



Financial Dispute Resolution Scheme

ISSH04/18-19

Figure 1 – FI members under FDRS

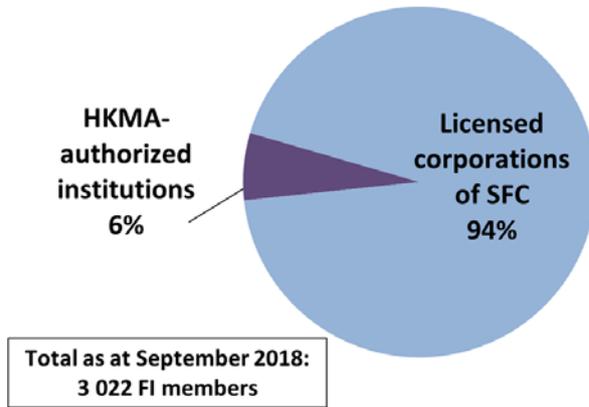


Figure 2 – Number of enquiries and complaints received by FDRC

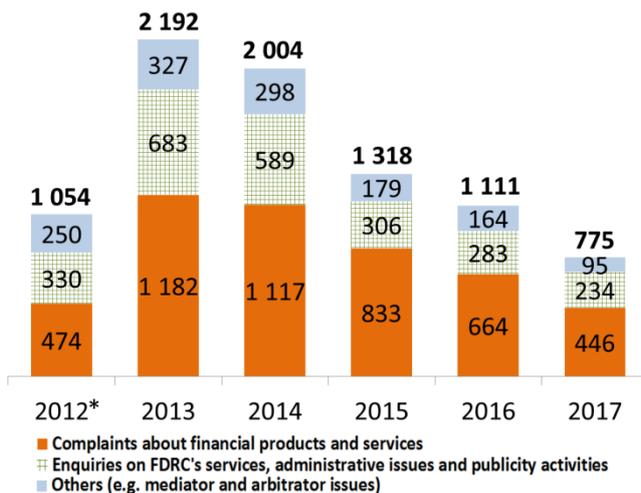
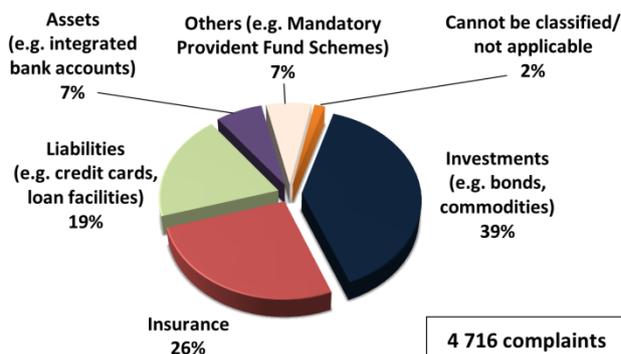


Figure 3 – Nature of complaints about financial products and services, 2012-2017

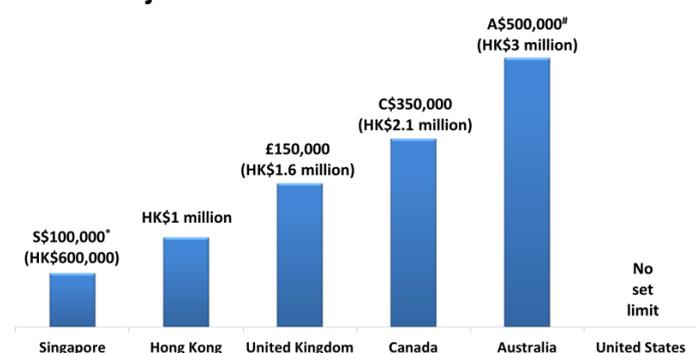


Highlights

- In Hong Kong, in the wake of the global financial crisis in 2008, the Government considered it necessary to establish an independent financial dispute resolution mechanism to enhance investor protection. As such, the Financial Dispute Resolution Centre ("FDRC") came into operation in June 2012 to administer the Financial Dispute Resolution Scheme ("FDRS"), providing a channel for financial institutions ("FIs") and their individual customers to resolve monetary disputes primarily by way of "Mediation First, Arbitration Next". All FIs authorized by the Hong Kong Monetary Authority ("HKMA") or licensed by the Securities and Futures Commission ("SFC") (except those institutions which provide credit rating services only) are required to join FDRS as members. Currently, there are over 3 000 FI members under FDRS, most of which are licensed corporations of SFC (Figure 1).
- While FDRC received a higher volume of enquiries and complaints during the initial years of operation, a downward trend had been observed in recent years. In 2017, FDRC only received 775 enquiries and complaints, a 65% reduction compared with 2013 (Figure 2). According to FDRC, since the global financial crisis, FIs have become more proactive in resolving disputes with their customers at an early stage while financial consumer education has been enhanced. These might have partly explained the fewer enquiries and complaints received by FDRC.
- Among the enquiries made to FDRC as at end-2017, over half were related to complaints about financial products and services. Among them, 39% were concerned with investments, 26% related to insurance, 19% about liabilities (e.g. credit cards), and 7% about assets (e.g. integrated bank accounts) (Figure 3).

Financial Dispute Resolution Scheme (cont'd)

Figure 4 – Maximum claimable amount in selected jurisdictions in 2018



Notes: (*) It refers to the limit for adjudicated claims.
 (#) It refers to the compensation cap for most disputes relating to non-retirement financial products and services.

Figure 5 – Distribution of FDRC's accepted applications for mediation by nature, 2012-2017

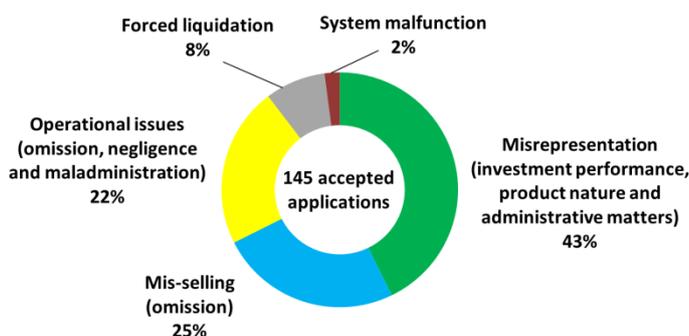


Figure 6 – Number of mediation cases closed and resolved by FDRC

Year	Number of mediation cases closed	Number of cases settled
2012 ⁺	9	7
2013	25	19
2014	32	30
2015	16	15
2016	24	20
2017	116	12
Cumulative figure	122	103 (Success rate: 84%)

Note: (+) FDRC started operation in June 2012.

Highlights

- In order to provide financial consumers with a wider access to FDRC's mediation/arbitration services, the maximum claimable amount of FDRS has since 2018 been raised from HK\$500,000 to HK\$1 million and cases with a claim exceeding HK\$1 million may also be handled by FDRC subject to the parties' consent. Between 2012 and 2017, there were about 6% of complaints with loss disclosure involving claims over the limit of HK\$1 million. In some overseas places such as Australia, Canada and the United Kingdom, the claimable limit is higher, ranging from £150,000 (HK\$1.6 million) to A\$500,000 (HK\$3 million) while there is no set limit in the United States (**Figure 4**).
- FDRC will only handle disputes that fulfil the criteria set out in its Terms of Reference (e.g. the claimant is an individual or a small enterprise and the claimant has filed a written complaint to the relevant FI and received a final written reply from the FI). Up to end-2017, FDRC has accepted 145 applications for its mediation service (**Figure 5**). About 43% involved allegations of misrepresentation on investment performance, product nature and administrative matters. This was followed by alleged mis-selling due to omission (25%), and operational issues (22%) such as negligence and maladministration.
- Among the 145 accepted applications for mediation service, 122 cases were already closed. Of them, 103 were settled at different stages of the mediation process, representing an overall success rate of approximately 84% (**Figure 6**). For the rest of the 19 mediation cases closed, although they were not settled in mediation, the claimants generally did not proceed to arbitration.

Data sources: Latest figures from the Financial Dispute Resolution Centre, Financial Services and the Treasury Bureau and selected overseas organizations administering relevant schemes.

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