

THE MULTIPLICITY OF OMBUDSMAN OFFICES: NECESSITY OR EXCESS?

With eight different ombudsman offices, the question arises about the necessity of this multitude. Jennifer Lygren from FINSOM provides clarity.

Interview with Jennifer Lygren, Director of the Financial Services Ombudsman (FINSOM)

Since 1 January 2023, financial service providers in Switzerland are obliged to affiliate to an ombudsman office recognized by the Federal Department of Finance (FDF). The introduction of eight different ombudsman offices has raised questions among financial service providers. We spoke with Ms Jennifer Lygren, director of the Financial Services Ombudsman (FINSOM), to learn more about the necessity of this multitude of ombudsman offices.

What are the specific tasks of the ombudsman offices according to the Financial Services Act (FinSA)?

The FinSA ombudsman office should primarily deal with complaints from private clients who are dissatisfied with a financial service provider's complaint management. Under certain conditions, it can also conduct civil mediation. It should also contribute to public information and market supervision. Moreover, it is crucial for it to act as a neutral mediator between financial service providers and their customers to promote trust and transparency in the financial sector.

How has the landscape of ombudsman offices for financial services developed since 1 January 2020?

Before FinSA came into force in 2020, the Swiss Banking Ombudsman was the only ombudsman office specialized in financial services. He has been responsible for handling complaints about mem-

bers of the Swiss Bankers Association (SBA) since 1993, with only 10 percent of the complaints processed in 2018 relating to financial services. With the adoption of FinSA in June 2018, the need to establish at least one more ombudsman office for financial services became apparent. However, this led to the emergence of nine ombudsman offices for "financial services" under FinSA in 2020. One of the nine ombudsman offices recognized in 2020 disappeared after two years, leaving eight still in existence today.

How many complaints and mediation procedures concern independent asset managers among the eight FinSA ombudsman offices?

It is not easy to create a consolidated analysis of the ombudsman office statistics. However, publicly available statistics currently show an average of fewer than 200 complaints per year for a FinSA ombudsman office. Of these, fewer than 50 percent end in mediation. It is noteworthy that the civil complaint and mediation rates among financial service providers, including independent asset managers, do not seem to be higher than in other sectors of the financial industry. Complaints about fraud and identity theft committed from abroad seem to be more common.

What are the advantages or disadvantages of this high number of ombudsman offices?

The choice is often seen as an advantage, but "too many options can be overwhelming and



«WHY SO MANY OMBUDSMAN OFFICES? NOT IN THE INTEREST OF THE FINANCIAL WORLD!»

make the choice difficult". It is also challenging to compare the ombudsman offices quickly. One disadvantage would be cost inefficiency. Additionally, the multitude of ombudsman offices could confuse financial service providers and especially clients, as they are unsure which ombudsman office is most suitable for their specific needs.

What is the situation in neighbouring countries?

According to a 2012 World Bank study, competition between ombudsman offices in Switzerland is one of the few exceptions.

In your opinion, does the number of FinSA ombudsman offices meet the needs of the Swiss financial sector?

In my view, the number of FinSA ombudsman offices does not seem to meet the needs of independent asset managers in Switzerland or the financial industry in general. There is a risk that too many ombudsman offices will impair the efficiency, effectiveness and transparency of the system.

Why are there so many ombudsman offices for financial services?

Good question. The answer lies neither in the need nor in the interest of financial service providers or the Swiss economy.

We would like to thank Ms Jennifer Lygren for this enlightening interview.

It would be desirable if the regulator would publish the number of cases handled by each ombudsman office in the future to provide more transparency and clarity in this area. •



JENNIFER LYGREN

Director of the Financial Services Ombudsman (FINSOM)

FINSOM was founded as a specialized mediation institution for the Swiss financial sector and was recognized by the Federal Department of Finance (FDF) according to the Financial Services Act (FinSA). FINSOM is a member of INFO-Network and an associate member of FIN-NET.