- 9.3 The finance company shall ensure that advertisements or promotional materials using promotional prices or introductory prices indicate the expiry date of these prices and offers.
- 9.4 The finance company shall ensure that advertisements which include abbreviations such as The Annual Percentage Rate (APR) are explicitly explained.
- 9.5 The finance company shall not send any marketing materials on financing products that contain unsuitable risks for individuals under the age of 18.
- 9.6 The finance company shall grant the consumer the right on a permanent basis, to refuse receiving these advertisements in easy ways.
- 9.7 The finance company shall ensure that the advertisement is clear, professional, not misleading and in a clear font including margins. Phrases should be in formal Arabic with the possibility of using other languages easy to understand such as English. The advertisement should not harm other companies' interests or distort the reputation of the financial sector.
- 9.8 SAMA has the right to require the company that does not comply with the conditions set forth in this article to withdraw the advertisement within one business day from the notification of SAMA.

10. BEFORE OR UPON THE CONCLUSION OF THE FINANCING AGREEMENT

- 10.1 The finance company shall have in place an appropriate system through which it can obtain consumers' necessary information to estimate their needs of financing products and services and present the suitable offers according to the needs of each consumer.
- 10.2 The finance company shall provide consumers with consultations and advice on choosing the products and services suitable for their needs.
- 10.3 The finance company shall provide the consumer with a copy of the financing agreement before signing it and give it a suitable period to read it, if requested by the consumer.
- 10.4 The finance company shall obtain a request from the consumer by any guaranteed means of communication before granting a new finance. Any additions or modifications to the financing agreement shall require signing a new agreement or adding an appendix to the existing agreement.
- 10.5 The finance company shall, before the conclusion of an agreement, disclose all information related to the requested financing product or service to consumers and provide them with the terms and conditions necessary for the financing product or service, including, for example,

but not limited to, the following:

1. Fees, commissions, administrative service costs and the annual percentage rate.
 2. repayment period of the finance.
 3. Early repayment procedures.
 4. Financing agreement termination procedures.
 5. Withdrawal right procedures, if any.
 6. Obligations and duties of each party under the agreement.
 7. Any item that can be modified by the company after the agreement comes in force.
 8. Any restriction or condition may harm the consumer's interests.
 9. Dealing procedures with complaints.
- 10.6 The finance company shall, before the conclusion of the financing agreement, disclose to its consumers the procedures of dealing with the financing agreement in case of the death of the consumer who was granted the funding.
- 10.7 The finance company shall, before the conclusion of the financing agreement, disclose to its consumers any insurance coverage, the beneficiary of such coverage, and the mechanism of

dividing the compensation in case of the damage of the financed asset in order that the consumer makes a decision of obtaining funding or not.

- 10.8 The finance company shall inform the applicant of the reason for rejection by guaranteed communication means within a maximum period of (5 business days), in case the finance company rejected the consumer's application for any financing product or service.
- 10.9 The finance company should know the purpose for which financing has been obtained by the consumer and it should be documented.
- 10.10 The finance company shall provide each contracting party with a copy of the financing agreement and all its appendixes within a period not exceeding (10 business days) after the conclusion of the agreement.
- 10.11 The finance company shall examine the consumer's credit history after its approval to verify his solvency and it should document that in the financing file. It should also record the consumer's credit information after its approval at the company authorized to collect credit information, in accordance with the relevant rules, regulations and instructions and update this information throughout the duration of dealing with the consumer.

11. AFTER THE CONCLUSION OF THE FINANCING AGREEMENT

- 11.1 The finance company shall issue a clearance letter for the consumer and update its credit record at the Saudi Credit Bureau (SIMAH) when repaying the full amount of funding and giving all the necessary documents within a maximum period of (7 business days) from the date of payment.
- 11.2 The finance company shall quarterly provide the consumer with a free transaction statement (electronic or paper) showing the payments made and the remaining payments, if requested by the consumer.
- 11.3 The finance company shall provide the consumer, upon its request, with a detailed account statement without any delay, including all fees, term cost, costs and all additional charges, in case of default or early repayment of finance.
- 11.4 The finance company, its representatives and other agents entrusted with its rights shall not take any illegal procedures to recover the amounts owed to them under the financing agreement.

12. GENERAL PROVISIONS

- 12.1 The finance company should take into consideration humane situations when dealing with consumers who have contingent financial difficulties.

- 12.2 The finance company shall announce the working hours of a branch at its main entrance and on its website as well, so that the company should open and close in accordance with the announced working hours.
- 12.3 Finance companies, along with their personnel, shall not treat current and future consumers differently in a biased or unfair manner in their various dealings (including those involving finance products) based on their race, gender, religion, color, age, disability, marital status or any other forms of discrimination.

SECTION 4: ERRORS AND COMPLAINTS

13. ERRORS (MALFUNCTIONS)

- 13.1 The finance company shall return any collected amounts that may arise due to an error (malfunction) to the account of the affected consumer without any delay and without waiting for a claim to be filed; and the company does not have the right to benefit from them.
- 13.2 The finance company should process any errors to the consumer or all other consumers who were exposed to the same error, when the finance company discovers the error or has been notified of any errors occurred as a result of filing a complaint or claim.

The company should complete this procedure within (60 business days) starting from the date of determining the original error, and should call all the affected consumers and notify them of the error and the corrective measures that have been taken.

14. COMPLAINTS

- 14.1 The finance company shall place a mechanism for filing a complaint in a clear place at the company's building and all its branches, and post it on its website and provide consumers with a copy thereof if they wish to get a written one. The company should explain the complaint escalation procedures to other entities if the consumer refused the settlement made.
- 14.2 Upon receiving consumers' complaints, the finance company must do the following:
 1. Notify the consumer by guaranteed means of communication of receiving the complaint and inform it of the missing materials (if any) within (5 business days).
 2. Provide the consumer with a complaint number and contact to follow-up the developments of the complaint.
 3. Respond with the results to the consumer within a period not exceeding (10 business days) from receiving the complete complaint.
 4. Document the communication channel used for the complaint and keep its records.