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| **Submission by COSATU on**  **the Financial Sector Regulation Bill,**  **(B34 2015)** |
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# Introduction

The Congress of South African Trade Unions (COSATU) welcomes and largely supports government’s Financial Sector Regulation Bill. COSATU appreciates the opportunity to share its views on this critical and progressive Bill with the Standing Committee on Finance and Parliament.

COSATU appreciates that this Bill is aimed at ensuring financial stability for the banking sector, to draw lessons from and to avoid a repeat of what happened to African Bank, to strengthen oversight and accountability mechanisms and to strengthen consumer protection. Workers are particularly vulnerable to any instability in the financial sector and are all too often victims of unscrupulous financial lenders etc. For these reasons, COSATU supports this Bill.

COSATU does believe that the Bill could be further expanded and strengthened to ensure greater protection for consumers and broaden government’s oversight and intervention capacities in the financial sector. COSATU is worried that the Bill may have unintended consequences in terms of the role and functioning of the National Credit Regulator and is thus calling upon government to engage with the NCR to ensure that this does not happen.

2. Areas Of Support In The Bill

COSATU welcomes and supports this Bill as a critical building block to ensure greater stability for the financial sector. COSATU in particular lauds its provisions to:

* Learn lessons from the 2008 economic recession;
* Learn lessons from the African Bank episode;
* Develop early warning mechanisms;
* Expand the oversight role of the Reserve Bank;
* Promote greater transparency, accountability and oversight;
* Providing for greater coordination and intervention mechanisms;
* Promoting greater consumer protection, rights and standards;
* Minimise opaque banking charges and abuses; and
* Strengthen crime prevention efforts.

COSATU believes this Bill is long overdue and will be bring greater stability to the financial sector. We do not believe that it gives too much power to government or will stifle economic growth in any way.

COSATU believes that it will bring some relief to consumers and empower government significantly to intervene and prevent future banking and financial sector turmoil. Turmoil that South Africa’s economy and workers cannot afford.

**3. Areas Where The Bill Should Be Further Strengthened**

Whilst COSATU supports the FSR Bill, we do believe that significant problem areas remain in the financial sectors which are not sufficiently covered in the Bill. These are areas which have a heavy impact upon the daily lives of COSATU members and workers in general.

These areas can be summarised as:

**Monopoly capital**

* The excessive concentration of capital in what can be termed a monopoly banking, finance and insurance industry.

**Lack of Transformation**

* The lack of meaningful transformation in the financial sectors. Transformation targets must be strengthened and enforced.

**Need to Save and Create Jobs**

* Insufficient levels of job creation as well as the recent retrenchments in the banking sector. The mandate of the Reserve Bank should be expanded to include the need to protect and save existing jobs and to ensure consistent and meaningful job growth. The protection and creation of jobs must be part of the SARB’s mandate when intervening in the banking sector.

In this regard, COSATU applauds government’s role in saving jobs at the African Bank where thousands of SASBO, COSATU’s banking affiliate, are employed. However more needs to be done to create jobs. Many jobs have been created in the financial sector. These need to be supported. However recently First National Bank stated it planned to retrench 600 staff in the Eastern Cape and Gauteng. Two years ago ABSA shed approximately 2000 workers. These occur whilst the very same banks’ CEOs reward themselves with performance bonuses worth millions of Rands. It should be noted that the employees who are threatened with retrenchment all too often earn salaries barely above the minimum income tax threshold. Such inequalities need to be tackled as well by government.

**Nationalise SARB**

* Whilst it may not fall under the jurisdiction of the FSR Bill, COSATU strongly believes that the SARB belongs to the nation and is charged with protecting its financial stability. It thus needs to belong to the public and not its shareholders. It is long overdue that it simply be nationalised by government.

**Exorbitant Bank Charges and Interest Rates**

* Consumers face a wide variety of excessive bank charges and interest rates with little recourse for action. The Bill provides for the sector regulator to set sectoral standards. However this does not go far enough. All too often poor workers are fleeced by banks with exorbitant charges and interest rate levels. Caps and clear criteria need to be set in place by the Regulator. Banks need to be reined in. They must not simply be allowed to be a law unto themselves and to milk workers dry. Judging by the massive levels of bank profits and assets, there is more than enough room to reduce excessive bank charges and interest rate levels.

Greater criteria and regulations are needed with regards to interest rate charges. Whilst it may make theoretical text book logic to banks to charge higher interest to the poor, it does not make any economic or humanitarian sense. Those who can least afford it and who most desperately need the financial help of the bank to house their family or set up a small business, should be charged at a lower and the most affordable interest rate. It should not be the case that the rich are charged less and the poor are charged more. Thus the poor subsidise the rich!

Banks should also not use the tightening of the law through this Bill as an excuse to reduce lending to workers and SMMEs. More so when we are in such desperate need of economic stimulus and job creating growth.

Treasury has spent a great deal of effort trying to pass laws forcing workers to annuitise provident funds. Surely this Bill is an ideal opportunity to force banks to provide attract interest rates to incentivise, encourage and reward workers who invest and save?! How does Treasury expect workers to save when they are offered below inflation interest rates for savings?! More so when the same banks never miss a chance to charge consumers ridiculous bank charges.

**Financial Education and Empowerment**

* The need for greater financial education and awareness, in particular amongst workers and the poor. Whilst the Bill provides for the regulator to set sector standards, this may not go far enough to empower consumers. There is an inherent contradiction with delegating financial education simply to financial service providers who will inevitably be blinded by their need to pursue profits above all else.

The regulator needs to be mandate and required to provide neutral meaningful and accessible mass financial education to all South Africans. The consequences of continuing with the status quo will simply mean misery for more financially illiterate consumers. Such education and awareness needs to target the insurance sector as well to curb the frequency with which consumers find themselves underinsured or conned by their insurers when they can least afford it.

Greater emphasis and standards need to be inserted to ensure meaningful and accessible assistance for consumers who have been taken advantage of.

**Auctioning of Homes and Cars**

* All too often banks rush to auction the homes and cars of consumers who have fallen behind on their loans. Frequently corrupt bank officials sell these at below market value at auctions to their family and friends who then resell them shortly afterwards at a profit. Yet the consumers are left destitute. Decisive action needs to be undertaken to deal with this callous and criminal behaviour. Alternative means need to be developed to address and assist families who risk losing their homes due to financial hard ships. The Bill should be tightened to address this inhumane problem.

**Garnishee Order Abuses**

* The wide scale abuse of garnishee orders needs to be decisively tackled by government and the financial sector. Whilst the pending Magistrates and Debt Collectors’ Bills will go a long way towards this, the FSR Bill should also be further strengthened to compel the banking sector to put its customers’ needs above the army of barbaric debt collectors who routinely and wrongly loot workers’ bank accounts.

**Role of the National Credit Regulator**

* COSATU strongly supports the important and progressive role of the National Credit Regulator. Whilst noting that the FSR Bill has been revised during the Nedlac engagements, COSATU remains concerned about possible unintended consequences which may see the role of the NCR inadvertently undermined. COSATU thus strongly pleads for Treasury, the Department of Trade and Industry and the NCR to engage and ensure that all parties’ roles and concerns are adequately catered for in this progressive Bill.

**Loan Sharks**

* Whilst the FSR Bill and the National Credit Act empowers government to deal the abuses of loan sharks, the exponential growth of loan sharks and their preying upon the most poor and vulnerable, indicate that we are not getting to grips with this massive crisis. The FSR Bill or the NCA need to be strengthened in this regard.

**Participation of Organised Labour and Civil Society**

* A great deal of knowledge of the challenges facing the sector and how they impact upon workers and the poor, reside within organised labour and progressive civil society. Space should be provided for their inclusion in the relevant oversight and accountability authorities and regulating bodies and their working groups as envisaged in the FSR Bill. Such participation would enrich those bodies and help to provide a voice for ordinary workers and consumers in these key oversight and regulatory bodies. Participation should not simply be left to monopoly capital.

**7. Conclusion**

COSATU welcomes and supports the FSR Bill. It is long overdue and badly needed. It will greatly empower government to protect the integrity and stability of our critical financial sector. COSATU urges Parliament to support and adopt it as a matter of urgency.

However COSATU also urges Parliament to consider its various proposals on how can the FSR Bill be further strengthened to protect the needs of the vulnerable and poor, to strengthen oversight and accountability and to further capacitate government to intervene to ensure the well being of the sector as a whole.