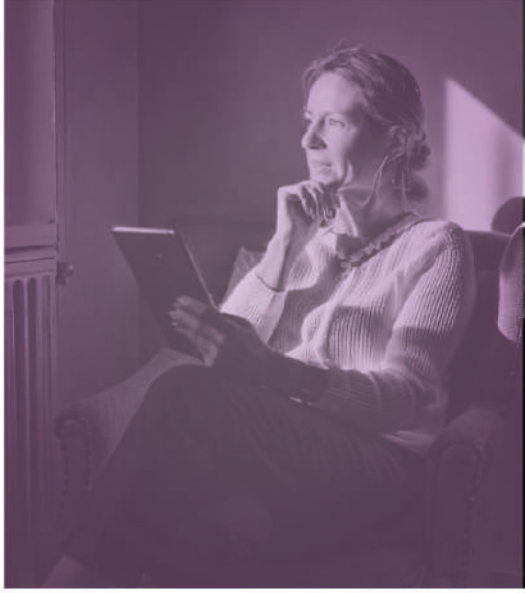
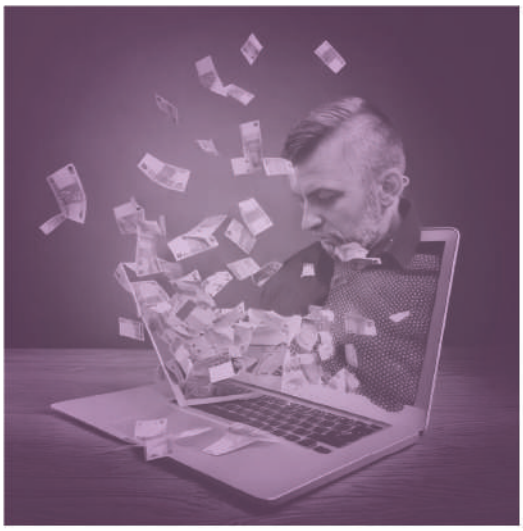
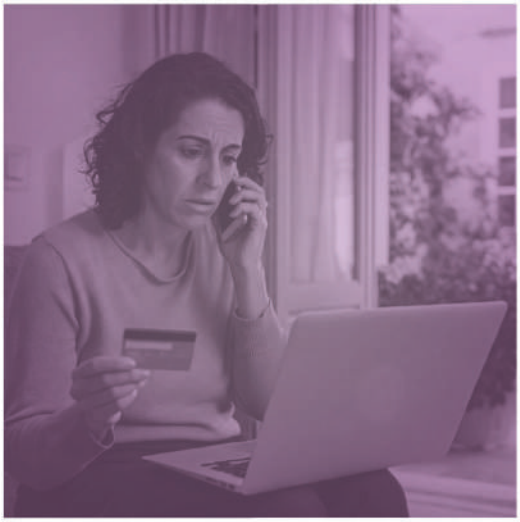
ANNUAL REPORT 2024







ARBITER FOR FINANCIAL SERVICES

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Wherever used herein, the use of the masculine gender shall include the feminine and neuter genders, and the singular shall include the plural and vice versa unless the context specifically indicates otherwise.

Any use of words or phrases to a similar effect shall have no significance in interpreting this report; such use is solely for convenience.

The cut-off date for information about appeals to decisions delivered by the Arbiter is 30 April 2025.

ARBITRU GĦAS-SERVIZZI FINANZJARJI
ARBITER FOR FINANCIAL SERVICES

23 June 2025

The Hon Clyde Caruana BCom (Hons), MA (Econ), MP
Minister for Finance
Maison Demandols
South Street
Valletta VLT 2000

Dear Minister

Submission Letter

Pursuant to Article 20 of the Arbiter for Financial Services Act (Cap. 555), I am pleased to transmit the Annual Report and Financial Statements of the Office of the Arbiter for Financial Services for 2024.

Yours faithfully

Alfred Mifsud
Arbiter for Financial Services

Competence and Powers of the Arbiter for Financial Services

Role and mandate

- The Office of the Arbiter for Financial Services provides an independent, impartial way to resolve disputes between customers and financial services providers outside of court. Established by the Arbiter for Financial Services Act (the Act), the Office and the Arbiter operates free from outside influence or control.

- The Arbiter resolves complaints based on the specific facts and merits of each case, based on what, in his opinion, is fair, equitable and reasonable.

- This Office is Malta's designated entity for alternative dispute resolution in financial services, aligning with certified ADR bodies across the EU and the EEA.

Scope and eligibility

- The law outlines the Arbiter's roles, responsibilities and authority. The Arbiter considers relevant laws, rules, regulations, guidelines from national and European supervisory authorities, industry best practices and customers' reasonable expectations from the time the issue occurred.

- To bring a complaint, a customer must have a direct relationship with a financial services provider, such as being a consumer of a service provider, being offered a service or seeking one. However, amendments to the Act – which will come into force on 1 October 2025 – will widen the scope of the Arbiter's jurisdiction to review complaints relating to fraud, even those without such a direct relationship with the financial services provider involved in the transaction. The Arbiter determines eligibility in individual cases.

- The definition of financial services provider includes entities licensed or authorised by the Malta Financial Services Authority (MFSA) or other financial services law, covering areas like investments, banking, pensions, insurance and corporate services provision. A key condition for eligibility is that customers must first submit their complaint in writing to the financial services provider and allow 15 working days for a response. The provider may extend this deadline but, in any case, a response must be issued to the customer within 35 working days.

Powers and decision-making

- The Arbiter possesses necessary powers to perform the role effectively. This includes the power to summon witnesses and administer oaths.
- The Arbiter determines the admissibility and weight of evidence presented.
- Proceedings can involve requesting information or documents from parties to the complaint or third parties.
- The Arbiter may consolidate individual complaints if they are intrinsically similar.
- Decisions are made in writing. If a complaint is found valid, fully or partially, the Arbiter can direct the provider to review conduct, give explanations, change practices or pay compensation.
- Compensation awards can reach up to €250,000 for each complainant for claims arising from the same conduct, excluding interest and other costs. For claims exceeding this amount, the Arbiter may recommend the provider pay the remaining balance, though this recommendation is not binding.
- The Arbiter also decides on the costs of the proceedings.
- Decisions are binding on both parties. Following a decision, either party can request clarifications or corrections of errors within 15 days.
- Decisions can be challenged through an appeal to the Court of Appeal (Inferior Jurisdiction) within 20 days.
- If no appeal is lodged, the Arbiter's decision becomes final and binding.
- Final decisions are accessible online, with complainant identities pseudonymised.
- Where there is significant evidence of a provider's misconduct or criminal conduct by any party, the Arbiter refers the matter to the relevant competent authorities.
- The Office and competent authorities exchange information on issues with wider regulatory implications.

Highlights

In 2024, the Office of the Arbiter for Financial Services (OAFS) received 791 enquiries, maintaining the stable enquiry pattern seen in recent years. More than half of these enquiries concerned banking and payment services, with insurance and investment matters following. Ninety per cent of all contacts were made through digital channels.

Our Customer Relations Officers resolved most enquiries by providing general information, reflecting improved public access to reliable guidance and a marked enhancement in resolution times. Cross-border co-operation with FIN-NET continued, notably in insurance cases involving local firms passporting in the EU, with positive outcomes achieved, despite language barriers and the often complex nature of international documentation.

In 2024, we recorded the highest number of accepted formal complaints in four years, reaching 251 cases. This continued the upward trend from 151 cases in 2022 and 224 in 2023. Most submissions (88%) arrived through our online complaint platform.

Across all sectors, the product categories generating the most complaints were "Savings/Current/Term Accounts" (66 instances), "Life-related" products (60 instances) and "Crypto/Virtual Financial Assets" (31 instances). Concurrently, the most common complaint issues reported were "Value at maturity" (56 instances), "General admin./ customer service" (38 instances) and "Suspected irregular activity" (34 instances).

Mediation proved particularly effective in 2024, with agreements reached during mediation accounting for over half (59) of the cases resolved at the mediation stage. This represents a substantial increase from 2023, when these agreements represented only about a third (22) of similar cases. The average time from acceptance to closure for mediated cases was 88.7 days, approximately 27 days faster than the previous year. Our enhanced mediation resources contributed to a significant increase in settlements and withdrawals without adjudication.

The Arbiter issued 94 final decisions in 2024, with 51 cases (54%) not upheld, 36 cases (38%) partially upheld, and 7 cases (7%) fully upheld. Compensation amounts varied, with the highest recorded at £118,295.60, though most awards ranged between €1,000 and €5,000. Only seven cases proceeded to appeal.

The Arbiter's decisions covered disputes across banking, insurance, investments and corporate services. Notable themes included account closures, loan application disputes, crypto-related transfer blockages and recurring issues with fraudulent payment transactions. The Arbiter applied a transparent, structured model to assign responsibility in authorised push payment scam cases, ensuring that both provider and consumer conduct were duly considered. Decisions frequently examined regulatory compliance, service provider obligations, customer due diligence and communication standards. Where appropriate, compensation or partial redress was awarded.

We initiated changes to legislation to include victims of fraud within the Arbiter's competence, even when victims are not customers of the service provider that handled the fraudulent payment. These changes will take effect from 1 October 2025, removing technical barriers that previously prevented proper examination of these complaints. This legislative change will allow complaints to be judged on their merits rather than dismissed on technical grounds of lack of competence.

2024

Acronyms / Abbreviations

Act	Arbiter for Financial Services Act (Chapter 555 of the Laws of Malta)
ADR	Alternative Dispute Resolution
APP Fraud	Authorised Push Payment Fraud
CFD	Contracts for difference
CRO	Customer Relations Officer
DFM	Discretionary Fund Manager
EEA	European Economic Area
ESMA	European Securities and Markets Authority
EU	European Union
FATF	Financial Action Task Force
IDR	Internal Dispute Resolution
KYC	Know Your Customer
MFSA	Malta Financial Services Authority
MoU	Memorandum of Understanding
NAO	National Audit Office
OAFS	Office of the Arbiter for Financial Services
PSD2	Payment Services Directive 2 (Directive 2014/65/EC)
PSP	Payment Service Provider
PSU	Payment Service User
SEPA	Single Euro Payments Area
VFA	Virtual Financial Assets

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Arbiter's Report

Alfred Mifsud

The role of the Arbiter for Financial Services has continued to evolve as I look back on the second full year of my appointment. Certainly, the decisions taken continue to take up the bulk of my time, but I have also continued to work on Technical Notes for the financial industry to enable decisions that are focused on other areas and refined the legislation governing this Office.

During 2024, 94 complaints were formally decided, compared to 136 cases that were decided in 2023.

The reduction in decided cases can be explained by two main reasons:

1. On taking over in May 2023, there was a backlog of 66 cases awaiting decision. A great effort was made to clear this backlog, so that at the end of both 2023 and 2024 there were only eight cases awaiting decision. The eight cases ready for decision as at end December 2024 were all complaints filed in 2024. In fact, we had only one outstanding active complaint coming from 2023 (active complaints exclude dormant complaints postponed *sine die* for particular reasons), which because of its complexity was finally decided in March 2025; and

2. There was a considerable increase in cases from 67 in 2023 to 115 in 2024 where complaints were settled or withdrawn without adjudication, through mediation and/or withdrawal of the complaint. This is a result of the increase in the quantity and quality of mediation resources.

These are very notable results, given that complaints registered in 2024 increased to 251 from 224 in 2023 and the decision time for adjudicated cases was considerably shortened, as reported elsewhere in this Report.

We are also pleased to note an increase in acceptance of the Arbiter's decision without appeal to civil courts. While in 2023 some 12% (16 out of 136) of decisions were appealed, in 2024 this reduced to just over 7% (7 out of 94).

There were 18 cases decided by the Court of Appeal in 2024. In their great majority (14 out of 18) the Arbiter's original decision was largely confirmed. In the four cases where the Court of Appeal reversed the Arbiter's decisions, three cases related to operation/closure of bank account. In one such case, the court explained that its reversal of decision was based on new information that was not available to the Arbiter. The other two cases related to bank decision to close a customer account for failure to submit satisfactory KYC information. The fourth case where the Court reversed the Arbiter's decision was related to a decision taken in February 2023 related to a pensions complaint where the court decided that the Arbiter's decision against the Service Provider was based on issues not raised by the Complainant.

Communication initiatives

OAFS continued enhancing its active media strategy to communicate with the public and raise awareness about our functions. This helps in two ways:

a. to render the public aware of their rights when any service provider has failed them; and

b. to approach these rights with realistic expectations for compensatory remedy.

This has helped to resolve many cases through mediation, especially in complaints related to redemption of long-term life policies which mature at substantially lower figures than had been quoted at inception when interest rates were much higher. It also helped settlements of complaints related to fraud payments (APP fraud) against banks which continued to be settled on the basis of the model framework published by the Arbiter at the end of 2023.

Fraud schemes

It is heart-breaking to see the increasing incidence of consumers falling victim to ever more creative fraudsters who seem to be operating on an industrial scale.

We have seen how fraud cases are transitioning from mere one-shot fraud payment (APP fraud) to relationship-based schemes where fraudsters trap victims in making several and substantial payments in search of fake promises for high investment returns, which never materialise except in virtual fraudulent platforms.

These schemes, commonly referred to as pig butchering, generally start with fraudsters spending several weeks/months in a confidence-building exercise with their victim. Only when sufficient confidence is achieved do they induce the victim to make a small investment in a get-rich-quick investment where the fraudster falsely professes professionalism and expertise. Victims are then lured, by fake huge profits, to increase their investments until the point when they seek realisation of their supposed profits. They are then requested to make additional payments to permit such realisation in the form of payment of taxes, maintaining liquidity thresholds or similar fake excuses.

We have seen cases where victims are forced to borrow from relatives, liquidate their pension fund or sell valuable assets to make these payments in the innocent belief that all will be restored when the profits flow in. At some point, reality strikes victims – with tremendous financial and psychological consequences.

Some complaints involved victims with a high educational background, so it is not just a case of victims' naivety resulting from a low level of education. Indeed, fraudsters seem to target victims who command substantial financial resources. And they do it with a professional persuasion level that can entrap even enlightened minds through a good mixture of fear and greed.

As regulation invariably lags the fraudsters' creativity, the OAFS has taken two initiatives in search of our mission to deliver decisions not just based on legal provisions but also on the basis of reasonableness, fairness and equity, as provided in our mandate.

Initiative 1: Technical Note: Guidance on considerations the Arbiter will adopt in determining complaints related to 'pig butchering' type of scams.

Through this first initiative the Arbiter guides the service providers on their responsibility to build monitoring systems that can 'smell' fraud in their customers' payment patterns and their obligation to warn their customers about it. This is further explained in another section of this Report.

The Arbiter reminds that in accordance with the enabling law (Arbiter for Financial Services Act 2016) the Arbiter takes into consideration not merely the adherence to rules and regulations but in adjudicating the Arbiter is also empowered to consider elements of fairness, reasonableness and equity.

Initiative 2: Changes to legislation to prevent fraud cases being considered out of scope for the Arbiter's competence under its mandate in terms of the Act.

Through this second initiative victims of fraud are considered as eligible customer, as defined in the Act, of all service providers that handled the fraud payment, even if the victim is not their customer or has never asked or been offered a service.

This legislative change would permit the Arbiter to consider complaints and adjudge them on their merits rather than having to declare lack of competence, even in cases where the service provider may have contributed to facilitate the fraudsters' hit on their victims.

During the consultation process for these changes, the Arbiter noted the objections of some industry participants who were comfortable with the existing legal regime where their performance and possible contribution to facilitate the fraud could not be adjudged on its merits.

The Arbiter, in consultation with regulators, resisted this dismissive attitude by industry participants who had difficulty understanding that fraud prevention measures protect and enhance the industry's reputation to the benefit of all concerned. After all, the change of legislation only

permitted hearing of complaints on their merits. Industry participants who perform in line with regulation and best practice will not be penalised by the change in legislation, which merely removed the technical barriers that were denying proper hearing of such complaints.

In the end a delayed effectiveness to 1 October 2025 was conceded to give time to participants to reconsider and adjust their systems as necessary.

Other complaints

We have noted a reduction in the complaints related to investments, both those effected directly as well as those involving pension funds. In fact, the fewer complaints on investments mainly involve complainants who are not typically of the retail type and to whom the Arbiter cannot offer the same consideration as that offered to retail clients. However, we still had decisions involving compensation to retail clients who complained of losses on their investments or pension schemes. These cases feature in other parts of this Report.

In cases of life insurance, more cases are being settled through mediation, but those that do not are decided based on uniform principles established in past decisions. Complaints related to general insurance cases cover a variety of subjects, including travel, car rental, health and public liability, and each case tends to have peculiarities which demand thorough analysis and deliberation. Many such decisions also feature in cases reported elsewhere in this Report.

Complaints received in the first third of 2025

In the first third of 2025 new complaints registered amounted to 59 in line with the overall tempo of 2024. It is our objective to have the majority of these complaints resolved without adjudication at the post-complaint procedure or mediation stage. Those that proceed to adjudication will be heard and decided with due despatch to make the OAFS more relevant to people's lives. Our April 2025 newsletter provides further information in this regard.

Going forward

The OAFS is blessed with a very capable and dedicated team, and I rely on them tremendously to reach our objectives.

Our front office team go out of their way to try to resolve problems that would obviate the need to lodge formal complaints.

Our mediation service is increasingly effective in settling complaints prior to adjudication.

For those residual cases that proceed to adjudication, I find valuable support from our expert case analysts and administrative assistant who help me to shorten the time from completion of evidence to decision.

Equitable decisions delivered with despatch produce better outcomes for the benefit of both litigants.

We have now completed negotiations to establish a legal framework for the necessary consultations with financial regulators. This helps to provide feedback for informed regulation, leading to better decision-making by the Arbiter. Through handling of complaints, OAFS can spot operational issues that would otherwise take longer to come to the attention of regulators.

We are also actively involved with regulators and law enforcement authorities to launch a national campaign to raise awareness about payments fraud and to establish a permanent helpdesk for actual and potential victims of fraud.

Going forward, the Arbiter expects to expand his adjudication role, separately from the OAFS, to the establishment of a Credit Review Office that can process complaints from business clients who have credit applications refused by lending institutions.

We look forward to continuing to be of service to the community.

Chairman's Statement

It is my pleasure to present the Annual Report for the Office of the Arbiter for Financial Services (OAFS) for 2024. As we reflect on the past 12 months, I am proud to report on the measurable progress the OAFS has made in achieving the goals outlined in our 2024 Strategic Plan. Our work across all fronts has maintained a sustained focus on providing independent, efficient and accessible dispute resolution services for consumers of financial services in Malta.

We implemented several key initiatives during the reporting year. Enhancing the OAFS's visibility and accessibility remained a significant priority. We actively engaged the public through awareness campaigns focused on critical issues, such as authorised push payment scams and digital fraud, producing and sharing video guides via our website and social media. Our participation in various TV and radio programmes also helped raise awareness about the OAFS and the services we offer, with engagement rates indicating growing public recognition. We also took steps to improve the accessibility and efficiency of the complaints process, ensuring users could easily engage with our mechanism through both online channels and in-person appointments.

Operationally, we have seen substantial improvement in our turnaround time for processing and resolving cases. We dedicated increased resources to mediation, expanding our team and enhancing their training, ensuring our team remains abreast of changes in the financial services and legislative landscape.

Mediators now leverage a growing body of Arbiter decisions to guide parties towards realistic expectations, encouraging practical, fair outcomes often without the need for lengthy adjudication. Maintaining high service standards has been important, especially with the ongoing pressures of operational capacity keeping pace with complaint volume and complexity.

A significant operational milestone achieved in early 2024 was the successful relocation to our new premises in Msida. This move provides a more modern, conducive working environment, allowing us to better service the growing needs of our stakeholders.

We continued our engagement with international peers through participation in FIN-NET and the INFO Network. Our work on scam-related disputes and digital fraud prevention, particularly our framework for sharing responsibility between Payment Service Users (PSU) and Payment Service Providers (PSP), attracted significant interest from other jurisdictions grappling with similar challenges, highlighting the broader relevance of our approach.

We continued to identify instances of systemic issues through the complaints and enquiries received, engaging with relevant regulators to address these concerns and safeguard consumer interests. This collaborative approach reinforces our commitment not only to individual disputes but also to contributing to the sector's stability and integrity.

Geoffrey Bezzina

Looking ahead, our priorities for the 2025-2027 period are clearly set out in our three-year Strategic Plan. This plan builds directly on the progress recorded in 2024 and provides a framework for continuous improvement across six strategic pillars: Accessible Services, High-Quality Dispute Resolution, Enhanced Visibility, Policy Influence, Modern Legislation and Sound Governance. We will continue to expand our outreach, focusing on improving accessibility for all, including vulnerable groups, and making our processes even more accessible. The use of technology remains central, with dedicated investment planned for digital tools, such as case management upgrades and new platforms for sharing knowledge based on the Arbiter's decisions.

Meeting our objectives and maintaining service quality require a secure, sustainable funding base. While government support remains critical, should the public subvention fall short of projected needs, the Board will consider a levy structure for financial service providers, even though this option brings additional administrative considerations. Such a move would align with international trends in the funding of alternative dispute resolution bodies and secure the future capacity of the OAFS to serve both consumers and industry.

In closing, I would like to express my sincere gratitude to the Arbiter for his dedicated leadership and to the members of the Board for their invaluable guidance and unwavering support. Our achievements would not have been possible without the dedication, diligence and teamwork of our personnel. Their commitment and hard work have been instrumental in delivering the OAFS's mission. I am also grateful to the Ministry for Finance for its continued support and technical assistance.

We intend to remain responsive, transparent and forward-looking, ensuring the OAFS continues to deliver a trusted, effective dispute resolution service for the island's evolving financial sector.

Board of Management and Administration

Geoffrey Bezzina

Antoine Borg

Peter Muscat

Valerie Chatlani

Chairman
Geoffrey Bezzina

Members
Peter Muscat
Antoine Borg

Secretary
Valerie Chatlani

Board of Management and Administration

The Minister for Finance appoints the Board of Management and Administration. Its functions include supporting the Arbiter in administrative matters, without involvement in complaint review and adjudication.

All members attended the two meetings held in 2024.

Issues discussed during Board Meetings

During the year, the Board discussed the following main items:

1. Office relocation and maintenance: The Board received updates on the ongoing challenges following the move from Floriana to Msida in February 2024. The Ministry for Finance confirmed it would cover rental and utility costs since the OAFS's subvention proved insufficient. Temporary arrangements for *ad-hoc* maintenance payments were noted as financially disadvantageous. Discussions between the Ministry and the building owner regarding maintenance agreements were ongoing.

2. Annual report and financial statements: The 2023 Annual Report was published in June 2024 and distributed to the Ministry and relevant entities. The National Audit Office, auditors of the OAFS financial statements, issued a clean Management Letter for the 2023 financial statements. The reserves decreased due to extraordinary expenses incurred by the OAFS for additional fixed assets and other recurrent expenditure required for the new office location.

3. Strategic planning and budget: A three-year Strategic Plan (2025-2027) was drafted and sent to the Minister for Finance for his consideration and eventual presentation to Parliament. Compared to the sum that had been requested, the Board noted a shortfall of €50,000 in the amount allocated by the Ministry for the Office's operational and administrative responsibilities for 2025. This funding gap gave rise to concerns about the Office's ability to maintain its current level of service and to implement its planned projects for the coming year, including staff development and essential system upgrades.

4. Case management trends: During 2024, mediation as a method of dispute resolution increased markedly, particularly in the context of scams and investment-related complaints. The Board noted that these cases often involved sophisticated fraud schemes, requiring both legal and technical expertise to resolve. The Arbiter, during a briefing to the Board, reiterated the necessity for a co-ordinated national strategy against financial scams. This strategy would bring together regulatory agencies and financial services providers to implement stronger measures to identify and block fraudulent transactions before consumers are affected.

5. Human resources: The Office expanded its staff capacity by recruiting interns and contracted staff to support mediation processes. This reflected a strategic shift towards resolving disputes through mediation more frequently. An experienced mediator was engaged to deliver training on mediation and mediation techniques.

6. IT system migration: With the current Case Management System contract expiring in 2025, the Board evaluated alternatives for migration to a new system.

7. Legislative amendments: Proposed revisions to the Arbiter for Financial Services Act were discussed, including expanding the definitions of "consumer" and "eligible client" to cover scam disputes where the customer would not have a direct contractual relationship with the financial services provider.

8. Memorandum of Understanding with MFSA: Discussions on a draft MoU between the MFSA and the OAFS were ongoing.

9. Data retention policy: The Board agreed that the period for holding physical case files be extended to ten years following the final decision of the Arbiter. All decisions published on the OAFS website will remain accessible to the public permanently. The Arbiter's decisions (unredacted) will likewise be preserved permanently for internal purposes.

Staff Complement

John Attard
Customer Relations Officer

Geoffrey Bezzina
Chairman, Board of Management & Administration

Paul Borg
Operations Support Officer

Matthew Borg Barthet
Intern

Maria Caruana
Receptionist

Valerie Chatlani
Customer Relations Officer

Rita Debono
Registrar (Investigations & Adjudications)

Francis Grech
Officer in charge of Mediation

Robert Higgans
Head (Case Reviews)

Alfred Mifsud
Arbiter for Financial Services

Pauline Muscat
Front-Desk Officer

Samantha Sultana
Case Analyst

Kim Tabone
Intern

Administrative Report

Amendments to the Arbiter for Financial Services Act

The Office of the Arbiter for Financial Services was established in April 2016 through the enactment of Act XVI of 2016 (Arbiter for Financial Services Act). This Act provides a comprehensive framework for the Office's administrative, operational and jurisdictional aspects. It outlines the roles, responsibilities and accountability of the Office, as well as the appointment, functions, powers and competence of the Arbiter.

Additionally, provisions are included for appointing a Substitute Arbiter when necessary. During the year under review, the Minister for Finance appointed a Substitute Arbiter to review a case.

Several amendments to the Act have been made over the past eight years to address diverse requirements and improve clarity. During the year under review, the Office made submissions to the Minister for Finance to amend the definitions of "customer" and "eligible customer" to address gaps in the current legislation that have prevented certain persons from seeking redress through the OAFS (see below).

The Budget Measures Implementation Bill proposed several key changes to the Act to address these gaps. The most significant amendment concerned the extension of the term "eligible customer", which limited this definition to individuals with direct relationships with financial services providers.

Over the past few years, the Arbiter has received numerous complaints from individuals who have fallen victim to financial fraud schemes. In typical cases, these victims transferred funds to payment accounts controlled by fraudsters, with the IBAN often supplied by the payment service provider.

However, the Arbiter was compelled to reject hearing these complaints on a legal technicality: the victims had no direct relationship with the local financial services provider and therefore could not be considered "eligible customers" under the legal definition. This left fraud victims without recourse through the redress mechanism offered by the OAFS. The proposed amendment addressed this shortcoming by explicitly defining victims of suspected fraudulent payment transactions as "eligible customers" of any financial services provider involved in handling the fraudulent payment.

Following the publication of the amendments in the Bill, discussions were held with various stakeholders to clarify and improve the proposed definition of "eligible customer" and agreement was reached that the proposed amendment to the definition would specify that victims must demonstrate "immediate, genuine and legitimate interest" to qualify as "eligible customers".

The amendments to the definition of "eligible customer" will apply to events occurring after the enactment date, specifically from 1 October 2025. Complaints on transactions that happened before the enactment of these changes will continue to be assessed under the current legal framework. Additionally, financial institutions may only be held liable for their own shortcomings, not for failures by other parties in the payment chain.

Moreover, these changes do not introduce new operational requirements for banks and payment service providers. Rather, they enable the Arbiter to hear genuine complaints from fraud victims instead of dismissing them outrightly on technical grounds.

The definition of "customer" has also been widened to include voluntary organisations other than natural persons, micro-enterprises and consumer associations. This broadens access to the Arbiter's services for a wider range of entities that may experience issues with financial services. The amendment also provides a clear definition of "voluntary organisation" by aligning it with the definition in the Voluntary Organisations Act (Cap. 492).

The amendments are now in force by Act IX of 2025.

Enhancing accessibility and visibility

Triannual newsletter

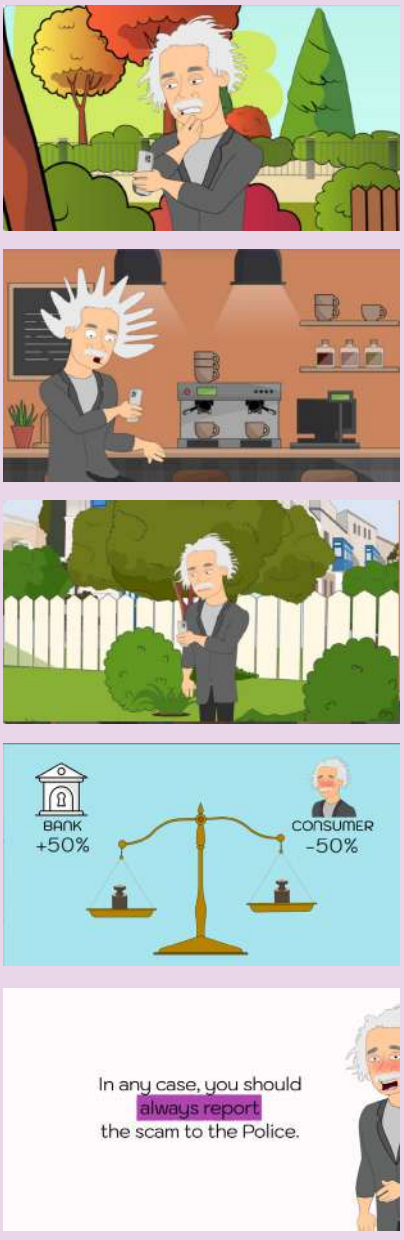
As planned in our 2024 Strategic Plan, the OAFS successfully launched and maintained its triannual newsletter initiative throughout the year. The office issued all three planned newsletters at regular four-month intervals – in April, August and December – providing stakeholders with timely updates on the organisation's activities, significant case decisions and financial sector developments.

The inaugural issue, published in late April 2024, featured an in-depth interview with the Arbiter, who reflected on his first year in office and outlined key challenges and achievements. The April newsletter introduced readers to the new framework model for allocating responsibility between Payment Service Providers and Payment Services Users in cases of payment fraud scams. Amendments to the Arbiter for Financial Services Act were also explained. The August issue opened with an analytical note from the Arbiter that highlighted the office's progress during the first half of 2024.

The final newsletter of the year, published in December, completed the triannual cycle with a comprehensive overview of the OAFS's activities throughout 2024. The Arbiter conveyed concern about the rising sophistication of financial fraud schemes. This issue also announced the upcoming abolition of registration fees for new complaints, effective from January 2025. Additionally, it highlighted the release of two educational videos aimed at raising awareness about financial scams and introduced a section reviewing Court of Appeal decisions on cases previously decided by the Arbiter.

The newsletters featured various summaries of decisions delivered by the Arbiter. They also included a "Lessons Learned" section, which leveraged the Arbiter's decisions to provide practical guidance from a consumer perspective.

All three newsletters were made available through multiple channels, including the OAFS website, direct email distribution to stakeholders and promotion through the Office's social media platforms.



Stills from the two video clips produced by the OAFS

Educational videos on financial scams

In response to the growing sophistication of financial scams in Malta, the OAFS produced two educational videos aimed to inform consumers about the nature of financial scams and provide practical guidance on protecting themselves from fraudulent activities. The videos address a concerning trend emerging not only from the number of complaints lodged with the OAFS but also as highlighted by European Central Bank and European Banking Authority data, which reported €3.76 million worth of payment fraud in Malta in the first half of 2023 alone (European Banking Authority & European Central Bank, "Report on Payment Fraud 2024").

The videos feature a character resembling Albert Einstein, who was deliberately chosen to convey an important message: even the most intelligent individuals can fall victim to sophisticated financial scams. Our approach was to destigmatise being scammed and acknowledge that modern fraud schemes are increasingly complex and convincing.

The first video provides key protective measures for consumers, emphasising that one should never share personal information with unknown parties and avoid responding to unsolicited communications about banking details. It stresses the importance of being vigilant about suspicious messages claiming to be from financial institutions. The content clearly explains that banks will never request passwords or PINs via phone calls, nor will legitimate banks threaten immediate service suspension through messages.

The second video introduces the Arbiter's model for allocating responsibility between payment service providers and users in cases of electronic messaging scams. This model, developed by the Arbiter for Financial Services and launched in late 2023, provides a balanced framework to evaluate the responsibilities of both banks and consumers when fraud occurs.

Both videos are available in Maltese and English on the OAFS website and popular social media platforms. The Maltese version of the first video was also transmitted on local TV stations at different timings during the last two months of the year.

Other public outreach initiatives

In line with our 2024 Strategic Plan, the Office of the Arbiter for Financial Services has significantly expanded its public outreach efforts to increase awareness of our services and share valuable insights from our work.

Our social media presence has been strengthened through consistent weekly posts. Every Friday, we publish a summary of a decision issued by the Arbiter on LinkedIn, providing stakeholders with accessible insights into our case resolutions. Complementing this, our Facebook page features weekly 'lessons learned' posts in both English and Maltese, highlighting practical takeaways from recent decisions that can help consumers make informed financial choices.

Beyond digital platforms, we have maintained a strong presence in traditional media through frequent appearances on television and radio programmes. These opportunities have allowed us to promote our services while educating consumers about prevalent financial scams and prevention strategies. This multi-channel approach has proved effective in reaching diverse audiences across Malta and Gozo.

Other actions taken by the OAFS to counter financial fraud scams

Following a number of cases filed with the OAFS in 2024 by consumers who had fallen victim to relationship-based scams – commonly known as pig-butchering scams – involving fake trading in crypto and forex, with significant losses reported, the Office initiated discussions with relevant stakeholders about measures and joint actions to address this worrying trend.

High-level meetings were held with the MFSA and the Police during which potential initiatives, tools and educational campaigns to counter these scams were discussed. The OAFS emphasised the urgent need to launch a continuous national educational campaign aimed at protecting consumers from increasingly sophisticated and creatively persuasive scammers.

Stakeholder engagement

The OAFS functions within a broader network of regulatory agencies and stakeholders, contributing to the generation and dissemination of valuable information and intelligence. By handling consumer complaints, the OAFS gains unique insights into the practices and conduct of financial services providers while identifying emerging trends in consumer issues.

During the year, the OAFS held meetings with stakeholders, including the Malta Bankers' Association and the Insurance Association (Malta).

During the meeting requested by the Insurance Association (Malta), representatives from local insurance companies discussed a number of issues emerging from enquiries and complaints lodged with the OAFS. In particular, insurers raised concerns about recommendations of *ex-gratia* payments in Arbiter's decisions; the importance of impartiality in mediation processes; challenges insurers face when competing with digital platforms, particularly regarding documentation requirements; and the need for customers to address complaints to service providers first before escalation to the OAFS. On the other hand the OAFS emphasised the duty for insurers to create effective internal complaints mechanisms and to handle claims fairly, especially when vulnerable consumers are involved. In addition, it was imperative for firms to better guide customers on the need of proper disclosure at the onboarding stage.

At a meeting with the Malta Bankers' Association, local bank representatives discussed several critical issues on fraud prevention. OAFS observed that, from the complaints it has received, it appeared evident that the payment monitoring systems of some banks needed sufficient upgrade to detect fraudulent transactions. The discussion also highlighted the need for additional actions in banks' anti-fraud measures, particularly the need to issue direct client warnings instead of relying on website notifications. The OAFS also suggested banks should reassess previously rejected scam complaints not reported to OAFS, which aligns with the model for allocating responsibility between payment service users and providers.

The OAFS further noted that complaints involving more sophisticated types of scams were under review, and that the Arbiter intended to issue technical notes in early 2025 on which he would base his decisions for these cases involving out-of-character transactions. The technical notes would outline expectations for the processes that banks, payment service providers and VFASPs (Virtual Financial Assets Service Providers) should adopt to improve their transaction monitoring systems.

International engagement

The OAFS actively engages with two international networks composed of out-of-court dispute resolution bodies that handle complaints related to financial services.

Since 2017, the Office has been a member of FIN-NET. This network facilitates the cross-border resolution of financial disputes between consumers and financial services providers within the EU and the EEA. FIN-NET promotes co-operation among national consumer redress schemes in the financial services sector and ensures that consumers have easily accessible avenues for alternative dispute resolution in cross-border disputes.

The OAFS also actively participates in the Steering

Group, which is chaired by the European Commission (DG FISMA) and is responsible for setting the agenda for FIN-NET's bi-annual plenary meetings. These meetings allow redress mechanisms to exchange insights and experiences on common complaint trends. Additionally, participants receive briefings from EU officials on various legislative and non-legislative financial services developments in the EU.

During the May 2024 session, the Arbiter presented the model for the allocation of responsibility between payment service providers (PSPs) and payment service users (PSUs) in cases of alleged payment fraud scams. During the Q&A session, the Arbiter explained that the model distinguishes between payments authorised by the PSU and those authorised by a fraudster using the PSU's credentials. The model takes into account the level of co-operation with the fraudster shown by the PSU. Adjudication proceedings, whether physical or online, allow technical experts from PSPs to explain system logs. These logs serve as evidence that the payment was properly authenticated. The Arbiter observed that banks have begun to improve their security systems in response to the cases brought before the Office and the recommendations published with the model.

In addition, the OAFS is a member of the International Network of Financial Services Ombudsman Schemes (INFO Network). This network serves as the global association for financial services ombudsmen and other out-of-court dispute resolution schemes that address consumer complaints and, in some cases, small businesses against banks, insurers and other financial services providers. The INFO Network facilitates collaboration among its members, fostering the exchange of experiences to enhance expertise in external dispute resolution.

The Arbiter's model drew particular interest from international ombudsmen and other financial redress mechanisms, so much so that he was asked to deliver a presentation on the model during the 2024 annual conference held in October in Toronto, Canada. The Arbiter confirmed during his presentation that the Court of Appeal had upheld both the outcome of an earlier decision directing the bank to pay full compensation to a complainant and the framework model establishing how liability in these scam situations should be apportioned. Since the model was adopted, new cases were generally solved without adjudication (at pre-mediation or mediation stages). The Chairman of the OAFS was also invited to participate in a panel discussion on "Independence & interdependence: Ombudsmen and Regulators".

The Arbiter and the Board Chairman delivering their presentations at the annual INFO Network Conference held in October in Toronto.

Sharing of information with Regulatory Authorities

Article 27(6) of the Act allows matters to be referred to the competent authorities if, in the Arbiter's opinion, there is substantial evidence of significant misconduct by the provider or any of the parties to the complaint.

The table below outlines the decisions, delivered during 2024, that the OAFS referred to the regulatory authorities, as directed by the Arbiter, and for the specified reasons.

CASE REFERENCE	ISSUES RAISED BY THE COMPLAINANT	ARBITER'S REMEDY	REASON FOR REFERRAL
ASF 050/2024	The complainant alleged that the bank refused to reimburse €12,345 after an unauthorised withdrawal from her account. She claimed she received fraudulent emails purporting to be from the bank asking her to verify her signature via a link. After clicking this link, she entered what appeared to be the bank's website where the fraudulent payment was executed. She maintained that the bank failed to protect her by allowing scammers to send links mimicking the bank's website, failed to promptly attempt recovery of funds and did not send an SMS notification about this unusual transaction.	The Arbiter applied the responsibility-sharing model and determined that the complainant should bear 70% of the loss while the bank should bear 30%. This apportionment considered several factors: the complainant showed negligence by clicking a suspicious email link and completing the payment authorisation process, but the bank failed to send notifications for this substantial payment, despite doing so for smaller amounts. The Arbiter ordered the bank to pay the complainant €3,703.50, representing their 30% share of responsibility.	The Arbiter recommended that banks implement systems that could possibly restrict online payment capabilities from savings accounts, limiting transfers only to the client's current account in certain circumstances. This recommendation, already adopted by some international institutions, would better protect customers' savings from fraud. To this end, the Arbiter specifically ordered that a copy of the decision be sent to both the Central Bank of Malta and the Malta Financial Services Authority (MFSA), as the respective regulators of payments and banks.
ASF 128/2024 and ASF 129/2024	The complainants claimed that their accounts with the payment provider, holding around €72,000, were effectively blocked after the payment provider lost the ability to provide wire transfer (SEPA) services. They faced difficulties even when trying to access funds using the payment provider's card. The personal complainant suffered significant stress, which affected his health and forced him to borrow from family to complete a property purchase. The company complainant could not settle bills. Both complainants requested practical access to their funds and compensation for financial and moral damages.	The Arbiter found that the payment provider's failure to provide normal payment services caused the complainants stress and inconvenience, and did not meet the expected standards of a licensed payment service provider. However, the complainants did not provide documentary evidence for their claimed actual expenses. The Arbiter awarded €1,000 for moral damages, to be shared according to the ratio of funds blocked (personal and company accounts), and ordered the refund of all account service fees charged from February 2024 to the decision date.	The Arbiter determined that the payment provider's failure to provide adequate payment services not only affected the complainants but also appeared to impact all customers. The alternatives the payment provider offered were considered inadequate and inconsistent with the level of service required by law. Since this constituted a systemic issue rather than an isolated incident, the Arbiter invoked article 26(3)(c)(i)-(iii) of the Act and ordered the payment provider to report these operational failings to the MFSA. The decision was sent to the MFSA for further guidance and direction, as provided for under article 27A.(1) of the Act.

Reporting of a systemic case to MFSA

During the first semester of 2024, the OAFS received multiple complaints on a licensed payment provider. These complaints shared a common pattern: retail clients alleged that they had fallen victim to scams after transferring money to corporate clients of the payment provider. The complainants alleged that these corporate clients were engaging in fraudulent schemes.

The disputes primarily concerned alleged deficiencies in the payment provider's due diligence processes for its corporate customers during onboarding and monitoring. The complainants contended that the payment provider's systems for vetting and monitoring corporate clients lacked sufficient robustness. This reportedly permitted entities with links to fraudulent activities to use the provider's services.

Given the nature and complexity of the issues raised, the OAFS informed the regulator about these matters and the potential challenges it might encounter when determining the cases.

With respect to jurisdiction, the payment provider raised a preliminary objection, noting that the complainants did not qualify as "eligible customers" under the Act. The upholding of this objection leaves the Arbiter unable to review these complaints for lack of competence.

While these legal barriers exist, the pattern of complaints raised questions about the adequacy of the provider's client vetting processes and transaction monitoring systems. There was no suggestion that the payment provider itself participated in fraudulent activity; the concern was whether its onboarding and KYC processes were sufficiently robust.

In response to this pattern, similar to that identified in previous decisions involving other providers, MFSA were informed that OAFS was considering amendments to the Act that would expand the definition of "eligible customers" to include individuals in similar circumstances, thereby providing them access to the OAFS alternative dispute resolution mechanism.

Enquiries and Minor Cases

The Office of the Arbiter for Financial Services (OAFS) offers two distinct channels for customers to submit complaints about financial services providers: an informal route and a formal procedure.

The informal channel addresses minor matters through information sharing and mediation. This approach aims to reach amicable solutions while ensuring customers understand the steps involved in the formal complaints process, which we detail in subsequent sections of this report.

Throughout the year, our Customer Relations Officers (CROs) worked alongside financial services providers to resolve minor matters efficiently. This report presents several cases that showcase our intervention efforts.

An examination of enquiries and minor cases from 2024 appears in Annex 2.

Role of Customer Relations Officers

Our CROs handle matters about banking, investments, private pensions and insurance, and guide customers through our complaints procedures.

Based on each situation, CROs suggest possible solutions, often informed by similar cases previously brought to our attention.

CROs share essential details with customers about engaging with service providers. They maintain regular contact with complaints officers at financial institutions, who serve as primary points of contact when customers need help.

When cases present unique challenges, CROs review each query to determine viable solutions and may facilitate communication between parties. They then contact service providers to assess initial responses. Most providers welcome this approach, particularly when it leads to successful outcomes.

In 2024, our CROs managed numerous disputes between local consumers and EU-licensed financial firms offering online services in Malta. This occurs because EU-licensed financial services providers can operate across member states without additional authorisation in the country where they offer their services. While the OAFS cannot directly address complaints about these firms, our CROs inform consumers about their rights and direct them to the appropriate entities that can help them. We provide contact information for relevant redress bodies and explain the terms of available resolution mechanisms.

Malta-licensed firms also expand their services across EU countries through passporting rights. We received cases from counterparts in these nations, mainly about insurance matters. They included health issues, property damage and disputes about premium refunds for cancelled policies. Our CROs worked with insurers to achieve satisfactory results for consumers.

Some matters prove too complex for informal resolution, or providers might not agree to this approach. In these instances, CROs discuss other options with customers, including formal complaints. While some customers seek outside help for this process, others manage it independently.

We strongly encourage customers and their representatives to submit complaints through the OAFS portal, which enables efficient processing and automates communications.

Eligible customers may contact the OAFS by phone, WhatsApp or email. Office visits might be necessary for customers who need help with technology or cannot provide scanned documents for their enquiries or formal complaints.

Delayed settlement resolved after payment system issue

The complainant contacted the OAFS after waiting several weeks for a compensation payment of over €2,800, despite repeated follow-ups that failed to explain the delay. OAFS investigated and found that, although the insurer had authorised the payment, it had become stuck within the SEPA payment system and was never delivered. OAFS argued that technical problems should not prevent the claimant from receiving the agreed settlement promptly, nor should the claimant have to wait while the insurer resolved its internal issues. Following OAFS's involvement, the insurer settled the matter by issuing a cheque to the complainant.

Analysis of Enquiries for 2024

A total of 791 enquiries were received in 2024, which is consistent with the previous year's figure of 795. This represents a stable enquiry volume year-on-year, following the pattern established since 2021.

Digital channels dominated the methods through which enquiries were received in 2024. Web-based submissions accounted for 425 enquiries (53.7%) and 272 enquiries (34.4%) were received by email. Traditional communication methods were less prevalent, with telephone enquiries numbering 83 (10.5%) and walk-in enquiries just 11 (1.4%). This distribution shows a clear preference for digital channels, with web-based enquiries accounting for more than half of all communications.

Banking/Payment Services continued to account for more than half of all enquiries received in 2024, with 416 enquiries representing 52.6% of the total. Insurance-related enquiries formed the second largest category with 151 enquiries (19.1%), followed by Investments with 125 enquiries (15.8%). The Other category accounted for 90 enquiries (11.4%) and Corporate Services, a new category introduced in 2024, represented 9 enquiries (1.1%).

Maltese residents formed the majority of enquiries, with 471 cases (59.5%). That said, the international reach of our services remains significant. The substantial number of enquiries from EU countries, particularly France, Italy and Germany, reflects the extent to which Maltese-authorised firms are passporting their services into these countries.

The vast majority of enquiries in 2024 were resolved by providing general information, with 726 enquiries (92.9%) falling in this category.

The time taken to resolve enquiries in 2024 showed notable improvement from previous years. The average time to resolution was 15.6 days, while the median was just one day. The average time represents the sum of all resolution times divided by the number of enquiries, while the median shows the middle value when all times are arranged in order. The median of one day versus an average of 15.6 days indicates most enquiries were resolved quickly, with a few complex cases requiring much longer periods.

Resolution times varied considerably across different sectors. Banking and Payment Services enquiries were processed most efficiently, with an average of 6.5 days and a median of 0 days. This indicates that most banking enquiries were resolved on the day of receipt. Investment-related enquiries were also handled promptly, with an average of 13 days and a median of one day.

Insurance enquiries required significantly more time, with an average of 27.1 days and a median of 15 days, reflecting the often more complex nature of insurance claims and disputes. The Other category showed an average of 32.5 days with a median of six days. Corporate Services, as a new category, showed the longest resolution times with an average of 111.3 days and a median of 14 days. However, this represents a small sample of only nine cases, which may have needed specialist attention, given that this is a new area of responsibility.

Medical claim dispute resolved with new evidence

The complainant approached the OAFS after his insurer refused to pay for medical investigation expenses of €860, which had been recommended by his doctor. The insurer argued that the medical condition was caused by hypertension, a condition excluded by the policy. When the OAFS became involved, new medical documents were provided, showing that the complainant's illness was not related to hypertension. With this new expert evidence, the insurer agreed to settle the claim in full as requested by the OAFS.

Analysing the enquiries received between 2021 and 2024

This section examines the content of enquiries received during 2024, organised by sector, and compares it with trends observed in previous years (2021-2023). Understanding the nature of these enquiries offers insights into the concerns and issues faced by consumers in the financial services industry over the four years.

Banking and Payment Services sector

The Banking and Payment Services sector continued to generate the highest volume of enquiries in 2024, with 416 submissions, accounting for 52.6% of all enquiries received. A qualitative analysis of these enquiries reveals several dominant themes.

Service quality concerns represented the most common issue (47.1% of enquiries), followed closely by payment-related problems (43%). Account issues, such as access difficulties, closures and restrictions, formed the third most significant category (37.3%). Technical issues with digital banking services appeared in nearly a third of all banking enquiries (30.3%).

Common topics included account access problems, disputed transactions, unexplained fees and difficulties with online banking platforms.

Notable changes from previous years include a shift in the primary concerns of banking customers. While account issues and payment problems have consistently been prominent since 2021, service quality has emerged as the dominant theme in 2024, replacing fees and charges more prominent in 2021. This may indicate that banking institutions may have addressed fee transparency issues but now face challenges in maintaining service standards.

Insurance sector

Insurance-related enquiries accounted for 151 submissions (19.1% of total enquiries) in 2024. The content analysis revealed a strong focus on claims handling.

Claims-related issues constituted the majority of insurance sector enquiries, appearing in 61.6% of all submissions. Fee and charge disputes represented the second most common theme (27.8%), followed by service quality concerns (26.5%).

Key terminology in insurance enquiries centred around policy terms, claim denials and coverage disputes. Water damage claims, travel insurance matters and life insurance maturity values also featured prominently.

Compared to previous years, insurance enquiries have shown a gradual reduction in the dominance of claims-related issues (down from 80.6% in 2021 to 61.6% in 2024). Concerns about the quality of service have gained greater visibility. While the handling of claims remains the main issue for customers, standards of overall service are now drawing more attention from those having insurance cover.

Sample enquiries highlight cases, such as travel insurance claim rejections, delayed settlements for third-party claims and disputes on claim denial due to policy non-renewal. Several cases involved consumers challenging insurers' interpretations of policy terms, particularly on notification periods and coverage exclusions.

Investment sector

The Investment sector generated 125 enquiries in 2024 (15.8% of the total). These enquiries revealed distinct patterns.

Service quality formed the primary concern (52.8%), followed by payment problems (45.6%) and investment-specific issues, such as returns and portfolio management (44.8%). Technical issues with investment platforms appeared in 37.6% of enquiries.

Crypto-related investments featured prominently. Other common issues included fund access problems, concerns about potential investment fraud and disputes about transaction fees, particularly for cryptocurrency withdrawals.

The year-over-year comparison reveals an interesting trend: while investment-specific issues and payment problems have remained consistently important since 2021, service quality concerns have grown steadily in prominence (from 44.2% in 2021 to 52.8% in 2024), becoming the top issue in recent years.

Representative enquiries included cases of funds being withheld from cryptocurrency platforms, account access issues and suspected investment scams. A number of queries referenced particular organisations based in Malta, raising concerns about their business conduct. This highlights the cross-border nature of several investment-related concerns.

Corporate Services sector

Corporate Services emerged as a new category in 2024, accounting for 9 enquiries (1.1% of total). Despite the small sample size, distinct patterns were observable.

Legal and compliance matters were the most common issues (44.4%), followed by account-related problems, service quality concerns, technical issues and information requests (each at 33.3%). This distribution reflects the more complex and formalised nature of corporate service relationships.

As this is a new category for 2024, there is no historical comparison available. However, the emergence of this category itself represents an evolution in the types of financial services being queried and suggests an expanding remit for the organisation.

Account opening for a non-speaker with cerebral palsy

In October, a parent contacted our office for urgent help regarding her 16-year-old daughter, who has cerebral palsy, is non-verbal and uses a wheelchair. The daughter's government-issued ID card states she is "unable to sign", providing a legal basis for alternative identification. The parent needed to open a bank account in her daughter's name to receive a school grant, as required by the Education Department. However, two Maltese banks refused to open the account without formal guardianship, which under Maltese law is only available once the individual turns 18. This left the parent unable to meet the deadline, despite her legal authority as a parent. The bank staff's rigid approach and lack of flexibility caused significant frustration. Our office intervened, recognising that the banks' advice was incorrect and that reasonable adjustments could have been made. We co-ordinated with the parent and the bank to arrange a suitable appointment, and the account was opened without further issue. The parent expressed great relief, and the school grant was successfully deposited.

Co-operation with EU financial redress mechanisms

The OAFS is an active member of FIN-NET, the Europe-wide network of national organisations responsible for settling consumers' financial services complaints out of court. This network is made up of over 60 entities in 30 countries within the European Economic Area (EEA). It is essentially an EEA-wide network promoting national financial redress mechanisms for cross-border cases between consumers and financial services providers.

During the year under review, the OAFS assisted several consumers located in other EU jurisdictions who had purchased insurance policies issued by firms which were authorised by the MFSA and domiciled in Malta. The host redress mechanism was unable to handle these complaints since its competence did not extend to firms that were passporting their services from other jurisdictions.

The main hurdle faced by the OAFS in these cases was provided by the fact that the supporting documentation was entirely in the language of the host country. In most cases, an English version of the documentation or a translation for the various exchanges between the complainant and the provider was not available. This significantly limited our understanding of the case and considerably restricted our ability to identify a practical solution to the claimant's predicament. Machine translation of the documentation, redacting relevant personal consumer information, was used to determine the issues that the claimant was raising.

In this regard, the OAFS is pleased to report that it successfully managed to resolve the greater part of these cross-border cases with the insurer(s) concerned, and this after protracted discussion and negotiation. The several positive and co-operative relationships developed with the insurers concerned over time turned out to be an essential and vital aspect in the overall procedure.

These positive outcomes included cases where the OAFS equally secured the insurer(s) agreement to settle the disputed matter, purely as a goodwill gesture, and this in instances where the policy cover was not as clear-cut as one would prefer.

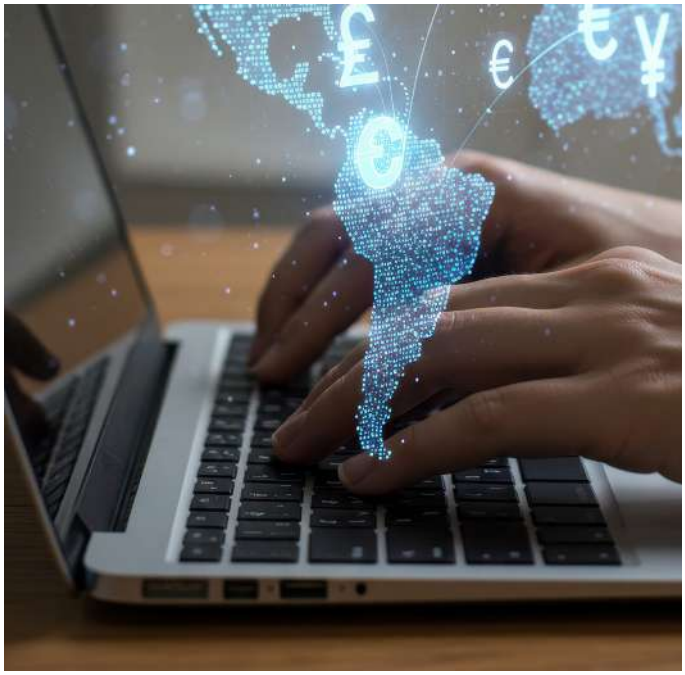
The several cases handled by the OAFS during the year under review spanned various types and aspects relating to general and life insurance policies.

Travel insurance claim after cruise cancellation

Two senior citizens cancelled a planned cruise due to a sudden serious illness, losing over €4,000. They sought compensation from their insurer, who offered €2,400, citing policy terms. The OAFS reviewed the case and confirmed that the insurer's offer matched the policy's conditions. The couple had wanted a more comprehensive policy but, because of their age, could only buy a plan with limited benefits, as explained by the insurer's representative. They provided medical certificates and accepted the restricted policy and its lower premium. The OAFS found that the couple should have understood the policy's limitations when they agreed to it. After reviewing the situation, the OAFS urged the insurer to pay the claim promptly and convinced the insurer to waive the €100 policy excess as a goodwill gesture, acknowledging the couple's significant financial loss.

Delay in receipt of transferred funds following account closure

A Maltese-Australian expatriate reported a delay in receiving funds after closing her account with a Maltese bank. She had provided all required documents, verified by the Maltese Consulate in Sydney, and sent them by registered mail. Despite meeting all requirements, her account closure was not completed and the funds did not reach her Australian bank. After she contacted us, we reached out to the remitting bank, and she confirmed her Australian bank details were correct. The remitting bank discovered the transfer failed because her Australian bank, being a smaller institution, could not accept payments in euros. The bank then sent the funds in Australian dollars instead and, to help resolve the matter, waived all related fees and charges.



OAFS helps resolve delayed policy payment

A complainant contacted OAFS for help after payment of over €70,000 from a joint life policy had been delayed for several weeks. OAFS responded quickly and presented the case to the insurer, aiming to find a practical solution. The delay was due to missing procedural documents, specifically an updated power of attorney and a joint bank account, which the complainant could not provide. OAFS listened to the complainant's reasons for this and recognised the case as genuine. OAFS then discussed the situation further with the insurer, acknowledging that the insurer's requirements were meant to prevent abuse and clarifying that OAFS did not question their legitimacy. After extended discussions, the insurer agreed with OAFS's view and released the payment.

Resolution of delayed property insurance claims

The complainant, who rented out two insured apartments, sought help from OAFS regarding two claims that had remained unsettled for several months. He argued that he had already supplied all the necessary documents. OAFS found that the delay resulted from the insurer's mistaken belief that the repairs being claimed would improve the properties rather than simply restore them. After reviewing the documents, OAFS clarified this point, allowing the claims process to move forward. OAFS also ensured that the settlement included the cost of an unpaid water and electricity bill left by the tenants. The final settlement amounted to €1,200, which the complainant accepted.

Settlement after parked car accident

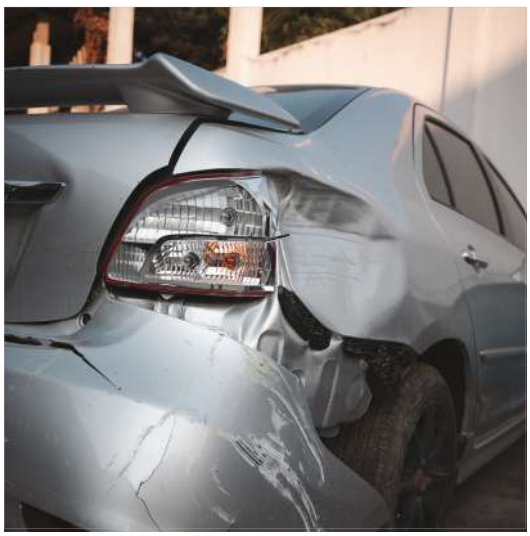
A parked car was damaged by a driver who was over the legal alcohol limit. The complainant tried to claim compensation from the other driver's insurer, but the insurer refused, arguing that the policy did not cover accidents caused by drunk driving. With the situation at a standstill, the complainant approached OAFS for help. Although the case did not strictly fall within OAFS's legal remit – since the claim was not under the complainant's own policy – OAFS decided to assist due to the clear circumstances. OAFS engaged in discussions with the insurer, pointing out the relevant legal provisions and arguing that the insurer should not simply reject the claim for liability towards an innocent third party without a court decision. OAFS also explained that, if the insurer paid out, it could then seek repayment from its policyholder. Following these discussions, the insurer agreed to settle the matter by paying the complainant €2,500, which the complainant accepted.

Card deactivation and denial of funds access

A customer filed a complaint after their bank abruptly deactivated both debit and credit cards without warning. On inquiry, they learned the suspension was due to a mandatory customer profile update required by law. The customer had not been informed that failure to update would result in frozen access to their finances. Despite promptly submitting all required documentation once aware of the issue, they were told card reactivation would take two to three working days – a delay they found unreasonable given the lack of prior notice. Facing inability to access funds for basic expenses, the customer sought assistance before the standard 15-day period for banking complaints had elapsed. Following intervention, the bank acknowledged the issue and restored the customer's access to their accounts, allowing them to resume normal banking activities.

Domestic transfer disruption and resolution

A customer contacted our office after a domestic transfer of €85,000 between two local banks went missing. Despite her repeated requests, neither the sending nor the receiving bank could locate the funds, with each insisting they had done their part correctly. Our office investigated and found that an intermediary bank had returned the funds without giving a clear reason, and no compliance issues were reported. The intermediary did not explain why the money was sent back, leaving both local banks unable to resolve the issue on their own. After several follow-ups, the remitting bank credited the funds back to the customer, and the receiving bank then re-sent the transfer, ensuring all details were checked. This time, the funds arrived safely. Throughout the process, we kept the customer informed. To make up for the delay, the beneficiary bank backdated the customer's term deposit, so she did not lose any interest. The customer was pleased with the outcome.



The Formal Complaints Process

Consumers who encounter disagreements, have unresolved issues with their provider or whose complaint is complex and requires investigation can formally complain to the Office. In contrast with the enquiry/minor case complaint process discussed earlier, this complaint procedure consists of four phases: registration, mediation, investigation and adjudication.

While we refer to these complaints as 'formal' in this report, the procedure is designed to be straightforward and as informal as possible, aligning with the Act's requirement for informality and the consumer-oriented nature of our redress mechanism.

For a more in-depth analysis of the formal complaints received and the decisions made by the Arbiter in 2024, please refer to Annex 3.

Initial review of newly submitted complaints

The Act does not specify a mandatory format for submitting a complaint. However, we offer a structured complaint form to assist customers in presenting their case and arguments effectively, and assist in providing the necessary information. Customers may lodge a complaint through our online portal or by post using our downloadable complaint form. Our online platform allows customers to conveniently edit and save their complaint and upload supporting documents in popular formats, such as PDFs. Joint complaints require paper-based submissions rather than electronic ones. This ensures all parties can provide necessary signatures and documentation in a format that maintains the integrity of the shared complaint process.

All newly received complaints undergo an initial review assessment before they are officially registered. The administrative staff and the CROs promptly evaluate these submissions and interact with the complainant to ensure that the complaint is comprehensive and meets the minimum prerequisites. This requires that the complaint description and the remedy requested by the complainant are clearly outlined, along with the correct name of the financial services provider(s) against which the complaint is being lodged.

If a complainant has not initially raised an issue directly with the financial services provider before submitting a complaint to the OAFS, there may be a temporary delay in the review process. The law requires that the substance of the complaint is communicated by the customer to the provider and that the provider be given a reasonable opportunity to address the complaint before it is escalated to the OAFS. In these situations, our staff will ask the complainant to first utilise the internal dispute resolution (IDR) mechanism offered by the provider before proceeding further with the complaint. If the IDR process has been followed, we will request a copy of the complaint letter sent to the provider and any response received (if available) as part of the supporting documentation.

Key documentation supporting the complaint, such as complaint letters, provider responses, product wordings, schedules, application forms, contract notes, statements and other relevant legal documents, will be requested during the complaint review process. During the reporting year, we introduced a comprehensive list of documents to guide consumers on which materials may be relevant to their case, tailored to the specific type of financial service involved (e.g., investments, pensions, insurance or banking). This list is available on our website to help consumers prepare and submit the necessary information for their complaint.

In 2024, the number of accepted complaints reached 251, the highest figure recorded over the past four years. This represents a continuation of the upward trend observed since 2022, when accepted cases numbered 151, following a slight decrease from 167 in 2021. The marked increase to 224 cases in 2023 was further exceeded in the reporting year.

Almost 88% of submissions (220) arrived via the online complaint platform. This continues a pattern seen across the four-year period, where the online portal consistently served as the main point of contact. Conversely, complaints originating from walk-in/postal interactions have steadily decreased, from 32 in 2021 to just 11 in 2024.

As to the sectoral distribution of complaints in 2024, the banking and payment services sector accounted for the largest number of cases, totalling 103. The insurance sector followed with 81 cases and the investments sector with 65. Corporate Services represented a minimal fraction, with only two complaints registered.

Comparing these 2024 figures with previous years reveals interesting shifts. The banking and payment services sector, while dominant in 2024, saw a slight decrease from its peak of 122 complaints in 2023. That 2023 figure represented a substantial rise from the 38 and 39 cases recorded in 2021 and 2022, respectively. Insurance complaints returned in 2024 to the exact level seen in 2021 (81 cases). The investments sector also saw a rise in 2024 compared to the previous year (65 cases, up from 36 in 2023), though this remained below its 2022 high of 71 cases. These sectoral movements indicate that while the overall complaint volume grew in 2024, the dynamics within specific sectors varied, with insurance and investments contributing more to the year-on-year increase than the banking and payment services sector, which had driven much of the complaint increase between 2022 and 2023.

The Banking and Payments sector recorded a significant number of complaints, with "Suspected irregular activity" (34 cases) and "Unauthorised use" (27 cases) being the most frequently cited issues. These predominantly related to "Savings/Current/Term Accounts", which accounted for 66 complaints.

In the Insurance sector, the primary concern for consumers was "Value at maturity", leading to 56 complaints, followed by "Rejection of claim" with 21 instances. "Life-related" products were the main subject of these insurance complaints, totalling 60.

As to Investments "General admin/customer service" was the most common issue, with 28 complaints, closely followed by "Administration/Management/Custody" issues at 20. Notably, "Crypto/Virtual Financial Assets" were the product category attracting the highest number of complaints in this sector, with 31 complaints lodged.

Refer to Annex 3 for further details about the type and nature of complaints accepted in 2024.

After the required documentation is gathered and procedural conditions are met, the complaint proceeds to an early assessment phase. This step helps clarify the Office's investigative scope and guides complainant expectations from the outset. Conducting an early assessment of complaints has enabled the OAFS to enhance its consumer service by ensuring complainants are fully informed about the investigative powers granted by legislation. If complainants raise concerns that have already been addressed in decisions made by the Arbiter, they are advised to review those decisions. This allows complainants to decide whether to proceed or withdraw their complaint, depending on their particular case. By drawing attention to previous Arbiter decisions during the initial review stages of the complaint process, cases with similar issues are handled promptly and customer expectations managed accordingly.

In 2024, 37 submissions did not advance to registration for various reasons. The majority of cases involved customers who claimed they were victims of scams. In these instances, the CROs advised customers to discuss their cases with their banks and referred them to the model published by the Arbiter regarding the sharing of responsibility between users and providers in scam cases. Other submissions were dropped because the complainants did not follow up after receiving preliminary feedback from the OAFS.

The average time taken for the Office to process a formal complaint from the date of submission to the date of registration was approximately 19 days.

Eligibility to lodge a complaint

A customer must have a relationship with a financial services provider to be eligible to file a complaint with the OAFS. This includes being a consumer of a financial service, being offered a service by a provider, or seeking a financial service from a provider. The Arbiter

issued several decisions during the year under review specifically addressing the eligibility of complainants to file a complaint in terms of the Act.

The term "financial services provider" refers to an entity granted a licence or being authorised by the Malta Financial Services Authority, the financial regulator in Malta, as per the Malta Financial Services Authority Act or any other relevant financial services legislation. Competence of the Arbiter extends also to providers whose licence or authorisation may have been revoked by the MFSA or surrendered voluntarily.

This definition includes providers offering a wide range of investment, payment, banking, pensions and insurance services. However, the Act allows the Arbiter to determine other types of services that may also fall under the broad definition of "financial service".

The Office's competence includes complaints lodged by eligible customers against banks, providers of payment services, investment services providers, insurance companies and intermediaries, virtual asset providers and corporate service providers.

The Office is unable to accept complaints against providers authorised in EU member states other than Malta, even if the service has been provided in Malta on a cross-border basis. In these cases, we recommend the financial redress mechanism in the jurisdiction where the respective provider is licensed or based.

Eligible customers, which include natural persons, micro-enterprises and consumer associations, have the right to file a complaint with the Office. The Act defines a micro-enterprise as a business that employs less than ten individuals and has an annual turnover and balance sheet total that does not exceed €2,000,000. The Consumer Affairs Act defines a consumer association as "voluntary bodies of persons whose principal objective is the promotion of consumer protection or education".

The OAFS accepts complaints in both Maltese and English, which are the official languages used throughout the dispute resolution process. Complainants are requested to provide translations of key supporting documents if these are not available in English. During the mediation and hearings processes, all communications and supplementary documentation, the operative languages are strictly limited to English and Maltese.

Conditions for eligibility

In terms of the Act, the Arbiter cannot investigate disputes unless the financial services provider has been given a fair opportunity to review the customer's issues before the customer complains to the Office. To comply with this requirement, customers must first communicate their complaints in writing to the financial services provider and allow 15 working days for a written response. A provider is justified in delaying a final response beyond 15 working days only in exceptional circumstances beyond their control. In such cases, the provider should promptly inform the customer of the delay and its reasons, and indicate when a final response can be expected.

Nonetheless, the final response must still be provided within not more than 35 working days of receiving the complaint. Both the customer's letter or email and the provider's written response are to be integrated with the supporting documentation of the complaint submitted to the OAFS.

The Arbiter cannot consider a complaint if the conduct complained of has already been the subject of a lawsuit in any court, tribunal or alternative dispute resolution mechanism in any other jurisdiction initiated by the same complainant. If such a situation is observed during the initial assessment, this matter is brought to the complainant's attention.

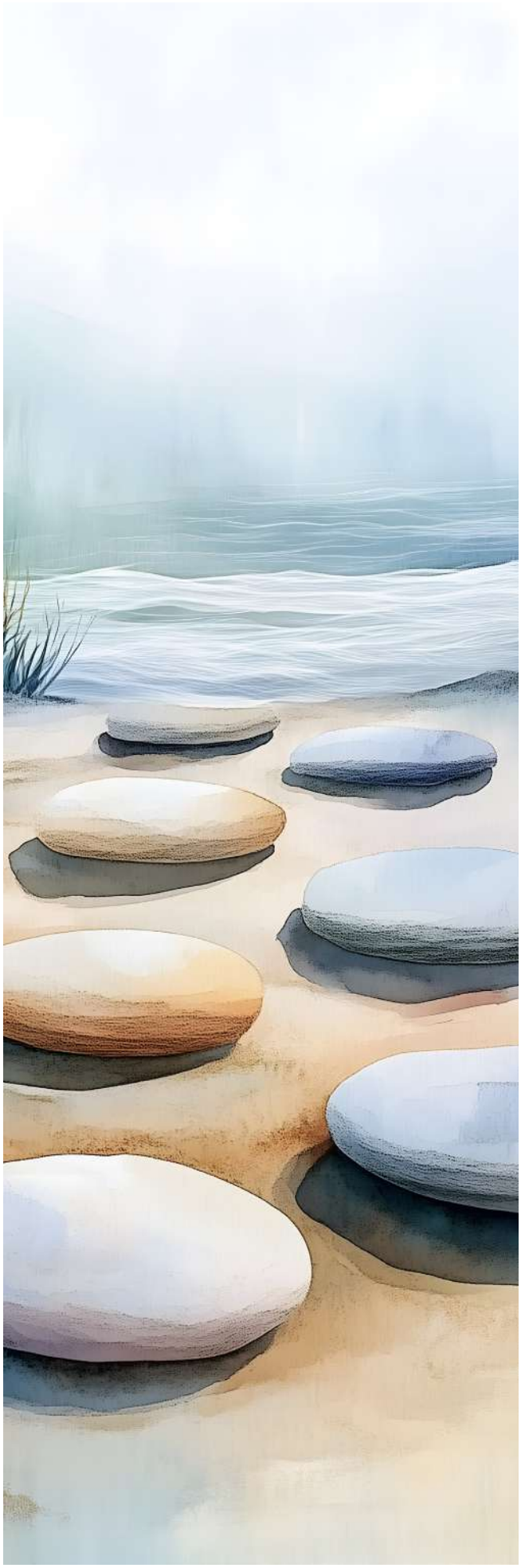
To file a complaint with the Office, a fee of €25 is applied, which will be reimbursed completely if the complainant withdraws the complaint or if the parties agree to a dispute settlement before the Arbiter issues a decision. The complaint fee will be waived for new complaints registered in 2025 onwards.

Once the Office registers a complaint, it is transmitted to the provider by registered mail for its reply. The provider has 20 days from the delivery date to submit its reasoned response to the Office.

Once the OAFS receives the provider's response, it is copied to the complainant. At the same time, both the complainant and the provider are encouraged to consider mediation as a means to resolve the case. The law emphasises the importance of resolving cases through mediation whenever feasible.

In 2024, individual complainants constituted 79% of cases, joint complainants 15%, and company complainants 6%. The proportion of individual complainants in 2024 was lower than the peak observed in 2023 (87%) and slightly below the levels of 2021 (81%) and 2022 (82%). Conversely, company complainants represented their highest share in 2024 compared to the approximate 3% seen in the previous years. The percentage of joint complainants increased from 2023 but remained comparable to 2021 and 2022 figures.

In 2024, Malta-based complainants



represented 62% (155 cases) of the total accepted cases. The top three other countries of origin for complainants in 2024 were the United Kingdom (29 cases), France (nine cases), and Italy (nine cases). The percentage of Malta-based complainants saw a substantial increase in 2024, rising well above the consistent range observed in 2021 (46%), 2022 (46%), and 2023 (44%). The composition of the top non-Maltese complainant countries fluctuates annually; while the UK has been a frequent source, 2022 featured Spain prominently, and 2023 showed significant numbers from Romania and Ukraine.

Slightly less than 39% of cases (97) chose to be assisted by their own appointed professional or trusted person during the complaint process. The remaining 61% (154 cases) were not assisted. The proportion of complainants who chose to be assisted in 2024 was the highest of the past four years. It surpassed the figures for 2021 (36%), 2022 (38%), and notably 2023 (31%). Consequently, 2024 saw the lowest percentage of unassisted complainants, although they still form the majority.

Mediation

Mediation is offered to all complainants as an alternative method of resolving their disputes. This approach allows parties involved in a complaint to work together to find a mutually satisfactory compromise solution with the help of a mediator.

Our Office actively promotes mediation due to the benefits of early dispute resolution. We assign a dedicated staff member to manage and facilitate the process. This confidential and informal process takes place privately, which ensures that the parties' legal positions remain unaffected if they cannot reach a resolution.

Participation in mediation is entirely voluntary; either party may opt out at any time, and in such case or where agreement is not reached, the complainant decides whether the complaint progresses to the Arbiter. The mediator and the Arbiter are separate individuals with completely distinct and different roles in the dispute resolution process.

The success of mediation depends on the participants' mindset. It requires parties to assess their situation realistically rather than hold firm to their initial

expectations. This openness can sometimes be difficult to achieve, as people tend to maintain their original positions.

Many cases come to us after extensive and unsuccessful discussions between the parties. A history of strained relations can reduce faith in mediation's effectiveness. The approach parties take to mediation sessions greatly affects outcomes. Some parties enter the process with fixed expectations based on published decisions, while others attend without any intention to compromise.

Most disputes centre on complex issues that need thorough understanding by all parties. For example, financial disputes often involve disagreements about expected versus actual rates of return. Investors must balance their rights with their obligations. Many problems stem from parties signing documents without fully comprehending them.

Mediation provides more than just compensation claims resolution. It offers a space for information exchange, particularly from the provider's side. Poor communication or inadequate initial engagement often leads to complaints. Throughout the year, several successful mediations enabled informal discussions that helped identify common ground and enabled a mutually agreeable solution to be reached.

Mediation sessions can be conducted online via video conferencing or in person at our Msida offices. In-person sessions are often arranged when parties have difficulty with technology or when discussing sensitive matters.

The terms are documented and submitted to the Arbiter if a mutually agreeable settlement is reached. Once approved and signed by both parties, the agreement becomes legally binding and concludes the complaint process. For complaints registered during 2024, the complainant will receive a refund of the €25 complaint fee in the case of settlement during mediation.

To better assist complainants and providers in understanding mediation, we prepared an FAQ available on our website that addresses the main questions about mediation and the mediation process.

Focusing on cases concluded primarily through settlement or withdrawal at mediation stage (115 cases), a notable shift occurred in how these cases were resolved in 2024 compared to 2023. Some of the cases resolved in this manner were brought forward from the previous year.

Agreement reached during mediation was the most common outcome in 2024, accounting for over half (59 cases) of the relevant closed cases. This represents a substantial increase from 2023, where such agreements represented only about a third (22) of similar cases.

Providing further detail for 2024, the next most frequent outcomes were withdrawals following mediation (24 cases) and withdrawals before mediation began (15 cases).

For the 115 relevant cases closed in 2024, the average time from acceptance to closure was 88.7 days, approximately 27 days faster on average than in the previous year. In 2023, an average of 115.5 days for the 67 relevant cases closed were taken.

Information on the outcomes of resolved complaints at mediation stage can be found in Table 3 of Annex 3.

Investigation and adjudication

If mediation is declined or proves unsuccessful, and the case is escalated for the Arbiter's consideration, the Arbiter will initiate the procedure for reviewing the complaint. The Arbiter firstly has to consider and confirm his competence to hear the complaint in terms of the enabling legislation,

As stipulated by law, at least one oral hearing is conducted for each case referred to the Arbiter. Nearly all hearings were conducted remotely during the reporting period using web-conferencing software. This approach ensures efficient use of time and resources without compromising the fairness of the process. The hearings are recorded, resulting in more detailed summaries, which prove beneficial during the subsequent investigation stage.

A few cases were heard in person to accommodate requests made by consumers who did not have online access or who preferred to cross-examine the provider or its agents face to face.

The parties present their cases, supported by oral and written evidence. They also have the option to present witnesses and submit final written submissions. All documents are exchanged and submitted electronically. Hearings can only be conducted in English or Maltese.

During the first hearing, the Arbiter listens to the complainant's perspective, including their oral and written evidence, and a cross-examination may be conducted. In the second hearing, the provider presents

its evidence and further cross-examination may occur. Both parties are eventually invited to present final submissions in summary form.

The entire process is typically concluded within a few weeks before the case is adjourned for a decision.

Findings and awards

A few days before the Arbiter issues a decision, the parties involved in the complaint are notified of the date the decision will be announced. Although not compulsory, the parties are invited to a hearing where the Arbiter will declare the decision. The decision is then sent to the parties and their representatives, if any, via email.

Each decision includes a note outlining the parties' rights to request corrections or clarifications and providing information on the appeals process. Additionally, some decisions now include information on the reasonable costs of proceedings that complainants can claim in cases overseen by the Arbiter. It is noted, however, that the Arbiter retains the discretion to decide how costs are apportioned based on the specifics of each case. The applicable professional fees that may be charged are expected to align with tariffs and fees stipulated for civil court proceedings in Malta under the Code of Organisation and Civil Procedure.

The Arbiter is empowered to award compensation up to a maximum of €250,000, including additional sums for interest and other costs. For claims that exceed this limit, the Arbiter may issue recommendations.

The Arbiter's final decisions are accessible on the Office's website, although the identities of the complainants are pseudonymised.

Either party can request the Arbiter to clarify the award or rectify any computational, clerical, typographical or similar errors within 15 days of the decision date. The Arbiter will issue a clarification or correction within 15 days of receiving a party's request.

Either party may challenge decisions made by the Arbiter through an appeal to the Court of Appeal (Inferior Jurisdiction) within 20 days from the date of the Arbiter's decision or from when clarification or correction is issued by the Arbiter, as applicable. The parties' identities in appealed decisions are made public on the Court of Justice website.

If neither party appeals, the Arbiter's decision becomes final and binding on all parties involved.

Occasionally, the Arbiter may need to issue a preliminary decision, often during the initial stage of a case hearing. These preliminary decisions address legal objections, such as when a service provider argues that the Arbiter lacks competence to hear the case.

In 2024, the Arbiter issued 94 final decisions. An analysis of outcomes shows that 51 cases (54%) were not upheld. A further 36 cases (38%) were partially upheld, and 7 cases (7%) were fully upheld by the Arbiter.

Of the 51 decisions not upheld, the most frequent reason, accounting for 28 cases, was related to merit, where the case presented was not sufficiently proven. Another 12 cases were determined to fall outside the Arbiter's competence. Legal points were also a factor, with six cases being time-barred and four for other legal reasons. One further case was not upheld for other merit-related reasons.

Cases related to banking and payment services (31 decisions) and insurance (31 decisions) were equally represented. Investments followed closely with 29 decisions. A small number of cases, three decisions, originated from the Corporate Services sector.

In insurance, disputes concerning the value at maturity of life-related policies were most common (16 cases). Issues surrounding suspected irregular activity affecting savings/current/term accounts (11 cases) and transfers (6 cases) were notable for banking and payment services decisions. Within the investments sector, administration, management or custody issues, particularly concerning pensions (12 cases) and crypto assets (8 cases), were more frequent.

In cases where the Arbiter determined that compensation was warranted, the amounts varied. The highest recorded compensation was £118,295.60, though most awards ranged between €1,000 and €5,000. Several cases also included moral damages, typically between €100 and €1,000. The range of compensation reflects the Arbiter's careful consideration of both financial loss and, where appropriate, additional damages for the inconvenience and distress caused to complainants.

Only seven cases (7.4%) proceeded to appeal.

Average time taken to reach case decisions

Under the ADR Directive, a final decision must be issued within 90 days of finalising a complaint's investigation process, that is, when the evidence and submissions relating to the case file are declared complete. In certain exceptional cases of a highly complex nature, ADR entities may be able to extend the timeframe for examining the case in question.

The OAFS was established to provide financial services consumers with a platform for expedited case resolution in accordance with the objectives of the ADR Directive and the Act.

While some cases can be resolved swiftly, complex cases require thorough research and careful consideration before a final decision can be reached and published.

A few cases required a longer period to convene hearings, primarily because the parties submitted extensive supporting documentation that necessitated considerable review time. Consequently, issuing a decision in these instances took longer than in other comparatively less complex cases, highlighting the challenge of balancing the Arbiter's desire for prompt decisions with the need for comprehensive detail in the final decision.

As part of the commitment to ensuring a timely resolution of cases, the Arbiter has prioritised delivering decisions promptly once a case file is complete with evidence and parties' submissions. This provides the parties involved with a prompt and clear understanding of the outcome of their case.

Decision times, measured from when a case file is complete, decreased significantly compared to the previous year. This reflects improvements in processing efficiency across all sectors.

For banking/payment services-related complaints, the average time taken to issue a decision reduced substantially to 34 days, down from 106 days in 2023. Similarly, the average time for insurance-related cases fell to 55 days from 88 days the previous year.

Investment-related complaints typically require longer review periods due to the large volume of information involved. However, processing times improved markedly here as well. The average time for these cases decreased to 101 days, a significant reduction from 250 days in 2023.

Within the investments sector, cases concerning retirement schemes often present particular complexity. These require detailed assessment of legal and substantive points. For such pension-related cases, the average decision time was 151 days. This is considerably faster than the 340 days averaged in 2023. For all other investment cases, the average time was 66 days, also showing improvement from 160 days in 2023.

Overview of Decisions delivered by the Arbiter

Arbiter's decisions online

Our online portal provides comprehensive access to the Arbiter's decisions, enabling users to explore over 800 available decisions. Users can refine their searches using various filters such as: the name of the financial services provider, the language, year date of the decision, the sector involved, the outcome of the decision and the occurrence of any appeals.

In the published versions of the decisions, the names of the complainants are omitted and replaced with unrelated alphabetical characters.

The database of the Arbiter's decisions is regularly updated to include relevant case reference numbers for appeals made to the Court of Appeal (Civil Inferior). Users can also filter their searches to distinguish between appealed and non-appealed decisions.

When the appeal judgment is published, it is made available alongside the corresponding Arbiter's decision. The identity of the complainant(s) would be revealed when an appeal is lodged with the Courts.

This decisions database aims to act as a thorough research tool for academia, the financial services industry, consumers and other stakeholders, thereby contributing to the growing body of knowledge on retail financial services jurisprudence in Malta.

A selection of case summaries

The OAFS is mandated by law to publish summaries of the decisions made by the Arbiter. In the reviewed year, the Arbiter issued 94 final decisions.

This section highlights key decisions related to banking and payment services, insurance, investments, private pensions and corporate services provision.

The summaries capture the principal elements and insights observed in the Arbiter's decisions. Besides case summaries of individual cases, there are also 'group' case summaries of various decisions that are related. They can be related by the subject matter, the type of complaint, or issues raised by the complainant or the provider.

If the judgment to a decision has been published by the time this annual report is compiled, the summary will also include the outcome of the judgment. Further details about Appeal judgments issued in 2024 relating to the Arbiter's decisions are found in Appendix 4.

Banking and Payment Services Cases

The case summaries include individual decisions and thematic groupings of related complaints, covering a range of banking and payment services disputes. These include loan application rejections, account closures, credit report disputes, crypto-related transfer blockages, fund access restrictions and unauthorised payment transactions. The decisions reveal the Arbiter's approach to balancing regulatory compliance with consumer protection, particularly evident in the model used for apportioning responsibility in financial fraud cases. The summaries demonstrate how the Arbiter considers factors such as service provider discretion, regulatory obligations, customer due diligence requirements and communication standards when determining outcomes.

Housing loan application rejection disputed (ASF 087/2023)

COMPLAINT REJECTED (ON MERIT)

Equity sharing scheme, affordability parameters, maintenance agreement, property financing, court decree, loan conditions

A complainant disputed the rejection of their housing loan application by a financial services provider. The proceedings revolved around an equity sharing scheme arrangement with the Housing Authority.

The complaint highlighted these issues:

a) The complainant met a bank representative in January to obtain quotes for submission to the Housing Authority.

b) The Housing Authority approved the equity sharing scheme for a property valued up to €200,000, with €20,000 as personal contribution, €102,000 as bank financing, and €78,000 as the Authority's equity share.

c) After providing documentation and signing a promise of sale agreement, the bank rejected the loan application.

d) The complainant maintained they had sufficient income, including salary (€1,200), maintenance payments (€400), children's allowance (€176) and in-work benefits (€171), totalling €1,947 monthly.

e) The complainant sought reversal of the bank's decision and approval of the loan as originally discussed.

The financial services provider stated in response:

a) The bank maintained complete discretion on credit exposure decisions.

b) The application failed to meet reasonable affordability parameters according to bank policies.

c) The rejection demonstrated adherence to responsible lending principles.

d) The Housing Authority's agreement to co-finance did not necessarily influence the bank's decision.

e) The bank denied responsibility for expenses incurred during the application process.

The Arbiter made the following observations:

1. While acknowledging inability to order banks to provide credit facilities outside their risk parameters, the Arbiter maintained authority to express opinions and make recommendations on those decisions.

2. The bank's rejection stemmed from two main factors: affordability concerns and alleged misrepresentation of personal circumstances in the application.

3. The affordability argument held merit while maintenance arrangements remained informal. However, this position weakened after formalisation through a court decree, especially considering the father's consistent payment history even during informal arrangements.

4. The bank appeared inflexible in maintaining its position despite changed circumstances. The affordability was demonstrated practically since the proposed loan payment would be less than the current rent (net of Housing Authority subsidy).

5. Regarding misrepresentation, the bank showed excessive rigidity in not appreciating that a first-time applicant might misunderstand application terms, particularly concerning dependents and maintenance arrangements.

6. The bank's approach did not align with its stated mission of making banking more personal and

inclusive, especially concerning social progress and stakeholder growth opportunities.

The Arbiter rejected the complaint but ordered the bank to bear the case's costs. This decision reflected that while unable to compel loan approval, the Arbiter found the bank's handling of the application overly rigid, particularly after circumstances changed with the court decree formalising maintenance arrangements.

The Arbiter did not order reimbursement of application expenses, noting this retained value for potential arrangements with other banks.

The decision was not appealed.

Credit report update request following bank error (ASF 150/2023)

COMPLAINT REJECTED (ON MERIT)

Credit report, loan repayment, banking directive, distressed credit, consumer credit, confidentiality

This case involved a complaint about a credit report listing following a bank's error in crediting an account with €71,001.80 instead of €7,101.80.

The complainant raised these issues:

a) In 2017, the bank mistakenly transferred €70,000 – rather than €7,000 – to their account.

b) While on holiday with their child and without access to emails, they spent €16,000 more than they actually had.

c) The bank treated this as credit card debt with an 8% interest rate.

d) When the complainant returned from holiday, they agreed to repay the amount once they found employment.

e) The bank required the outstanding amount of €17,782.42 to be paid by 31 January 2018.

f) A loan agreement was reached in August 2018 for €16,912.23 with an effective interest rate of 8.7%, to be repaid in monthly instalments of €771.28 over two years.

g) The complainant claimed she tried to borrow from other banks for a house but was refused due to her credit report showing this loan in distress.

h) The complainant requested the provider to update their system since she had never missed payments on previous loans but was refused.

The financial services provider rejected the complaint and presented their version of events. They stated:

a) The complainant appeared aware of the error and dishonestly took advantage by spending approximately €17,000.

b) The bank transferred the spent amount to a credit card loan after detecting the error.

c) The complainant's payments were insufficient to settle the debt within the agreed timeframe.

d) The bank reported the loan as "in distress" to the Central Bank of Malta when it remained unsettled 90 days after the due date, as required by Central Bank Directive 14.

e) The bank maintained they had no control over the Central Bank report but provided the complainant with a letter explaining her efforts to pay the loan.

f) By May 2022, the complainant had paid €16,300, with about €5,000 still due.

The Arbiter made the following observations:

1. The case centred on the complainant's request to remedy their Central Credit Register record, which the bank could not modify under Banking Directive 14.

2. The Central Credit Register served an important function in facilitating lending business and commercial credit terms between businesses.

3. The regulations governing the Register were strict and could not be altered to maintain discipline in lending practices.

4. While the complainant eventually paid after a two-year delay and received a €1,900 reduction from the bank, they expected to be able to borrow again without impediment.

5. According to regulations, this opportunity would only arise after five years.

6. Research showed this five-year period was below the EU average of seven years for similar credit registers.

7. The Arbiter found little credibility in the complainant's argument that they continued spending on their credit card, exceeding their genuine balance by over €16,000, because they thought they had more money due to the bank's error.

8. Although the complainant also raised concerns about confidentiality breaches, they did not seek remedy for this aspect and did not pursue it during the hearings.

The Arbiter rejected the complaint and ordered each

party to bear their own costs, noting that they could not order the bank to provide the requested remedy as it would contravene the Central Bank's directive on the reporting of distressed credit exposures.

The decision was not appealed.

Rejection of crypto-related transfer deemed unjustified (ASF 198/2023)

COMPLAINT UPHELD

Crypto assets, customer acceptance policy, portfolio liquidation, risk appetite, transfer rejection

A client filed a complaint against a financial services provider on the rejection of an inward transfer of approximately €4,000 from their account held with a foreign investment platform. The contested transfer represented proceeds from the liquidation of an investment portfolio.

The complainant sought the following remedies:

a) A formal apology acknowledging misunderstanding and mismanagement of the situation.

b) Reinstatement of the rejected transaction from their portfolio proceeds.

c) Assurance on data privacy protection.

d) Revision of internal policies and additional staff training to align with modern financial investment developments.

The service provider responded by asserting:

a) Their right to reject payments that did not comply with their acceptance policies based on risk appetite.

b) The complainant's request could not be accepted since it violated their policies.

c) There was no misunderstanding of financial products requiring policy review.

d) The data privacy breach allegation was merely an assumption.

e) The complainant's demands were unfounded in fact and law.

The Arbiter made the following observations and considerations:

1. Each financial institution had the right to formulate internal policies related to customer acceptance and risk, provided these were consistently applied without discrimination.
2. The allegation of privacy breach was dismissed since there was no evidence that another bank's simultaneous enquiry was anything beyond coincidental.
3. The service provider's customer acceptance policy, which they presented to justify the rejection, actually did not support their action. The policy specifically prohibited business relationships with corporate entities and sole traders involved in crypto-assets, virtual currency exchanges and virtual currency issuers.
4. The account relationship with the complainant remained active despite the transfer rejection, indicating that the cited policy section on prohibited customers could not apply to the complainant.
5. The prohibition under the policy related to business clients, not individual clients, was aimed at excluding businesses offering crypto/virtual asset services rather than individual clients with crypto assets in their investment portfolios.
6. The service provider's less restrictive approach to outward payments suggested the absence of a specific policy excluding individual inward payments, particularly when these formed part of an investment portfolio liquidation where crypto represented a minor component.
7. The cryptocurrency profit in the complainant's investment account over a five-year period amounted to only US$282.89, with crypto commission of US$85.38. Without a clear policy excluding such transfers, there was no justification for rejection based on anti-money laundering or regulatory concerns.

The Arbiter found the complaint justified and ordered the service provider to accept the transfer of approximately €4,000 from the account held with the foreign investment platform to the complainant's bank account. Additionally, the Arbiter awarded €100 as compensation for moral damages, citing a previous case decision.

The decision noted that, while the service provider could adopt stricter policies going forward, such policies would contradict the trend of financial innovation and their own approach to outward payments. The costs of proceedings were to be borne by the service provider.

The decision was not appealed.

Determining eligibility in financial fraud complaints (ASF 115/2023, ASF 070/2024, ASF 133/2024, ASF 135/2024, ASF 006/2024, ASF 070/2023, ASF 112/2024)

Eligible customer, fraud scam, contractual relationship, competence, preliminary plea, money laundering, corporate clients, fraudsters

The cases before the Arbiter for Financial Services in this category involved complainants who had fallen victim to various types of fraud schemes. In each case, the complainants had transferred funds to accounts held with payment service providers licensed in Malta, but the complainants themselves were not direct customers of these service providers. The complaints centred on allegations that the service providers had failed in their due diligence and anti-money laundering obligations, which allegedly enabled fraudsters to operate through accounts held with these providers.

The complaints

The complainants raised the following issues:

a) They had been victims of scams orchestrated by fraudsters who directed them to transfer money to accounts held with the service providers.

b) They claimed the service providers had failed to conduct proper due diligence on their corporate clients who were allegedly involved in fraudulent activities.

c) They alleged the service providers had breached their obligations under anti-money laundering regulations by not detecting suspicious transactions.

d) Some complainants argued that the service providers had a duty of care towards them, even though they were not direct customers of the service providers.

e) The complainants sought refunds of their lost funds, with amounts ranging from €1,000 to €210,033, along with compensation for emotional and financial distress in some cases.

Service providers' responses

The service providers' responses across all cases followed a similar pattern. Their primary defence was based on a preliminary plea that the complainants were not "eligible customers" as defined in the Act, and therefore the Arbiter lacked competence to hear these complaints.

The service providers explained that they had no direct contractual relationship with the complainants, who were instead customers of the service providers' corporate clients. They maintained that they had never offered financial services to the complainants, nor had the complainants sought such services from them. Furthermore, the service providers asserted that they had followed all regulatory requirements regarding customer due diligence and anti-money laundering procedures when onboarding and monitoring their corporate clients.

Arbiter's considerations

The Arbiter made a number of observations and considerations regarding the preliminary plea raised by the service providers.

The primary function of the Arbiter, as established by Article 11(1)(a) and Article 19(1) of the Act, was to deal with complaints filed by "eligible customers". This preliminary matter needed to be determined before considering the merits of any case, for two important reasons. First, if the complainants were not eligible customers, they should be promptly informed so they could seek redress through other competent forums. Second, expressing opinions on the merits of cases outside the Arbiter's competence might prejudice future proceedings in competent courts or tribunals.

The definition of an "eligible customer" under Article 2 of the Act was crucial to these determinations. The Act defined an eligible customer as "a customer who is a consumer of a financial services provider, or to whom the financial services provider has offered to provide a financial service, or who has sought the provision of a financial service from a financial services provider".

In all seven cases, the Arbiter found that none of these criteria were met. The complainants had no direct contractual relationship with the service providers; rather, they had relationships with the corporate clients of these service providers. For example, in ASF 135/2024, the complainant testified: "I was aware of [the service provider] (being somehow involved in these transactions) after I made the transfers when I checked the number." The complainant even confirmed: "I am a customer of a customer of [the service provider]."

During hearings, most complainants acknowledged they had never opened accounts with the service providers, had never been offered services by them and had never sought services from them. Their point of contact with the service providers was simply to try to recover funds they had lost when they transferred money to accounts of corporate clients who held accounts with the service providers.

The Arbiter's decisions were consistent across all cases in emphasising that the fact that beneficiaries of the complainants' funds had accounts with the service providers did not render the complainants eligible customers of those service providers. In ASF 133/2024, the Arbiter noted that the complainant "confirmed that

he only became aware of the beneficiaries of his transfers being in account with [the service provider] after he had already affected all the payments complained of".

The Arbiter also addressed the complainants' allegations regarding anti-money laundering failures. In several cases, the Arbiter noted that these concerns should be directed to the competent authorities specifically dealing with money laundering issues, as this fell outside the Arbiter's competence and expertise. In ASF 006/2024, the Arbiter commented that "considering that the Complaint mainly revolves around money-laundering and financing of terrorism issues, the Arbiter would like to draw the attention of the Complainants that questions and issues in this regard should be addressed to the Competent Authorities in Malta that specifically deal with such issues".

Another important consideration was that, in several cases, the transactions involved relatively small amounts that would not typically trigger money laundering concerns. In ASF 070/2023, the Arbiter noted it was "very unlikely that a sole payment for one thousand euro could give rise to money laundering suspicions".

In one case (ASF 115/2023), the Arbiter went beyond the question of eligible customer status to consider the nature of the complainant company itself, which was providing payment support services to its intra-group companies. The Arbiter observed that the complainant's activities "intrinsically involve financial services – with three key areas specifically mentioned and emerging from the proceedings of the case: forex brokerage, CFD trading services, and/or payment services". This led the Arbiter to conclude that "the dispute is rather deemed to be purely of a commercial nature between two business parties predominantly involving the course of business of the Complainant".

Remedy

In all seven cases, the Arbiter determined that the complainants could not be deemed "eligible customers" as defined in Article 2 of the Act. Consequently, the Arbiter declared a lack of competence to deal with the merits of these complaints and dismissed them.

The dismissals were made without prejudice to the complainants' rights to take their cases to competent courts or tribunals. The Arbiter also noted that complainants might have rights to file complaints against the actual beneficiaries of their funds in appropriate jurisdictions.

In one case (ASF 112/2024), despite ruling a lack of competence, the Arbiter made a non-binding recommendation that the service provider consider offering an *ex-gratia* payment to the complainant. This recommendation was motivated by the fact that the complainant's payment occurred when the service provider's corporate client was already under the service provider's "Fraud Monitoring Programme", yet was allowed to continue operating during a 60-day grace period.

None of the decisions were appealed.

Refer to the Arbiter's Report and the Administrative report on pages 12 and 19 that explain the changes to the legislation to address this matter.

Bank closure and account opening complaints (ASF 084/2023, 089/2024, 134/2024)

Account closure, due diligence, compliance, regulatory obligations, customer risk assessment, banking relationship, discrimination, documentation

Three separate complaints were filed with the Arbiter for Financial Services on issues related to bank accounts. The complainants raised concerns about account closures and difficulties in opening accounts, citing various grievances, including alleged discrimination and lack of proper communication from the service providers.

In the first case, the complainant contested the closure of their personal accounts after questions arose on certain transactions related to payments to companies and cash deposits.

In the second case, the complainant challenged the handling of their savings account closure and transfer of funds, citing unexplainable requests and inadequate handling of documentation.

In the third case, the complainant alleged racial discrimination in the rejection of their account opening application, claiming humiliation and financial hardship.

The complainants sought various remedies, including reopening of accounts, compensation for time wasted, lost interest, moral damages and formal apologies.

Service providers' responses

The financial services providers defended their actions primarily on regulatory grounds and internal risk assessment procedures. They cited various legal obligations, including anti-money laundering regulations and customer due diligence requirements.

The first provider maintained it had the right to terminate relationships based on risk appetite and internal policies. The second initially defended its position but later offered to engage with the customer for proper due diligence. The third acknowledged deficiencies in

handling the application and offered compensation along with an apology.

Arbiter's considerations

The Arbiter examined each case individually while considering the broader implications of banking relationships and regulatory requirements.

Looking at the first case, it was noted that banks must consider account closures as a last resort measure, given that it represents the most drastic action a bank can take against its clients. The decision to close an account should only be taken after giving clients a reasonable opportunity to address any concerns. The Arbiter found the provider had sufficient grounds to conclude that personal accounts were being used for non-personal transactions beyond what was explained on certain payments.

In the second case, the focus was on the provider's handling of documentation requests and account closure procedures. The Arbiter found no satisfactory basis for claims of unexplainable requests or unreasonable reversal of positions on documentation. However, the provider failed to follow proper termination notice procedures as outlined in its own terms and conditions.

The third case raised serious concerns about discriminatory practices. The provider's admission of deficiencies in handling the application and lack of proper staff experience supported the complainant's allegations of unfair treatment. The extended processing time of over two months, followed by rejection without proper explanation, contrasted sharply with the complainant's swift success in opening an account with another bank.

Throughout these cases, the Arbiter emphasised the importance of proper communication between financial services providers and their clients. While providers have the right to implement risk-based approaches and regulatory compliance measures, these must be executed professionally and without discrimination.

Remedy

In the first case, the complaint was rejected since the provider had justified grounds for its actions. The second case resulted in compensation of €500 due to procedural failures in account termination notification. The third case led to a more comprehensive remedy: €500 in compensation, a formal letter of apology and an order for the provider to ensure proper staff training in non-discriminatory customer treatment.

None of the decisions were appealed.

Blocked funds lead to compensation and intervention by regulator (ASF 220/2023, ASF 074/2024, ASF 128/2024 and ASF 129/2024)

Compensation, moral damages, SEPA transfers, account blocking, card transactions, financial hardship, service disruption, compliance

Four separate complaints were lodged with the Arbiter for Financial Services against payment providers on blocked funds and inability to make SEPA transfers. The complainants faced significant difficulties in accessing and transferring their funds, which caused financial hardship and considerable stress. The complaints shared similar circumstances and legal responses from the service provider, which consistently cited legal impediments under Maltese law that prevented them from releasing funds or providing detailed explanations to customers.

Summary of complaints

a) In case ASF 220/2023, the complainant claimed the service provider blocked his fintech account containing €9,200 without providing any explanation despite several requests. The complainant felt the service provider was "behaving like a scam" and requested the release of his funds.

b) In case ASF 074/2024, the complainant claimed her fintech account with €5,988 was blocked allegedly for "money laundering checks". Despite providing all requested documentation, her account remained blocked for five months. As a Ukrainian mother of two children suffering from war hardship, she urgently needed access to her funds and requested their immediate release.

c) In cases ASF 128/2024 and ASF 129/2024 (treated jointly), the complainants claimed their accounts holding approximately €72,000 were effectively blocked as the service provider had lost the ability to offer wire transfer services. The personal complainant experienced considerable stress as he needed the money to honour a property purchase agreement and had to borrow from family members. The company complainant stated they were unable to settle their bills. Both requested access to their funds and compensation for loss of income and moral damages.

Service provider's response

The service provider maintained a consistent position across all cases, citing legal impediments under Maltese law that prevented them from releasing funds or providing detailed explanations. They later explained that SEPA transfer issues stemmed from third-party provider problems. The provider claimed they offered alternative access through increased card transaction limits and ATM withdrawals.

Arbiter's considerations

The Arbiter for Financial Services considered each case on its merits, examining whether the service provider acted capriciously, unethically or illegally in not releasing the complainants' funds. The Arbiter made consistent observations across all three decisions while acknowledging the unique circumstances of each case.

The Arbiter observed that, in the first two cases (ASF 220/2023 and ASF 074/2024), the service provider's behaviour was "very specific to the complainant and has no general application to other clients". This specificity suggested the service provider was not acting arbitrarily but responding to particular circumstances that likely involved regulatory constraints.

For cases ASF 128/2024 and ASF 129/2024, the Arbiter acknowledged there was "no doubt that the service provider has caused considerable stress and inconvenience, if not financial loss, through their inability to offer normal payments services". The alternatives offered were deemed "inconvenient and unorthodox" and "fell well short of the level of service which complainants had a right to expect from a licensed payment service provider".

Notably, the Arbiter recognised that this was not an isolated issue affecting only the complainants but a systemic failure affecting all customers of the service provider. This observation was particularly significant in the third decision (ASF 128/2024 and ASF 129/2024), where the Arbiter ordered the service provider to communicate their failings to the Malta Financial Services Authority (MFSA), their regulator, and seek guidance accordingly.

Remedies awarded

In the first two cases (ASF 220/2023 and ASF 074/2024), the Arbiter declined to order the release of funds as requested by the complainants. The decisions cited insufficient evidence that the service provider was acting "capriciously, unethically or illegally". However, in both cases, the Arbiter ordered the service provider to "keep Complainant informed, within the limits allowed by law, about the status of his/her request to release his/her funds".

In the third case (ASF 128/2024 and ASF 129/2024), the Arbiter awarded compensation for moral damages suffered by the complainants, quantified at €1,000 to be shared between the personal complainant and the company complainant in the ratio of 84:16, based on the proportion of blocked funds at the time of filing. The Arbiter noted that this award was made "on the basis of arguments already covered in the Arbiter's decision re case 071/2021".

Additionally, the Arbiter ordered the service provider to refund all account service fees charged to both complainants from February 2024 to the date of the decision. The Arbiter also directed that the costs of the proceedings were to be borne by the service provider.

None of the decisions were appealed.

Fraudulent payments through compromised banking channels (ASF 215/2023, ASF 218/2023, ASF 010/2024, ASF 011/2024, ASF 012/2024, ASF 020/2024, ASF 033/2024, ASF 037/2024, ASF 039/2024, ASF 050/2024, ASF 084/2024)

Fraudulent payment, SMS spoofing, smishing, gross negligence, two-factor authentication, recall, apportionment model, dynamic linking

The Arbiter for Financial Services dealt with several complaints concerning fraudulent payments made from customers' accounts held with financial services providers. While the complaints varied in certain details, they shared common elements. The complainants alleged that fraudsters penetrated communication channels normally used between them and their financial services provider, typically through SMS or email, which led to unauthorised payments from their accounts.

Summary of complaints

a) The complainants received fraudulent messages via SMS or email on the same channels normally used by their financial services provider for official communications.

b) The messages contained links that directed the complainants to fraudulent websites mimicking the official websites of their financial services provider.

c) Following instructions on these fraudulent websites, the complainants inadvertently authorised payments to third parties, typically for amounts under €5,000.

d) The payments were processed on a 'same day' basis to bank accounts in foreign countries, making it difficult to recall the funds once the fraud was reported.

e) The complainants promptly reported the incidents to their financial services provider, but the payments had already been processed.

f) The complainants requested refunds of the fraudulently transferred amounts, arguing that their financial services provider failed to protect them by allowing fraudsters to penetrate official communication channels.

Financial services provider's response

The financial services provider rejected the complainants' requests for refunds, maintaining that the complainants were solely responsible for the fraudulent payments. In their responses, the financial services provider emphasised several key points to justify their position.

a) The payments were duly authorised using the complainants' credentials and authentication methods, including two-factor authentication, in accordance with the Payment Services Directive 2 (PSD2).

b) The complainants demonstrated gross negligence by clicking on links in suspicious messages and providing their security credentials to fraudsters.

c) The financial services provider had implemented robust security measures, including strong customer authentication and dynamic linking, as required by PSD2.

d) The financial services provider had conducted educational campaigns warning customers about potential scams and advising them not to click on links in messages.

e) The financial services provider attempted to recall the funds upon being notified of the fraud, but these attempts were largely unsuccessful as the funds had already been transferred to the fraudsters' accounts.

f) According to Article 50(1) of Directive 1 of the Central Bank of Malta, the payer bears all losses relating to unauthorised payment transactions if they were incurred through gross negligence.

Arbiter's considerations

The Arbiter for Financial Services examined the complaints and responses to determine the appropriate apportionment of responsibility between the complainants and the financial services provider. To ensure transparency and consistency in decisions, the Arbiter developed and referred to the framework model published in 2023 for apportioning responsibility in such cases.

The Arbiter made the following observations:

While it was true that financial services providers did not have means to prevent spoofing or smishing in their communication channels, they were not doing enough to effectively warn customers about these risks. Publishing warnings on websites, mass media or social media was insufficient since consumers were busy with daily problems and could not be expected to stay informed through these channels. In serious fraud cases, financial services providers should use direct communication with customers via SMS or email.

The Arbiter noted that clicking on a fraudulent link did not automatically constitute gross negligence under the law. Referencing the European Court of Justice case of Wind Tre and Vodafone Italia, the Arbiter highlighted that an action would not be considered grossly negligent if even an average, reasonably informed and attentive consumer might fall for it.

PSD2 clearly required that consumers must give specific consent for each payment, not just general consent in Terms of Business Agreements. Financial services providers needed to have robust payment systems ensuring that payments were not processed without specific authorisation from customers.

The Arbiter's framework model considered various factors in apportioning responsibility, including whether the complainant received the fraudulent message on a channel normally used by the financial services provider (which reduced the complainant's responsibility by 50%), whether the complainant fully co-operated with the fraudster in making the payment (which increased the complainant's responsibility by 30%) and whether the complainant had received direct warnings from the financial services provider in the previous three months.

Special circumstances were also considered, such as whether the complainant was travelling, had made similar genuine payments in the previous 12 months or was experiencing difficulties that made the fraudulent message seem less suspicious.

The Arbiter found that, in most cases, the complainants had continued to co-operate with the fraudsters by entering amounts and account details in the signature sections of their banking apps and providing authorisation codes specifically for the payments. This increased their degree of negligence.

However, the Arbiter also recognised that the financial services providers had not sent direct warnings to the complainants about these fraudulent schemes in the months before the incidents occurred, which partially excused the complainants.

In some cases, the Arbiter found special circumstances that further shifted responsibility to the financial services provider, such as when a complainant was travelling and panicked about missing payments, when there were consecutive failed authentication attempts that should have raised suspicion, or when the complainant had not made similar genuine payments in the previous 12 months and thus was not familiar with the process.

Remedies awarded

The Arbiter applied the framework model to each case to determine the appropriate apportionment

of responsibility between the complainants and the financial services provider. The remedies varied based on the specific circumstances of each case.

In ASF 050/2024 and ASF 020/2024, the Arbiter determined that the complainant should bear 70% of the loss and the financial services provider 30%, ordering a refund of 30% of the fraudulent payment.

For ASF 012/2024, ASF 215/2023 and ASF 218/2023, the Arbiter allocated 60% of the responsibility to the complainant and 40% to the financial services provider. In ASF 215/2023, for instance, the Arbiter noted that two consecutive failed authentication attempts should have raised suspicion and considered this a weakness in the security system.

For ASF 010/2024, the Arbiter also determined a 60%/40% split, with the complainant bearing the larger share. The Arbiter considered special circumstances, including that the complainant was travelling and had difficulty contacting customer service.

In ASF 011/2024, the complainant was found to bear 80% of the responsibility, with the financial services provider being ordered to pay 20% of the fraudulent amount.

Across all cases, the Arbiter ordered payments to be made within five working days of the decision, with interest accruing thereafter if payment was not made. Since responsibility was allocated between both parties in all cases, each party was ordered to bear its own expenses.

None of the decisions were appealed.

Insurance Cases

This section presents both individual and group case summaries covering life and non-life insurance disputes resolved over the reporting period. The individual case summaries examine distinct complaints, such as rejected claims due to policy exclusions, notification delays, proof of loss, or the timing of medical diagnoses, highlighting the central issues and the Arbiter's reasoning in each decision. Group case summaries, meanwhile, focus on clusters of similar complaints sharing a common theme – such as disputes about life policy maturity values or multiple travel insurance claims – demonstrating how the Arbiter addresses recurring issues across related cases.

Late insurance claim for workplace injury (ASF 059/2023)

COMPLAINT REJECTED (ON MERIT)

Workplace injury, insurance policy, notification delay, surgical intervention, claim rejection, broker intermediary

The case concerned a complaint about a rejected insurance claim following a workplace injury where the insurer refused to honour the claim due to late notification.

The complainant presented this case:

a) The complainant was injured at work in May 2021 and initially consulted their family doctor who diagnosed a pulled muscle and prescribed medication.

b) When the pain persisted, they sought a second opinion and were referred to a specialist, who confirmed the need for surgery.

c) They contacted their insurance broker in August 2021 and provided profit and loss documentation in September 2021.

d) The surgery took place in May 2022, after which they submitted all relevant medical certificates and documentation.

e) The complainant opened a second claim in August 2022 for a separate injury, which was processed and paid.

f) After numerous follow-ups with the broker about the first claim, they contacted the insurer directly in February 2023.

g) The complainant sought compensation of €8,640, comprising €1,890 for surgery and hospital expenses and €6,750 for nine weeks of recovery.

The service provider responded to the complaint with these arguments:

a) The policy terms required immediate notification of any incident that could lead to a claim.

b) The first notification of the claim was received in June 2022, ten months after the alleged incident.

c) The complainant underwent surgery without obtaining prior approval, as required by the policy.

d) The broker was appointed by the complainant and not the insurer, therefore any delays in notification by the broker could not be attributed to the insurer.

e) The second claim was paid because it was notified within a reasonable timeframe.

The Arbiter made these observations:

1. Two important policy conditions were breached – timely notification of the claim and obtaining prior approval for expenses except in emergencies.

2. The relationship between the broker and the insured was distinct from that with the insurer since the broker was chosen by the complainant and acted as their agent rather than the insurer's representative.

3. The delay in notification was substantial – the claim form indicated the incident occurred in August 2021 and the insurer was only informed in June 2022, though the complainant testified the injury occurred in May 2021, making the delay even longer.

4. The surgical intervention was carried out without the insurer's approval, preventing them from obtaining their own medical opinion, particularly regarding the nine-week recovery period that constituted the majority of the claim.

5. No explanation was provided for why the surgery was performed in May 2022, nine months after the consultation with the surgeon in August 2021.

6. The complainant did not file a complaint against their insurance broker, who appeared to be primarily responsible for the excessively late notification and failure to obtain pre-approval for the surgical intervention.

The Arbiter concluded there was no valid reason to order the service provider to honour the claim given the breach of policy conditions by the complainant and/or their broker. The complaint was rejected, with each party being ordered to bear their own costs.

The decision was not appealed.

Kitchen hood insurance claim rejection (ASF 095/2024)

COMPLAINT REJECTED (ON MERIT)

Insurance policy, named perils, technical report, damage assessment, evidence, proof of loss

A policyholder submitted a complaint following the rejection of their insurance claim for damage to their kitchen hood. The case centred on whether the damage was covered by their home insurance policy.

The complainant presented this case:

a) On returning from a trip abroad, they discovered their kitchen hood had stopped working.

b) A technician examined the appliance but could not determine the exact cause of the malfunction.

c) The technician suggested the damage should be covered under standard home insurance policies.

d) The complainant filed a claim for €163, comprising €118 for parts and €45 for labour costs.

The insurance provider defended their position arguing:

a) The policy in question was a "named perils policy" that only covered specific listed risks.

b) The technical report did not identify any cause that corresponded to the named perils in the policy.

c) The technician's opinion about insurance coverage was irrelevant since they were not familiar with the policy terms.

d) Weather records showed no lightning strikes during the relevant period.

e) There was no evidence of any covered peril causing the damage.

The Arbiter made these observations:

1. The primary issue concerned whether the cause of damage to the kitchen hood fell within the scope of the insurance policy coverage.

2. In cases of loss and subsequent claims, the policyholder bore the responsibility of presenting evidence to support their claim and demonstrate that the damage resulted from a covered peril.

3. The mere existence of an active insurance policy did not guarantee coverage for all types of damage from any eventuality.

4. The technician's statement that similar damage would typically be covered under a home insurance policy was insufficient evidence since they were not privy to the specific policy terms.

5. The complainant needed to demonstrate not only proof of loss but also establish that the proximate cause of the damage was an insured peril covered by the policy.

6. The technical report only documented the damage without identifying its cause, making it impossible to determine if it resulted from a covered peril.

7. The distinction between "named perils" and "all risks" policies was significant – even with an "all risks" policy, reasonable evidence would still be required to show the damage was not caused by an excluded risk.

8. The inability to determine the cause of damage did not automatically mean it resulted from a covered peril.

The Arbiter dismissed the complaint, concluding that, without evidence linking the damage to a specific named peril covered by the policy, there was no basis to require the insurance provider to honour the claim. Each party was ordered to bear their own costs.

The decision was not appealed.

Home insurance claim for structural damage (ASF 114/2022)

COMPLAINT REJECTED (ON MERIT)

Structural settlement, cracks, concrete columns, waterproofing, spalling, gradual deterioration

The case concerned a disputed home insurance claim on damages sustained to various parts of a property and the insurer's decision to partially repudiate the claim.

The complainant contended:

a) Large cracks appeared in various parts of their home that could potentially cause falling debris, requiring urgent repairs.

b) Three independent experts, including a waterproofing specialist, two builders and a retired architect, agreed the damages were caused by structural settling/ movement of the earth.

c) The cracks were first noticed in March 2020 when they became enlarged and clearly visible, but repairs were delayed until March 2021 due to Covid-19 restrictions.

d) The insurer incorrectly used the presence of minor rusting as grounds to deny the claim under the wear and tear exclusion.

e) The repairs cost €3,350 in total, comprising work on bridge and concrete columns (€3,000), lounge soffit (€150), and bathroom (€200).

f) The damages should have been covered under Section 9 of the policy covering heave, landslip, settlement and subsidence.

The service provider maintained:

a) The claim for damages to the bridge and concrete columns was correctly declined due to gradual deterioration.

b) The spalling and damaged concrete beam/column resulted from poor quality concrete and water infiltration, causing steel reinforcement to rust over five to 15 years.

c) The policy specifically excluded loss, damage or destruction arising from wear and tear, and gradual deterioration.

d) Settlement was offered for the bathroom and kitchen soffits as separate incidents caused by covered perils.

The Arbiter made these observations:

1. While the lounge soffit and bathroom damages were settled by the insurer, the dispute centred on damages to the bridge and concrete columns.

2. Despite claiming the damages required urgent repairs when noticed in December 2019, the complainant waited until March 2021 to undertake repairs, which went against the insurance principle of minimising losses.

3. The insurer acted promptly on notification, appointing an architect, who inspected the property within days, but some repairs had already been carried out before the inspection.

4. The architect's reports and explanations were more detailed, professional and credible compared to the builders' and waterproofing expert's testimonies, which lacked substantiation for their conclusions about structural settlement.

5. No evidence was presented from the retired architect mentioned in the complaint, despite the insurer's architect urging the complainant to obtain a warranted architect's report.

6. The architect concluded the damage resulted from poor quality concrete and proximity of reinforcement to the surface, causing a gradual deterioration process over five to 15 years.

The Arbiter could not uphold the complaint since the damages fell under the policy's general exclusion for wear and tear, gradual deterioration, inherent defect and bad workmanship. Each party was ordered to bear its own costs.

The decision was not appealed.

Insurance claim denied during Covid-19 period (ASF 100/2023)

COMPLAINT UPHELD

Credit protection insurance, involuntary unemployment, probation period, exclusion clause, Covid-19 pandemic, policy interpretation

The case related to a complaint on the denial of an insurance claim for credit protection insurance during the Covid-19 pandemic.

The complainant raised these issues:

a) They had subscribed to credit protection insurance in 2008 that covered involuntary unemployment.

b) Their employment was terminated during a probation period that coincided with the national lockdowns during the Covid-19 pandemic in 2020.

c) The insurer relied on an exclusion clause that limited coverage to unemployment arising from job extinction or collective dismissal.

d) They were never properly informed about the exclusion clause details and could not understand it.

e) The insurer failed to provide records of changes in subscription when the underwriting company changed.

f) The complainant requested compensation of €2,000, representing 10 months of payment instalments during their unemployment period between April 2020 and July 2021.

The service provider presented this position:

a) The insurance policy explicitly excluded unemployment due to termination during the probational period.

b) The exclusion clause was valid and legally compliant across multiple jurisdictions.

c) Unless proven abusive, the clause remained enforceable under contractual freedom principles.

d) They would revise contracts for future cases only if the clause was found to be abusive.

The Arbiter undertook a detailed analysis of the case and made the following observations:

1. The policy document contained two different definitions of unemployment under separate sections – General Conditions and Special Conditions for Non-Life Protection.

2. The General Conditions required employment to exceed 12 consecutive months for coverage; the Special Conditions contained no such requirement.

3. Since the claim fell under non-life insurance, the Special Conditions definition took precedence since it applied specifically to non-life protection.

4. The contradicting definitions in the same policy document warranted giving the policyholder the benefit of doubt.

5. Even if the policy had unambiguously excluded coverage during probation, the rationale behind this exclusion was to prevent abuse through regular employment loss that could question the involuntary nature of dismissal.

6. The Covid-19 pandemic circumstances left no doubt about the involuntary nature of the dismissal.

The Arbiter determined that, since the service provider's main reason for claim denial was dismissal during the probation period, which was overruled by the specific provisions analysed, it was fair and reasonable for the complainant to be compensated. The Arbiter ordered the service provider to pay €2,000 with 4.5% annual interest from the decision date until payment, plus all proceeding costs.

The decision was not appealed.

Cancer diagnosis after policy expiry claim (ASF 213/2023)

COMPLAINT REJECTED (ON MERIT)

Life insurance policy, critical illness benefit, cancer diagnosis, claims-based policy, occurrence-based policy, ex-gratia *payment*

A claim made for payment of a critical illness benefit under a life insurance policy expired when the diagnosis was confirmed. The complainant's claims were as follows:

a) The complainant had a life insurance policy with a critical illness benefit supplement for 18 years from May 2004, which included coverage for cancer.

b) In May 2021, they experienced symptoms and underwent medical examinations.

c) Before the policy expired in May 2022, they informed the provider about ongoing tests but had no definitive diagnosis.

d) A Grade 3 Carcinoma diagnosis was confirmed in February 2023, after the policy had expired.

e) The complainant sought payment of €11,647 plus interest, arguing that delays in diagnosis were beyond their control.

The service provider rejected the claim and argued:

a) The policy expired in May 2022 after its 18-year term and when the complainant reached age 65.

b) When first contacted in March 2022, the complainant had no conclusive diagnosis or evidence of malignancy.

c) The provider advised the complainant to submit any test findings before policy expiry.

d) The diagnosis was only confirmed in February 2023, nine months after policy expiry.

e) The policy terms required claims to be made within the policy period.

f) Even if the policy had remained valid until December 2022, the initial diagnosis would not have qualified since it was specifically excluded.

The Arbiter made these observations and considerations:

1. The case centred on whether an insurer must pay a cancer-related claim when the condition scientifically existed during the policy period but was diagnosed after expiry.

2. This differed from cases involving non-disclosure of pre-existing conditions since the issue was about timing of diagnosis and claim submission.

3. The key consideration was whether the policy was "claims-based" or "occurrence-based".

4. A claims-based policy only covered claims made during the policy period; an occurrence-based policy covered events that occurred during the policy period, even if claimed later.

5. The policy provision allowing late claims due to "practical difficulties" did not transform it into an occurrence-based policy.

6. This provision was intended for situations where a valid diagnosis existed before expiry but practical circumstances prevented timely claim submission.

7. The inability to submit a claim due to lack of diagnosis did not constitute "practical difficulties" as intended by the policy.

8. In this case, the claim could not be made before expiry because diagnostic conditions necessary for a valid claim did not exist, not because of practical impediments to submission.

The Arbiter dismissed the complaint, ruling that each party should bear their own costs. However, understanding the unfortunate circumstances, the Arbiter recommended that the provider consider making an *ex-gratia* payment to the complainant, though this was not binding.

The decision was not appealed.

Travel insurance disputes: coverage for medical conditions and theft (ASF 058/2023, ASF 108/2023, ASF 184/2023, ASF 001/2024)

Travel insurance, medical conditions, pre-existing conditions, urticaria, cancellation, theft, disclosure, reimbursement

Four separate complaints were lodged with the Arbiter for Financial Services on travel insurance claims. The complaints centred around rejection of claims by insurance providers for various reasons, including pre-existing medical conditions, theft of personal belongings and cancellation of travel arrangements.

Summary of complaints

a) The first complainant sought compensation after a medical condition prevented travel to Sri Lanka and Turkey. The claim was rejected since the insurer deemed it a pre-existing condition that was not disclosed.

b) The second complainant requested reimbursement for hotel costs and parking fees after cancelling their trip due to illness. The insurer declined, based on policy terms being updated.

c) The third complainant claimed compensation for a travel insurance policy after varicose veins prevented travel. The claim was rejected since the insurer considered it a pre-existing condition.

d) The fourth complainant sought reimbursement for stolen items including cash and electronics from a retail store. The claim was rejected due to items being left unattended.

Service providers' responses

The insurance providers defended their positions primarily on grounds of policy terms and conditions. They cited specific exclusions, failure to disclose material information, breach of policy conditions on supervision of belongings and updates to policy terms as justification for rejecting the claims.

Key points raised by these providers:

- non-disclosure of pre-existing medical conditions;
- breach of policy conditions on the supervision of valuables;
- updated policy terms excluding certain types of claims;
- lack of evidence to support claims; and
- misrepresentation of facts.

Arbiter's considerations

The Arbiter examined each case individually while noting common themes around disclosure obligations, interpretation of policy terms and reasonableness of claim rejections. Several key principles emerged across the decisions.

In examining pre-existing medical conditions, the Arbiter focused on whether conditions were serious enough to warrant disclosure and whether complainants could reasonably have known they had to disclose them. For the urticaria case, the frequency of medical consultations and escalating nature of treatment indicated a serious condition that should have been disclosed.

Regarding theft claims, the Arbiter considered whether items were genuinely "unattended", as defined by policy terms. CCTV evidence showed the complainant had moved away from their belongings, constituting a breach of policy conditions requiring reasonable care of valuables.

The Arbiter emphasised the principle of "utmost good faith" in insurance contracts, requiring full disclosure of material facts. This was particularly relevant where medical conditions had required multiple consultations or ongoing treatment prior to policy purchase.

Evidence played a crucial role in the decisions. Medical records, police reports and CCTV footage were carefully examined to establish facts. The Arbiter noted that burden of proof lay with complainants to demonstrate their claims fell within policy coverage.

Policy wording and timing were significant factors. In one case, differing French and English versions of policy terms created confusion, but the Arbiter determined the version in effect at time of purchase was controlling.

The Arbiter considered whether insurance providers' interpretations of policy terms were reasonable and whether exclusions were clearly communicated to policyholders at time of purchase.

Remedies awarded

The theft claim was rejected since the Arbiter found a clear breach of policy conditions on the supervision of valuables.

For the urticaria case, the claim was rejected since medical evidence showed the condition was serious enough to warrant disclosure when purchasing the policy.

In the case involving differing language versions of policy terms, the Arbiter recommended but did not order an *ex-gratia* payment of €780 while upholding the technical grounds for claim rejection.

The three decisions above were not appealed.

In the varicose veins case, the Arbiter ordered compensation of €1,029 plus interest, finding the provider had not justified rejection based on pre-existing conditions. The decision was confirmed on appeal.

Disputes on life policy estimated values (ASF 004/2024, ASF 011/2023, ASF 013/2024, ASF 049/2023 & 050/2023, ASF 068/2022, ASF 074/2023, ASF 086/2024, ASF 087/2024, ASF 090/2024, ASF 102/2024, ASF 115/2024, ASF 123/2024, ASF 155/2023, ASF 188/2023, ASF 207/2023, ASF 217/2023)

Quotation, estimated maturity value, reversionary bonus, terminal bonus, important notes, policy document, policy account, bonus statements, statutory notice

Many complaints arose from policyholders of life assurance policies, often described as having a savings or investment element. A central issue for the complainants was the amount declared on policy maturity compared to figures presented to them at the time of sale, often through quotations.

They argued that the values shown in these initial documents were implicitly or explicitly presented as guaranteed amounts they would receive after the policy term, which was typically 25 years. When the actual maturity value was significantly lower than these figures, they felt misled.

The specific issues raised by the complainants included that:

a) The figures provided in the quotations, particularly the estimated maturity value, were understood to be guaranteed amounts.

b) The representative who sold the policy promised a specific sum on maturity, often based on the estimated figures presented in the quotation.

c) They did not fully understand that the quoted figures were estimates and could fluctuate based on investment performance. Some complainants stated they could not read or did not read the policy documents or accompanying notes carefully.

d) Important information on the non-guaranteed nature of the bonuses and maturity values was not adequately explained to them verbally.

e) The remedy requested by the complainants was often payment of the difference between the estimated maturity value shown in the initial quotation (often the higher figure if multiple scenarios were presented) and the actual amount received upon maturity.

Financial services provider's responses

The provider consistently maintained that the claims were unfounded, asserting that sufficient information about the policy and its potential returns was provided to the complainants at all stages: at the time of issuing quotations, when the policy document was issued and throughout the policy's duration.

A key argument was that the figures presented in the initial quotations were explicitly stated as "estimates" or "illustrations" and were not guarantees. The quotations themselves, and importantly the accompanying "Important Notes" and "Product Information" documents, clarified that the estimated values were based on past or current bonus rates, which could change depending on the performance of the underlying investments.

The provider also emphasised that the policy document contained the legally binding terms and conditions, and, in case of conflict with the quotation or notes, the policy document would prevail. Furthermore, they highlighted that complainants received annual bonus statements, media releases and sometimes revised illustrative values on request, which provided updates on the policy's performance and projected future values, indicating that the initial estimates were likely to vary.

The provider also noted that complainants had signed various documents, including the Statutory Notice, which informed them of a 15-day cooling-off period after receiving the policy document, during which they could have cancelled the policy and received a full refund if they were not satisfied.

Arbiter's considerations

The Arbiter considered the documentation provided to the complainants at the point of sale and throughout the policy term, noting the provider's argument that these documents clearly distinguished between guaranteed amounts and estimated or illustrative values. The Arbiter observed that the quotations themselves often contained wording indicating they were for "illustration only" and did not confer any rights or used terms like "Estimated Maturity Value".

The accompanying Important Notes typically explained the nature of bonuses (reversionary and terminal) and clarified that bonus rates could go up or down based on investment performance. It was also noted that the policy document was the definitive contract governing the benefits.

The Arbiter acknowledged that complainants often stated they relied on the representative's verbal explanations and did not fully understand the written documentation, or that the representative had promised specific amounts.

In most cases the Arbiter remarked that it was difficult to decide whether it was a case of selective memory on the part of the complainant or aggressive sales tactics by the representative concerned in emphasising the benefits of the policy without making a clear distinction between what was estimated and what was guaranteed.

However, the Arbiter also noted that, in many cases, the complainants signed documents confirming that they had read and understood the Important Notes and were satisfied with the policy and its explanation. Some complainants even admitted seeing or asking about the word "estimate".

The Arbiter also considered the actual performance of the policies. In all cases, policyholders received positive returns on their investments (typically around 3-3.5%), which the Arbiter deemed reasonable given the risk-free nature of the product and market conditions during the policy terms. Additionally, policyholders had benefited from life cover protection from day one of their policies.

Remedy

In cases where during the onboarding process the sales representative quoted only one scenario estimate (as was the case with most policies issued until the year 2000) the Arbiter gave limited compensation arguing that the provider should have quoted a range of scenarios to make it easier for the policy holder to understand that quotes were estimates and not guarantees, The Arbiter's limited compensation also took into consideration that the complainants had signed documents to acknowledge that figures were an estimate and that it was practically impossible for anyone to guarantee a quote that involved a very long-term realisation time span.

In some cases, the Arbiter noted that the complainant was clearly aware of the type of policy offered, including its life cover and investment elements. Although the complainant's main complaint was the "unacceptable variation" between the estimated and actual maturity value, they confirmed awareness that the estimated value was not guaranteed.

A key distinction in reasoning emerged in cases regarding policies sold before and after the year 2000. The Arbiter noted that, after 2000, quotations started presenting three scenarios instead of just one, which was considered essential in helping clients understand that nothing was guaranteed for the entire 25-year term. Consequently, no compensation was awarded in these cases.

Investments Cases

This section presents case summaries of investments-related decisions that illustrate core legal and factual questions arising from individual and grouped complaints. The summaries address various concerns, including suitability and appropriateness of financial advice, service failures, disputed losses, contract terms, missed expectations, regulatory obligations and questions of jurisdiction. Both stand-alone cases and 'group' case summaries –where multiple disputes shared similar facts or legal issues – are included. The decisions cover a spectrum from straightforward mis-selling and procedural failings to more complex scenarios involving evolving areas such as crypto assets, as well as cases resolved on procedural grounds, such as time-barring or lack of regulatory authorisation.

Securitisation vehicle not a financial services provider (ASF 205/2023)

COMPLAINT REJECTED (COMPETENCE)

Securitisation vehicle, eligible customer, MFSA notification, regulatory authority, competence

A complaint was filed against a two-tier securitisation vehicle on alleged mismanagement during the liquidation of financial instruments held in a specified compartment.

a) The complainant alleged she was an investor in a structure referred to as a "two-tier securitisation vehicle".

b) By notice dated 28 June 2018, the service provider informed investors that it initiated liquidation of investments in Compartment 19 and, consequently, would also liquidate assets in Compartment 11.

c) Although the liquidation was expected to be finalised in 2019, it was only concluded in March 2020.

d) The complainant stated that the expected value of each share on liquidation was initially declared at €1,674, but subsequently decreased to €1,549, then €1,240, €825 and, finally, €501.34, without any reasonable justification.

e) According to a report commissioned by an audit firm, the value should have been around €1,875.26 per share.

f) The complainant claimed that, despite requests by her and fellow investors for information about the calculation methodology, no explanation was provided.

g) She alleged that several unauthorised transactions occurred, with fees and substantial amounts paid without basis to benefit the service provider, related entities and unknown third parties.

h) The complainant requested the Arbiter to declare the service provider responsible for damages suffered due to devaluation of her assets, liquidate the damage suffered (€46,713.28) and order the provider to pay this sum.

The service provider in their reply maintained that it was not a financial services provider as defined in the Act and that the complainant was not its client.

a) The service provider clarified it was not licensed or authorised by the Malta Financial Services Authority, and had never provided financial services in Malta or elsewhere.

b) It explained it was a securitisation special purpose vehicle established under the Securitisation Act in Malta solely to issue asset-backed securities to professional investors, with no employees beyond its board of directors.

c) The service provider stated it had stopped operations in March 2020 after the redemption of the last outstanding asset-backed security, having ceased issuing securities in 2018.

d) The service provider explained that, while operating, it offered licensed asset managers the ability to repackage their investment strategies into asset-backed securities for professional investors.

e) The securities subject to the complaint were originally structured for a specific financial group, which the service provider later terminated relations with after discovering misconduct, including allocation of securities meant for professional investors to retail investors.

f) The service provider denied ever publishing an

"expected" amount for the liquidation value, stating it would not have made sense to estimate values for defaulted bonds.

g) It rejected that any investor had formally requested information about calculation of the redemption amount, contradicting the complainant's claim.

h) The service provider categorically rejected any wrongdoing, stating all transactions were duly authorised by its board and complied with terms and conditions.

i) The service provider suggested the complainant was a wealth management client of a third party who misled her to deflect from their own misconduct.

The Arbiter made the following observations on his competence to hear the case:

1. The service provider contested the Arbiter's competence on two grounds: that it was not a financial services provider; and that the complainant was not an eligible customer.

2. The Act requires proceedings before the Arbiter to be made against a financial services provider, defined as "a provider of financial services which is or has been licensed or otherwise authorised by the Malta Financial Services Authority".

3. This definition consists of two limbs: the provider must have been licensed or authorised by the MFSA, and the service must relate to specified financial activities or "any other service which in the opinion of the Arbiter constitutes a financial service".

4. The operative part of this definition is that the service provider must have been licensed or otherwise authorised by the MFSA to provide financial services.

5. The Arbiter noted that MFSA licence or authorisation is a *sine qua non* for jurisdiction, and the definition should be interpreted holistically considering the financial services sector's regulatory framework.

6. The MFSA Act distinguishes between licences/authorisations and supervisory functions, with the definition of "person" including entities holding licences or falling under MFSA's supervisory authority.

7. The Arbiter determined that the Act was not intended to apply to persons who fall only within MFSA's supervisory or regulatory purview without being licensed or otherwise authorised.

8. Article 5 of the Securitisation Act explicitly states that securitisation vehicles "shall not be required to obtain any licence, permit or authorisation other than as provided in this Act", with Article 19(2) requiring only public securitisation vehicles to apply for licences.

9. The Arbiter observed that securitisation vehicles not offering services to the general public are authorised by operation of law, not by MFSA permission or tacit authorisation.

10. The registration document issued by the service provider confirmed it "does not currently require a domestic licence or other authorisation to conduct business as a securitisation vehicle in or from Malta", though it had notified the MFSA of its operations.

11. The Arbiter concluded that the service provider was not a financial services provider within the meaning of the Act, since it merely notified the MFSA of its operations and fell under regulatory supervision without requiring licence or authorisation.

12. Given this finding, the Arbiter determined that the complainant could not be an eligible customer as defined in the Act, since this status requires a relationship with a financial services provider.

The Arbiter decided that he lacked competence to hear the case and closed it without entering into its merits. This was without prejudice to the complainant's rights to pursue her complaint in a court or tribunal not constrained by the competence provisions of the Act.

The decision was not appealed.

CFD trading losses case (ASF 022/2024)

COMPLAINT PARTIALLY UPHELD

Discretionary portfolio management, Contracts for Differences (CFDs), high-frequency trading, conflict of interest, commission charges, risk profile

A complaint was filed against an investment firm related to losses of €50,000 in a managed trading account through high-frequency Contract for Differences (CFDs) trading over less than three months. The complainant requested compensation for the full amount lost, claiming:

a) The process of opening the trading account lacked transparency, particularly on costs applicable to trades and their implications.

b) He was told the broker only earned from his profits without conflict of interest, but the commissions undermined this balance of interests.

c) The broker kept €36,000 in commissions from the amount lost, with rates increased by 600% shortly after contract signing.

d) He was taken advantage of due to his lack of knowledge about unsustainable commission fees and deceived into signing for the fee increase.

e) He was misled to invest a minimum of €50,000 when there was no such requirement.

f) He was not informed that a person he was interacting with was an introducer/agent for the service provider.

g) The service provider's agent deceitfully convinced him not to withdraw money from his account.

h) He was pressured to sign for a higher-risk strategy after losing over €30,000.

The service provider rejected the complaint as unfounded while expressing sympathy for the outcome. The provider stated:

a) The complainant had developed a personal bond with the referral agent, whose relationship with the provider was limited to introducing prospective clients, with no investment advice provided.

b) The complainant formally confirmed his understanding of this through the Customer Agreement.

c) The referral agent was registered with the company after the complainant had been onboarded, and this relationship was later terminated due to infringement.

d) The complainant disclosed he was a sufficiently experienced investor when registering with the provider.

e) Communications between the complainant and the referral agent showed the complainant was knowledgeable about commissions and trading terminology.

f) The complainant never contacted the provider for guidance despite receiving daily trading reports and statements.

g) The portfolio initially generated a positive return of 3.65% within the first month and a half, net of increased commissions.

h) The commissions were not applied universally but limited to transactions within main market indices, with the increase occurring because the provider did not offer mini-CFD contracts as initially expected.

i) The complainant possessed the experience to understand the high-risk nature of CFD trading and contractually accepted the risks of losing part or all of his trading capital.

The Arbiter made the following observations:

1. The complainant was fully aware of the high risks in CFD trading, and when deciding to enter a high-risk investment expecting a 3% monthly return, he must have been aware of significant potential capital loss risks.

2. The investment was undertaken during high geopolitical uncertainty with the Ukraine war, which led to sharp inflation increases and sudden interest rate reversals.

3. ESMA, as the EU's financial markets regulator, had established measures for CFDs, including margin close-out protection, requiring providers to close positions when margins fall below 50% of minimum required initial margin.

4. The provider appeared to maintain that this obligation was more flexible for discretionary mandates, allowing them to obtain the complainant's written agreement to continue positions by raising his risk profile to 100% loss of capital.

5. The complainant's profile showed limitations in his experience and knowledge: secondary education level, limited investment experience and declaring himself not as "an experienced private investor".

6. His experience in CFDs was limited to "2 years or less", and he had never invested in forex or derivative instruments related to forex.

7. The complainant had invested the bulk (€50,000) of his total investment portfolio (€56,000) in this managed account, and initially indicated that a 30% reduction in value would materially impact his standard of living.

8. The role of the referral agent raised doubts about whether the provider should have accepted the complainant's choices to increase risk exposure without suspecting the agent was operating beyond permitted rules.

9. Despite knowing that the relationship with the referral agent should have been limited to introducing prospective clients, the provider discussed the client's account with this agent.

10. The complainant's high-frequency trading absorbed over €30,000 in charges, which together with market movement losses resulted in the portfolio being wiped out by November 2022.

11. The payment structure for the consultant who provided trading signals created an inherent conflict of interest, since he gained from high-frequency trading even if not in the client's interest.

12. While no evidence showed the high-frequency trading was motivated by conflict of interest, the client was not sufficiently informed about the inherent conflict and risks involved.

The Arbiter dismissed the request for full compensation but ordered the service provider to pay €23,000 with

interest at 4.25% p.a. from the date of the decision until payment. This was due to the provider's failures to inform the client about the risks of high-frequency trading and disclose the inherent conflict-of-interest risks resulting from the consultant's remuneration terms; and close out positions at the 50% loss cap, in apparent conflict with ESMA's product intervention measures, while raising the risk profile from 50% to 100% loss with inadequate suitability assessment.

The Arbiter also requested the provider to renegotiate its consultancy agreement to eliminate the inherent conflict of interest by excluding brokerage fees from the definition of gross revenues paid to the consultant. If renegotiation proved impossible, affected clients should be formally informed about this conflict of interest.

The decision was appealed by the financial services provider but was then withdrawn.

Trading platform accessibility and portfolio losses (ASF 211/2023)

COMPLAINT PARTIALLY UPHELD

Portfolio value, trading access, market loss, platform availability, transfer fees, rebranding

The complainant brought a case against an investment services provider on alleged losses due to issues accessing their trading platform and requested compensation for the losses, along with additional remedies.

The complainant alleged that:

a) Due to problems accessing the trading platform, which was later rebranded, he lost €34,000 of his portfolio investment.

b) The service provider denied his request to transfer his portfolio to a third-party broker, citing the need to clear his balance and pay transfer fees before executing the transfer.

c) The provider could have liquidated part of his investments to clear the debt and then transfer the remaining portfolio.

d) The provider had changed statements, terms and conditions, fees and their platform without proper notification as required under their terms.

The complainant sought compensation of €34,000 for losses, unquantified interest on his capital, transfer of his portfolio without costs and compensation for 100 hours spent dealing with the issue.

The service provider responded with the following points:

a) The complainant had and continued to have regular access to their online trading platform and execution services in line with their terms and conditions.

b) The app was withdrawn from app stores in France in line with their Anti-Money Laundering policy, but trading through their website was never withdrawn or suspended.

c) The complainant had continued to trade extensively on his account, despite claiming interruption of service.

d) The complainant refused to settle the outstanding debit balance before transferring his portfolio, though he agreed to pay the transfer fee.

e) All fees and charges were disclosed at onboarding and were transparently available on their website.

The Arbiter for Financial Services made the following observations:

1. There were substantial gaps in the credibility of the complainant's case, noting that his initial complaint to the service provider only concerned charges required before the portfolio transfer and never mentioned the €34,000 loss claim, interest claim or compensation for time spent.

2. The Arbiter identified inconsistencies in the complainant's claims. In his complaint, he stated the provider could have withheld part of his securities to cover the debit balance and transfer fee, but in a separate email to the Office of the Arbiter for Financial Services, he insisted on "a total and integral transfer" of his portfolio.

3. The complainant was inconsistent regarding the amount originally transferred to the service provider, citing different figures in various communications: €95,000 in the first hearing, a combination of cash (€2,200) and portfolio value (€71,000) totalling US$95,880 in a later email, and €90,000 in his final submissions.

4. The claimed portfolio loss of €34,000 was not supported by credible evidence showing it resulted from inability to trade rather than normal portfolio trading losses. The complainant's statements about whether this figure included unrealised losses were contradictory.

5. The complainant claimed the €34,000 loss resulted from inability to trade regularly from April 2022, but valuation statements showed the portfolio was already down to €34,319 by 1 April 2022, indicating substantial losses had occurred before the alleged access issues began.

6. No evidence was provided to support the claimed compensation for interest or for the 100 hours allegedly spent resolving the issue.

7. During the period when the complainant claimed to have lost access (April-December 2022), he executed eight trades on seven different dates, undermining his claim that he was prevented from trading. The Arbiter found it likely that reduced trading volume resulted from previously incurred losses that reduced the portfolio size rather than accessibility issues.

8. The service provider stated under oath that they did not encounter any instance where the complainant wanted to close a position but couldn't trade, noting they would have executed these transactions telephonically, if requested.

The Arbiter concluded that the complaint was merely an effort to recover trading losses by exaggerating service quality issues. He dismissed the claims for €34,000 in losses, interest and compensation for 100 hours. However, he partially accepted the claim regarding the portfolio transfer, ruling that the complainant should not have to pay the debit charges outstanding on his account, giving him the benefit of the doubt that changes related to these charges were not properly notified to him.

The complainant was still required to pay the €175 fee related to the portfolio transfer, which the service provider maintained had not changed since the account was opened. Each party was ordered to bear its own costs of the proceedings.

The decision was not appealed.

Investment growth and return expectations (ASF 197/2023)

COMPLAINT UPHELD

Investment, capital, distribution payments, growth element, surrender penalties, expectations

The complaint against a financial services provider was related to an investment product. The complaint stated:

a) The complainant invested €60,000 in December 2017 and claimed they were assured that the capital would remain intact, even though there was an agreement that they would receive 5% each year.

b) They requested payments of €1,500 every six months, representing 5% annually on the invested capital.

c) Between March 2021 and December 2022, the complainant withdrew three separate amounts of €10,000 each from the capital, reducing the investment to €30,000.

d) The complainant incurred surrender penalties totalling approximately €825 for these early withdrawals.

e) The investment was misrepresented and mis-sold to them, since they later realised that a significant portion of the regular payments came from the capital rather than representing profits.

f) As a remedy, the complainant sought compensation of €5,000 for the mis-sold investment, claiming that the disadvantages were not highlighted and they were made to believe the investment was something it was not.

The service provider rejected the complaint entirely in its response:

a) It described the complaint as baseless in fact and law, stating the complainant had received payments as agreed and had not incurred any loss on the investment.

b) The provider denied any mis-selling or misrepresentation.

c) It characterised the complaint as frivolous and vexatious, noting that the complainant had received a total sum of €66,160.29 on an investment of €60,000, thus making a profit despite withdrawing much of her capital before the investment matured.

The Arbiter made the following observations:

1. The complaint did not concern the suitability of the investment for the complainant's risk profile or any loss incurred. In fact, it was undisputed that the investment yielded a net profit of €6,160.29.

2. The complaint was not about the significant expenses involved in the investment, though there was no evidence these had been properly explained when the investment was made.

3. The core issue was the complainant's expectation that all the money she received regularly according to the original agreement was profit, and therefore the capital should have remained intact.

4. The Arbiter found it difficult to accept this expectation as reasonable. When directly asked if they had questioned why they continued receiving the same amount despite withdrawing from the capital, the complainant admitted they had not made a complaint about this because they did not understand these matters.

5. The service provider's representative testified that she had telephone conversations with the complainant whenever they wanted to withdraw capital, especially during the first five years, informing them of the associated costs.

6. When analysing the figures, the Arbiter determined that, over the investment period of approximately 5.61 years, the average capital invested (after

accounting for partial withdrawals) was €51,741. This yielded a return of 2.12% per annum, while expenses amounted to 2.17% per annum.

7. For the complainant to receive 5% profit annually, the investment would have needed to yield a return of 7.17% to cover the fund's expenses. According to the provider's own documentation, this was quite an aggressive estimate. The expected growth rates indicated in the document showed an average expected profit before expenses of about 5.73%, approximately 1.44% less than the 7.17% growth needed for a 5% distribution after expenses without touching the capital.

8. While the complaint was not specifically about these charges, it was clear that the complainant's expectation, encouraged by the service provider, to receive at least 5% on the average invested capital was not met because of these charges.

9. The Arbiter concluded it was not prudent for the service provider to create an expectation of a 5% annual return when this would require a return of more than 7% on the invested fund before charges.

The Arbiter determined that the complaint had merit because the service provider had helped the complainant build unrealistic expectations about the recommended investment returns. The discrepancy was calculated at 1.44% on the average invested capital of €51,741.

However, the Arbiter decided to order a lower compensation because it was not a realistic expectation for the complainant to think there would be no expenses at all. Products like these typically have initial expenses varying between 2% and 4%, so taking an average of 3% and dividing it over 5.6137 years resulted in a 0.53% reduction from the previously indicated discrepancy of 1.44%, bringing it down to 0.91%.

For these reasons, the Arbiter ordered the service provider to pay the complainant compensation of 0.91% on the average capital of €51,741 invested for 5.6137 years, amounting to €2,643, plus interest at the rate of 4.50% per annum, from the date of the decision until the date of effective payment. All costs were to be borne by the provider.

The decision was confirmed on appeal.

Unsuitable investment sale to an elderly customer (ASF 009/2024)

COMPLAINT UPHELD

Equity funds, appropriateness test, suitability report, investment risk, profile assessment, vulnerable client

The case concerned a complaint against a bank about investment losses suffered on three separate investments made between 2017 and 2021. The complainant sought compensation for capital losses incurred from these investments.

The complainant claimed:

a) She was 77 years old, had minimal education (only attending primary school until age 14), was unable to read English and could hardly read Maltese.

b) She had no experience in financial investments prior to opening an account with the provider in December 2017.

c) She had previously only held fixed deposits with the money her husband gave her.

d) The provider persuaded her to invest €50,000 in December 2017, €30,000 in April 2018 and €82,000 in January 2021.

e) Despite failing the Appropriateness Test for the first investment, the provider proceeded with the transaction.

f) The information recorded in the Appropriateness Test was incorrect, including false claims about her education level, financial knowledge and professional experience.

g) When selling the investments in October 2023, she suffered a capital loss of €20,378, which she demanded the provider reimburse.

The financial services provider rejected the complaint, stating that:

a) The allegations were unfounded, abusive, malicious and irresponsible.

b) The complainant was always accompanied by her husband during meetings.

c) The complainant had signed all documentation, including risk warnings.

d) The first two investments were sold for profit in January 2021.

e) The third investment was properly assessed and suitable for her risk profile.

f) The complainant decided to sell the investments against the provider's advice during a market downturn.

g) Had the complainant followed their advice to hold the investments longer, a significant portion of the losses would have already been recovered.

The Arbiter made the following observations:

1. The case involved three investments: two that generated profits when sold in January 2021 and a third that resulted in a loss when sold in October 2023.

2. For the first investment, in December 2017, the provider used an Execution Only approach with an Appropriateness Test, which the complainant failed. Despite this failure, the transaction proceeded with a risk warning that the complainant signed. Given that the share split was mandatory and not optional, the only real choice the complainant had to avoid paying tax on the share split was to sell the shares before the ex-dividend date, which appears to have been 27 September 2021.

3. The Arbiter found it difficult to believe that someone who could barely read, had no education beyond primary school and no investment experience could have provided the responses recorded in the Appropriateness Test.

4. The Appropriateness Test questionnaire categorised the complainant as having managerial-level professional experience because she was a director in her husband's company, though evidence showed she performed no managerial functions.

5. For the second investment in April 2018, a Suitability Report was used instead of an Appropriateness Test, despite no change in circumstances. The Arbiter noted inconsistencies between the first and second questionnaires completed just months apart.

6. The third investment, in January 2021, was made using funds from the first two investments. Although the Suitability Report again categorised the complainant as having a "Balanced" risk profile, surprisingly all funds were invested in equity-only products.

7. The Arbiter questioned how a 75-year-old person with no education, no financial experience, who had failed an Appropriateness Test, could be considered suitable for investing nearly €80,000 with approximately half in equities under a "balanced" risk profile.

8. The provider failed to present evidence supporting its claim that the €80,000 investment represented only 15% of the complainant's total assets of between €500,000 and €750,000.

9. Despite categorising the complainant as having a "balanced" risk profile, the provider invested 100% of her funds in equities rather than the typical 50:50 split between equities and fixed income expected for a balanced portfolio.

10. The Arbiter concluded that the provider did not follow investment regulations and the Code of Conduct issued by the Malta Financial Services Authority in any of the three investments, and none were appropriate or suitable for the complainant.

The Arbiter determined that, regardless of whether profits were made on the first two investments, the argument that experience from the first two investments enabled the complainant to handle the risk of the third investment was rejected, as was the argument that the complainant caused her own losses by selling at an inopportune time against the provider's advice.

The Arbiter ordered the provider to pay compensation of €15,264.31, calculated by considering the total investment amounts minus both the profits withdrawn and the liquidation amount received from the third investment. Additionally, the provider was ordered to pay interest at a rate of 4.25% per annum from the date of the decision until effective payment, as well as interest equivalent to what the provider paid on one-year fixed deposits during the relevant period on the initial investments. All costs of the proceedings were to be borne by the provider.

The decision was substantially confirmed on appeal, except for the amount of compensation.

Share purchase dispute over price limit (ASF 086/2023)

COMPLAINT REJECTED (ON MERIT)

Reverse stock split, price limit, execution order, averaging down, contract note, retail investor

This case involved a dispute about an online share purchase order that was affected by a corporate action. The complainant filed their grievance on 12 July 2023 regarding a trade executed on 24 May 2023.

The complaint centred on the following points:

a) The complainant placed an online share purchase order for 4,700 shares in a company at a price limit of US$0.28 per share, with an expected total outlay of US$1,316.

b) The order was meant to average down the complainant's existing position in the same shares where they were incurring losses.

c) The complainant received a contract note showing the purchase of 4,700 shares at US$4.26, which was significantly above their stated price limit.

d) The transaction resulted in a debit balance in the complainant's account, which they maintained should not have been possible.

e) Following the complainant's enquiry, they received another contract note showing the sale of 4,389 shares at US$3.53 per share.

f) The complainant sought compensation of US$18,706 for the lost opportunity to have the order executed at their set price limit.

The service provider presented their position through written submissions and during hearings. Their response highlighted:

a) The issuer of the security had announced a 1:15 reverse stock split effective from market opening on 24 May 2023.

b) The order was placed without a price limit and was executed at the best market price of US$4.2634 per share.

c) Their system allowed the order despite insufficient funds because it calculated costs based on the previous day's closing price.

d) They calculated that the client's intention was to buy 311 post-reverse split shares, considering the 15:1 consolidation.

e) They sold the excess shares at market price and absorbed any resulting losses.

The Arbiter made these observations:

1. The primary issue was whether there was a market opportunity for the order to be executed at US$0.28 per share.

2. The service provider presented clear evidence that the reverse stock split took effect at market opening, making it impossible to purchase shares at the complainant's claimed limit price.

3. The expected profit claimed as compensation could not have materialised even if the order had included the price limit.

4. Whether the order was placed with a price limit or at market price became largely irrelevant since both scenarios would have involved similar amounts:

   - 4,700 shares at US$0.28 = US$1,316; and

   - 311 shares at US$4.2634 = US$1,326.

5. Both scenarios would have achieved the complainant's objective of averaging down their existing position.

6. The service provider had already absorbed the losses from selling the excess shares at a lower market price.

7. The complainant's interests were not prejudiced, even assuming their order included a price limit.

The Arbiter dismissed the complaint, finding that the complainant sought compensation for a theoretical profit that could not have materialised due to the reverse stock split being effective at market opening. Each party was ordered to bear their own costs of the proceedings.

The decision was confirmed on appeal.

Prescription claims upheld in bond investment complaints (ASF 069/2023, ASF 128/2023, ASF 186/2024)

Bonds, investments, prescription, restructuring, default, market value, maturity date, time-barred

Three separate complaints were filed with the Arbiter for Financial Services on losses suffered from investments in bonds. The complainants claimed they were misled about the risks involved and sought compensation for their losses. The cases shared similar characteristics on prescription arguments raised by the service provider.

Summary of complaints

a) The complainants invested in bonds that significantly declined in value.

b) They alleged they were not properly informed about the risks.

c) They claimed they were repeatedly assured by representatives that the situation would improve.

d) They argued they were misled about the true status of their investments.

e) They sought refunds of their capital investments ranging from approximately €9,000 to €15,000.

Service provider's response

The financial services provider primarily argued that the complaints were time-barred under Article 21 of the Act. They contended that the complainants had knowledge of their grievances years before filing their complaints, as evidenced by correspondence and market valuations showing significant losses.

Arbiter's considerations

The Arbiter examined the prescription argument raised by the service provider as a preliminary issue before considering the merits of the cases. The key question was whether the complaints were filed within the two-year

period stipulated by law from when the complainants first became aware of the matters being complained about.

The evidence showed that, in all three cases, the complainants were aware of significant problems with their investments as early as 2015-2016. Regular portfolio valuations clearly demonstrated the declining values. In one case, the bond's market value had decreased by over 73% within eight months of purchase. By 2016, some bonds had defaulted and undergone forced restructuring, with nominal values reduced to as low as 28% of the original investment.

While the complainants argued they delayed filing formal complaints because they were repeatedly assured the situation would improve, the Arbiter found this argument unconvincing. The documented losses and restructuring of the bonds provided clear evidence that the complainants had knowledge of their grievances well before filing their complaints in 2022-2023.

The Arbiter particularly noted that, once bonds underwent forced restructuring with significantly reduced nominal values, it should have been apparent to the complainants that full recovery of their investment was highly improbable. The fact that some complainants had over 20 years of investment experience with high-yield bonds further supported this conclusion.

Decision and remedy

In all three cases, the Arbiter upheld the prescription argument and declined jurisdiction to hear the complaints on their merits. The complaints were declared time-barred under Article 21(1)(c) of the Act since they were filed more than two years after the complainants first became aware of their grievances.

In one case, however, the Arbiter made a recommendation that the service provider consider making an *ex-gratia* payment of not less than €500 to preserve a 25-year business relationship and acknowledge their failure to provide a formal response to the complaint when initially filed.

The costs in all cases were to be borne by the respective parties. None of the decisions were appealed.

Crypto transfers, external wallets, and fraud prevention obligations (ASF 069/2024, ASF 077/2024, ASF 090/2023, ASF 106/2024, ASF 119/2023, ASF 156/2024, ASF 214/2023)

Crypto assets, transaction monitoring, regulatory compliance, terms of use, consumer vulnerability, due diligence, jurisdictional competence, blockchain immutability

Complainants alleged losses from unauthorised or fraudulent transfers of crypto assets from their custodial wallets to external addresses. They argued the service provider failed to implement adequate fraud prevention measures, monitor transactions or comply with anti-money laundering (AML) obligations. Several highlighted the provider's alleged negligence in not flagging high-risk transactions or verifying beneficiary wallet ownership. Remedies sought included full or partial reimbursement, citing the provider's duty of care and regulatory shortcomings.

Summary of complaints

a) Complainants claimed transfers to external wallets linked to scams should have triggered alerts, given transaction frequency, size or beneficiary wallet reputation. One noted the provider's customer service interactions failed to warn of risks (ASF 069/2024).

b) Multiple complainants argued the provider refused to co-operate with law enforcement or share wallet ownership data, hindering recovery efforts (ASF 119/2023, ASF 090/2023).

c) Some cited failures to adhere to FATF travel rule guidelines, which recommend collecting beneficiary information for transfers over €1,000 (ASF 090/2023).

d) One case contested whether the Arbiter had competence, since transactions occurred via a platform operated by an entity outside Malta (ASF 077/2024).

e) In one case, a complainant sought the release of crypto assets after the provider froze their account and failed to transfer assets to the external wallet address provided (ASF 156/2024).

Service provider's responses

The provider consistently asserted that users authorised all transactions, emphasising blockchain's irreversibility and terms of use clauses absolving liability for third-party fraud. It argued compliance with Maltese virtual

financial assets (VFA) regulations, which did not mandate identifying non-custodial wallet owners at the time. For jurisdictional challenges, it distinguished between its Maltese entity and affiliated foreign platforms, stating only the former fell under the Arbiter's remit (ASF 077/2024). In the account freezing case, the provider cited legal obligations preventing asset release but declined to specify details (ASF 156/2024).

Arbiter's considerations

The Arbiter made various observations when assessing these complaints.

The fundamental issue across most cases concerned transfers of digital assets from custodial wallets to external wallets that were allegedly controlled by fraudsters. In all cases, the transfers were made on the specific instructions of the complainants themselves. A critical distinction was drawn between custodial wallets (managed by the provider) and external or non-custodial wallets (outside the provider's control), with the latter presenting significant regulatory challenges.

Regarding transaction monitoring obligations, the Arbiter noted that the regulatory framework applicable to VFA service providers differed substantially from that governing traditional financial institutions. The provider's obligations under Maltese law were limited to executing user instructions, not assessing transaction legitimacy or conducting due diligence on external wallet beneficiaries. As stated in ASF 106/2024, "VFAA licence holders were not required to conduct due diligence on unhosted wallets".

The immutability of blockchain transactions was a recurring theme across decisions. Once finalised, crypto transactions could not be cancelled or reversed by the provider, a limitation explicitly acknowledged in its terms of use. As noted in ASF 069/2024, the provider processed "all Digital Asset Transfers according to the instructions received from you and does not guarantee the identity of any recipient".

Concerning regulatory compliance, the Arbiter observed that FATF Recommendation 16 (the "travel rule") was not yet binding law during the relevant periods. The obligation for VFA providers to identify external wallet beneficiaries would only enter into force in 2025 under EU Regulation 2023/1113. In ASF 090/2023, the Arbiter stated that Recommendation 16 "is, as titled, a recommendation. These are guidelines, rather than a regulation or a law."

On jurisdictional matters, the Arbiter determined that complaints involving transactions on platforms operated by non-Maltese entities fell outside his competence under the Act.

In ASF 077/2024, despite the complainant's argument about integrated security measures across affiliated entities, the Arbiter concluded that distinct legal entities "based in different jurisdictions and subject to different conditions and legal frameworks... cannot justifiably and reasonably be treated as one".

The Arbiter also considered consumer awareness and vulnerability. While acknowledging complainants' unfamiliarity with crypto risks, the decisions emphasised that individuals venturing into this "highly speculative and risky market" needed to be "highly conscious of the potential lack of, or lesser, consumer protection measures" compared to traditional financial services. Multiple decisions noted that EU regulatory bodies had issued warnings about crypto risks over the years.

In the account freezing case (ASF 156/2024), the Arbiter accepted the provider's assertion that legal obligations prevented asset release, despite the lack of specific details.

Remedies and outcomes

The Arbiter dismissed most complaints, finding insufficient evidence that the provider failed to meet its regulatory obligations or terms of service. In cases involving alleged fraud (ASF 106/2024, ASF 069/2024, ASF 090/2023, ASF 119/2023), the Arbiter sympathised with complainants but concluded that the provider could not be held liable for transactions authorised by users themselves.

In the jurisdictional dispute (ASF 077/2024), the complaint was dismissed on procedural grounds, with the Arbiter noting that each party should bear its own costs. This differed from fraud-related cases where the dismissal was based on substantive assessment of the provider's obligations.

For the account freezing case (ASF 156/2024), while rejecting the request to order asset release, the Arbiter directed the provider to keep the complainant informed about the status of their assets "within the limits allowed by law".

Across multiple decisions, the Arbiter recommended that VFA service providers enhance their onboarding processes to better educate retail customers about crypto risks, particularly regarding external wallet transfers and potential scams. As noted in ASF 106/2024 and ASF 069/2024, "it would not be amiss if at onboarding stage retail customers are informed of typical fraud cases involving crypto asset transfers and warned against get-rich-quick schemes".

Pensions Cases

This section presents a range of pensions-related case summaries, comprising both individual disputes and groups of related decisions, which highlight recurring themes in pension administration and investment management. The summaries address issues such as inadequately diversified investment portfolios, the suitability of complex products held within retirement schemes, delays in transferring funds, administrative duties of trustees and administrators, claims of time-barred complaints, and the proper communication and due diligence expected of service providers.

Pension scheme transfer and investment losses complaint (ASF 078/2023)

COMPLAINT REJECTED (ON MERIT)

Pension transfer, retirement scheme, investment portfolio, trustee, risk profile, due diligence, Arbiter's recommendation

A complaint was filed against a retirement scheme administrator on their pension investments and transfers. The case revolved around the management and administration of a personal retirement scheme established as a trust and licensed by the Malta Financial Services Authority.

The complainant raised these issues:

a) The administrator failed to conduct sufficient due diligence to protect their interests when accepting investments in their pension portfolio.

b) The investments were unsuitable, high risk and illiquid, not conforming with their risk attitude.

c) The administrator failed to explain the role of a custodian firm and did not provide satisfactory information about their involvement.

d) The administrator refused to transfer the liquid portion of investments to another pension plan.

e) The administrator did not allow them to appoint an investment advisor of their choice.

f) The complainant sought damages to compensate for losses and demanded the transfer of liquid investments to a suitable UK fund.

The administrator presented this defence:

a) It was not the trustee when the disputed investments were accepted into the portfolio.

b) It had highlighted significant issues with the investments within six months of its appointment.

c) It provided regular updates about the investments' status to the complainant.

d) It had valid reasons for not allowing partial transfers of investments.

e) It approved the complainant's new investment advisor after conducting due diligence.

f) The allegations lacked logical consistency and legal basis.

The Arbiter made these observations:

1. The complaint primarily focused on issues that occurred before the administrator's appointment in May 2020, when it was not even incorporated as a company.

2. The administrator could not be held responsible for the initial investment decisions or the alleged lack of disclosure at the time of purchase since these occurred under a previous trustee's tenure.

3. Within six months of taking over, the administrator had properly informed the complainant about the difficulties with the investments, their illiquid nature and potential risks.

4. The administrator's refusal to transfer only the liquid portion of investments was justified by valid business reasons, including avoiding duplicate charges and maintaining proper portfolio diversification.

5. The administrator had provided adequate explanations about the custodian firm's role and appointment through various communications with the complainant.

6. The complainant themselves withdrew their complaint about the custodian firm after receiving satisfactory explanations.

7. The administrator's actions on the approval of investment advisors followed proper due diligence procedures to ensure they operated within appropriate regulatory standards.

The Arbiter dismissed the complaint, finding no adequate basis to uphold the complainant's claims or direct the administrator to transfer the liquid portion of investments. While the administrator's explanations for its actions were considered reasonable and justified, the Arbiter recommended, without obligation, that the administrator consider waiving any exit fees if the complainant decides to transfer out of the scheme.

The decision was not appealed.

Pension transfer delay causes market loss (ASF 111/2023)

COMPLAINT REJECTED (ON MERIT)

Pension rights, valuation request, administrative delays, market value, portfolio liquidation, transfer instructions

A complaint was filed about delays in processing a pension transfer request from a private pension fund to the European Parliament pension scheme, which allegedly resulted in financial losses.

The complainant raised these issues:

a) The Director General for Personnel of the European Parliament contacted the service provider in November 2021 on transferring pension rights.

b) The value of the pension fund stood at €57,434.48 in December 2019, €57,129.22 in December 2020, and increased to €57,820 by December 2021.

c) The service provider failed to submit the requested information promptly, requiring multiple follow-ups until April 2022.

d) By October 2022, the pension pot value had reduced to €49,786.14.

e) The complainant rejected this reduced valuation and sought compensation for the difference between the December 2021 valuation (€57,820.04) and the amount transferred following encashment.

The service provider presented this defence:

a) The November 2021 communication was merely a valuation enquiry, not a specific transfer request.

b) Any transfer amount had to be based on a specific redemption request and the prevailing market value.

c) While acknowledging some processing delays, they noted the EU institutions also contributed to delays by not following up.

d) The portfolio remained invested and subject to market fluctuations until receiving formal liquidation instructions.

The Arbiter made these observations and considerations:

1. Clear and unequivocal instructions to liquidate the pension portfolio were only received in October 2023, with all prior communications being requests for valuation information.

2. While the service provider could have handled enquiries more promptly, no evidence showed that delays prejudiced the complainant's position, given the long-term nature of pension investments.

3. The case involved transferring pension funds for continued investment under pension rules, rather than a complete exit from pension investments. The funds would likely have been reinvested in similar investments suitable for pension funds.

4. The sharp decline in market value, even for conservative investment portfolios, resulted from exceptional circumstances in mid-2022, when Euro interest rates changed abruptly due to inflation caused by the Russia-Ukraine war.

5. The market loss would have occurred regardless of whether the funds remained with the service provider or were transferred to an EU pension plan, as demonstrated by comparable market movements in benchmark investments.

The Arbiter ruled against the complainant, finding that, while the service provider's service quality was lacking, this was insufficient to require compensation for market losses, particularly since clear liquidation instructions were only received and promptly executed in October 2023. However, recognising the service provider's shortcomings, the Arbiter ordered them to bear all costs of the proceedings.

The decision was confirmed on appeal.

Retirement scheme complaints dismissed on prescription (ASF 065/2023, ASF 105/2023, ASF 130/2024, ASF 139/2022)

Structured notes, advisor, investment guidelines, valuation statements, capital losses, due diligence, fiduciary duties, prescription

Complaints were brought against administrators and trustees of personal retirement schemes licensed in Malta. The complainants alleged significant losses on their schemes. These losses were attributed to the service providers' alleged failures to fulfil their fiduciary duties as trustee and administrator.

The issues raised commonly involved allowing unsuitable or high-risk investments, such as structured notes, to be held within the schemes, and allegedly failing to perform adequate due diligence on the appointed financial advisors. Some complainants also raised concerns about the communication they received on their investments and losses.

The complainants essentially claimed that the service providers did not act in their best interests, failed to ensure investments matched their risk profile and permitted investments advised by unlicensed advisors. One complainant claimed the service provider allowed a company not regulated by the UK's financial conduct regulator to act as his advisor. Another claimed dealing instructions were accepted without his signature or with a copy of his signature.

Concerns were also raised on lack of diversification, excessive fees and failure to provide full information or warnings about losses. Complainants sought to recoup their losses, approximated in one instance at £100,000, another at £103,921 plus interest, and a third at £94,000. One complainant requested to be reinstated to the position they were in when they first joined the scheme.

Service providers' response

In response, the service providers consistently argued that the complaints were unfounded or time-barred by law. They often stated they were not licensed to provide investment advice and relied on the member's appointed advisor for investment decisions. Service providers contended that investment instructions were received from the appointed advisor, who was selected by the member.

They highlighted that they had consistently provided annual statements detailing portfolio composition and showing losses. One service provider noted that the complainant had signed the scheme application form indicating their advisor and granting permission for the administrator to accept instructions from the advisor without further reference to the member. In some cases, service providers argued that investment rules on suitable investments or concentration limits had changed over time and were not in effect when the disputed investments were made.

One service provider also pointed out that the complainant had previously received compensation from a financial services compensation scheme for losses on the same investment and had declared they would not seek compensation from third parties for these losses.

Arbiter's considerations and observations

The Arbiter, in considering the cases, gave particular attention to the preliminary pleas raised by the service providers, especially those concerning prescription or time-barring under Maltese law, specifically Article 21(1)(c) of the Act and Article 2156(f) of Chapter 16 of the Laws of Malta.

The Arbiter made the following observations in deciding on the preliminary pleas. A key aspect in determining competence was establishing the date when the complainant first had knowledge of the matters complained of, as per Article 21(1)(c). This date triggered the two-year period within which a written complaint had to be registered with the financial services provider.

Service providers presented annual valuation statements sent to complainants dating back several years, arguing that these statements clearly showed significant losses, making the complainants aware of the issues complained of since those earlier dates. The Arbiter noted that, in some cases, the disputed structured note investments had matured or been sold, resulting in realised capital losses by specific dates, often years before the complaint was filed with the Arbiter.

This finding contradicted complainants' arguments that they were only aware of "paper losses" or became aware of the issues much later on receiving specific documents or learning of other cases. The Arbiter considered that the annual statements, especially those covering periods when investments had matured at a significant loss, provided sufficient notification of the realised losses, even if the complainant considered them merely snapshots or was receiving regular withdrawals.

For example, in one case, the Arbiter found it difficult to accept that a complainant did not realise the extent of realised losses on receiving a valuation statement they had specifically requested, which showed a drastically reduced policy value. In another case, the Arbiter considered communications dating back to November 2020, which detailed a material reduction in the value of an illiquid investment and warned it could become worthless, as evidence that the complainant was aware of significant issues by that date.

In one instance, the service provider argued that a complaint registered with them in November 2017

constituted the official complaint for the purposes of Article 21(1)(c). The Arbiter agreed, noting that this complaint was formal and elicited a detailed reply from the service provider, including a direction to refer the matter to the OAFS if dissatisfied. While the Arbiter found that this November 2017 complaint was registered within the two-year period required by Article 21(1)(c) relative to the date of awareness of issues like changes in advisor terms and maturing investments around that time, the Arbiter then considered the plea under Article 2156(f) of the Civil Code, which imposes a five-year prescription period for certain debts.

Based on the evidence that the complainant had knowledge of the matters complained of by October/ November 2017, the Arbiter concluded that the five-year prescription period had lapsed by the time the complaint was filed with the Arbiter since there was no sufficient evidence of interruption or suspension of prescription.

The Arbiter also commented on other issues raised, noting that allegations implying fraud, such as disputed signatures on dealing instructions, fall outside the Arbiter's competence and should be referred to the competent authorities for criminal activities. Furthermore, claims about the lack of regular annual statements were deemed to have no material relevance to the core complaint and requested redress in one case.

The Arbiter referred to various previous decisions where the plea of prescription had been upheld in similar circumstances.

Decision

For the reasons explained, the Arbiter upheld the plea of prescription raised by the service providers in all the reviewed cases. Accordingly, the complaints were dismissed. The Arbiter did not proceed to consider the merits of the cases, such as the alleged unsuitable investments or the contested appointment of advisors, due to the complaints being time-barred.

The decisions were made without prejudice to any right the complainants may have to seek justice before another competent court or tribunal. Since the cases were decided on a preliminary plea, each party was directed to bear its own costs of the proceedings.

Responsibilities of retirement scheme administrators and trustees (ASF 026/2024, ASF 027/2024, ASF 063/2023, ASF 085/2022, ASF 093/2022, ASF 100/2022, ASF 160/2023)

Suitability report, structured notes, diversification, trustee duties, transfer out, indemnity, member-directed scheme, investment adviser

Several complainants raised concerns on the administration and investment management of their pension schemes by their respective service providers. Issues primarily revolved around requested transfers, investment suitability, associated fees and the responsibilities of the service provider as trustee and administrator.

Complainants questioned the service providers' actions or inactions on investment choices made within their member-directed schemes, particularly on diversification and the appropriateness of complex products. Delays in processing requests and perceived lack of service were also significant points of contention.

Summary of complaints

The complainants requested various remedies, including compensation for alleged losses, time and mental energy, as well as the refund or waiving of fees.

a) One complainant requested €7,246 for alleged losses, and for time and mental energy, stemming from issues encountered during a transfer-out process. They declined to provide a suitability report and later refused to sign a customised deed of indemnity requested by the service provider. They also claimed interest on funds held in cash during delays.

b) Another complainant sought £35,000 from the service provider, alleging that the provider failed to uphold its duties and contributed to a decrease in the value of investments. This complainant disputed the suitability of investments, claiming they were high-risk structured notes primarily intended for professional investors, lacked diversification, and questioned the licensing and due diligence related to appointed advisers and introducers.

c) One complainant claimed losses due to errors in previous decision calculations and additional losses identified in their complaint. They specifically alleged that the appointment of a discretionary fund manager was insisted upon by the service provider to limit its own liability and that the provider failed to educate them about this requirement. They questioned the sale of a specific fund without prior notification. They asked if claimed losses could be paid into a private bank account.

d) Multiple complainants raised similar concerns regarding investments in structured notes and the lack of diversification within their portfolios managed through a specific provider, noting material exposures to the same issuers. They alleged the investments were unsuitable for retail investors and that the service provider, as trustee and administrator, failed in its duty of oversight and compliance with investment guidelines and regulatory requirements.

e) A complainant contested termination fees applied during a transfer out process, citing significant delays experienced over several months.

f) Another complainant sought compensation for investment losses, believing the service provider should compensate them to restore their initial investment value, stating their valuation reflected a significant percentage loss.

Responses of service providers

The service providers generally refuted the complainants' allegations, asserting they had fulfilled their obligations in accordance with the applicable laws, rules, and scheme terms. They stressed that the schemes were member-directed, requiring members to appoint their own investment advisers. They maintained they did not provide investment advice themselves.

Service providers explained their role was primarily administrative, involving the verification and execution of instructions received from the appointed advisers or the members themselves. One provider highlighted the time and resources invested in accommodating a complainant's requests, including drafting a customised indemnity deed, despite the complainant's reluctance to follow standard procedures intended for their protection.

Regarding investment suitability, service providers stated that investment decisions were made by the appointed advisers or discretionary fund managers based on the member's risk profile, and they reviewed instructions against investment guidelines. One provider argued that regulatory changes regarding the requirement for a discretionary fund manager were communicated. They also pointed out that complainants had access to view their investment performance online and received documentation.

Service providers also argued against claims for moral or psychological harm compensation. They contended that allegations regarding unlicensed introducers or advisers were unfounded or not their responsibility at the time. Some providers deemed complaints were prescribed by law or frivolous and vexatious.

Arbiter's considerations and observations

The Arbiter reviewed the complaints, the service providers' responses, and the relevant legal and regulatory framework, including the Pension Rules for Personal Retirement Schemes and the Trusts and Trustees Act. The Arbiter made observations on the duties and responsibilities of retirement scheme administrators and trustees, particularly in the context of member-directed schemes and investment oversight.

In the Arbiter's observations it emerged that service providers had a clear duty to check and ensure that the portfolio composition recommended by the investment adviser provided a suitable level of diversification, and aligned with applicable requirements and investment guidelines. While the service provider was not responsible for providing investment advice, its role as trustee and administrator involved ensuring that the portfolio composition enabled the scheme's aims.

This oversight was particularly important in member-directed schemes with individual investment portfolios, where the same standards and safeguards should apply. The Arbiter found that portfolios containing predominant or exclusive exposure to structured notes, especially with material exposures to the same issuer, did not reflect the requirement for diversification and were not in conformity with applicable guidelines and rules.

Structured notes were often deemed complex products incompatible with a retail investor's profile, despite claims by service providers that instructions were reviewed and compliant.

In cases involving specific service providers, the Arbiter noted that legal opinions presented by the service provider arguing that investment restrictions were not applicable or should not be interpreted as applying to individual member accounts did not alter the Arbiter's position. The Arbiter maintained that interpreting rules otherwise would defeat the safeguards intended for members' protection on investments and diversification.

Regarding the requirement for discretionary fund managers, the Arbiter noted in one decision that the appointment of a discretionary fund manager (DFM) was not necessarily a requirement in all circumstances, contrary to what a service provider had indicated to a complainant. The Arbiter considered there was a deficiency in the service provider's conduct by failing to clearly explain the available options when a complainant proposed appointing an adviser who only held an insurance licence.

On the issue of delay in a transfer out, the Arbiter sympathised with the complainant but found the service provider was not at fault when the delay was due to the complainant's own actions, such as declining to provide a suitability report or sign an indemnity deed, or holding funds in cash awaiting transfer.

The Arbiter also addressed claims that the service provider was liable for losses resulting from investment decisions, noting that the primary responsibility for

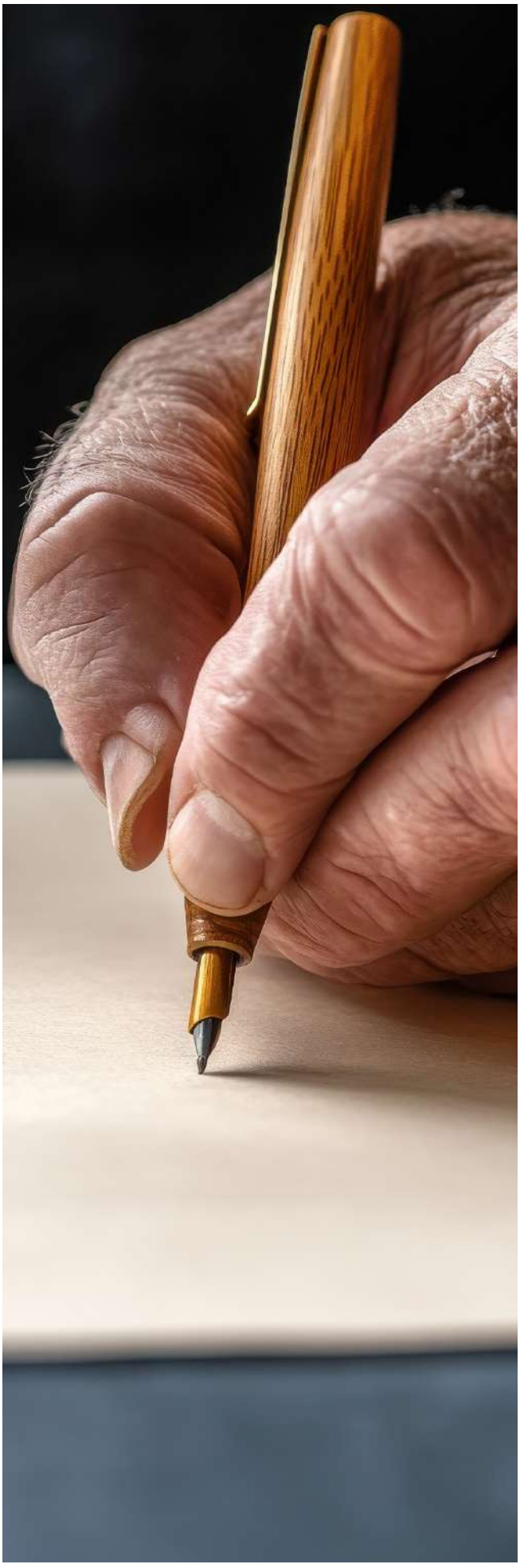
investment decisions lay with the appointed adviser or DFM. However, the service provider, as trustee, still had oversight duties. While acknowledging that complainants appointed their advisers, the Arbiter highlighted the trustee's broader responsibilities beyond strict rule compliance, including acting prudently and diligently.

Remedy awarded

The remedies awarded varied depending on the specifics of each case and the findings of the Arbiter. In some cases, the Arbiter found the complaints justified, particularly about the unsuitability of investment portfolios due to lack of diversification and concentration risks, finding the service provider's actions or inactions contributed to the losses.

The Arbiter's decisions in multiple cases against one service provider on structured notes and lack of diversification have been consistently upheld by the Court of Appeal (Inferior). In these instances, the Arbiter did not reproduce the full details of the legal framework and responsibilities but applied the conclusions from previous, similar cases.

In a case involving a transfer-out delay, the Arbiter found the service provider not at fault for the delay or resulting lack of earnings on cash, attributing it to the complainant's instructions or actions. In this instance, the complaint was not upheld in this regard.



Corporate Service Provision Cases

The case summaries address disputes concerning corporate service providers, focusing on contested fees for tax advisory and residency services, alleged breaches of fiduciary duties and professional obligations, conflicts of interest and questions of regulatory competence. They examine the adequacy of service provision, the legitimacy of settlements and the boundaries of the Arbiter's jurisdiction under Maltese law.

Fees dispute over global residency application (ASF 036/2024)

COMPLAINT REJECTED (LACK OF COMPETENCE)

Residency programme, mandate, authorisation, tax status, jurisdiction, competence

A complainant sought compensation for expenses related to an unsuccessful application for special tax status under the Global Residency Programme. The case centred on whether the service provider was authorised to offer these services and whether the matter fell within the Arbiter's jurisdiction.

The complainant sought reimbursement of €30,000 for these reasons:

a) The service provider charged €7,000 in legal fees and €6,000 in government application fees.

b) The complainant spent €15,800 on rental properties and €1,500 on travel from India to Malta.

c) The service provider allegedly misled the complainant about needing to rent accommodation at the application stage.

d) The complainant maintained they provided all requested documentation, including bank statements and asset declarations.

e) The application was refused, despite the complainant claiming to have sufficient funds and employment.

f) The service provider was accused of breaching business ethics.

The service provider rejected all allegations in presenting their defence:

a) They denied involvement in any property rentals.

b) They explicitly informed the complainant that residential leases were unnecessary for the application.

c) The application was refused by the tax authorities due to insufficient proof of stable financial resources.

d) They maintained they followed all prescribed guidelines in processing the application.

e) They highlighted their experience in handling these applications since the programme's inception.

f) This was reportedly their first complaint of this nature.

The Arbiter made these observations on the matter's jurisdictional scope:

1. The primary consideration was whether the service could be classified as a financial service under the relevant legislation, specifically the Act.

2. The definition of a financial services provider was examined, which covered entities licensed by the financial services authority for activities related to investment, banking, financial institutions, credit cards, pensions and insurance.

3. The service requested involved assistance with applying for the Global Residency Programme, which primarily offered tax benefits to successful applicants at a rate of 15c per euro on foreign-sourced income.

4. The service provider held authorisation from the Commissioner for Revenue as an Authorised Mandatory, distinct from any financial services licensing.

5. The nature of the service did not involve managing money, assets or investments on behalf of clients, nor did it possess characteristics that would classify it as a financial service.

6. The service provider's existing financial services authority licence did not cover residency programme applications.

The Arbiter concluded that the activity could not be considered a financial service under Article 2 of the Act. Consequently, the complaint was dismissed as falling outside the Arbiter's competence. The decision preserved the complainant's right to pursue the case before another competent court or tribunal.

The decision was not appealed.

Dispute over tax advisory services fees (ASF 044/2024)

COMPLAINT REJECTED (ON MERIT)

Tax advice, VAT evasion, Letter of Engagement, hourly rate, invoice dispute, duress

A complaint was filed about fees charged for tax advisory services related to reporting potential VAT evasion. The complainant sought advice on behalf of a friend on VAT evasion reporting and presented the following grievances:

a) They contacted a tax director seeking advice on five specific questions on the treatment of their friend as a potential whistleblower in a VAT evasion case.

b) After following up, they received information which they considered irrelevant and failed to address their specific questions.

c) They were presented with an invoice for €2,046.25 plus VAT for services they had not requested.

d) Following complaints, the fee was reduced in stages to €500 plus VAT.

e) The complainant paid the reduced amount under alleged duress to avoid court action.

f) They sought a refund of €590 (€500 plus €90 VAT), claiming the payment was made under duress.

The service provider defended their position with this reply and during the hearing:

a) They maintained that appropriate tax advice was provided after reviewing relevant provisions of the VAT Act.

b) The complainant had accepted their hourly rate and signed their Letter of Engagement.

c) The time spent on the matter was justified given the complexity of the questions.

d) The fee reductions were offered in good faith to avoid dispute.

e) They followed standard procedures for recovering unpaid fees.

f) They filed a police report against the complainant for harassment and vexatious complaints.

The Arbiter made these observations:

1. The primary consideration was whether the settlement of €500 plus VAT represented a full and final settlement that should not be reopened, regardless of whether the original invoice was justified by the value delivered.

2. The argument of duress was examined in the light of the complainant's legal background and professional experience, determining that the exercise of legal rights by the service provider did not constitute undue duress.

3. It was significant that the complainant admitted awareness of the director's hourly fee rate of €250.

4. The director's involvement throughout the dispute, including the escalation over fees, justified the finally settled amount.

5. The settlement followed a negotiation process in which the complainant had offered €250 plus VAT, and the service provider had progressively reduced their fee from the original amount to the final agreed sum.

6. The Arbiter considered that the complainant's legal background made them particularly well positioned to understand the implications of accepting the settlement.

The Arbiter dismissed the complaint, finding that the settlement represented a legitimate resolution between professionally informed parties, and the threat of legal action did not constitute improper pressure that would invalidate the agreement. Each party was ordered to bear its own costs of the proceedings.

The decision was not appealed.

Tax interest penalties and directorship duties (ASF 224/2023)

COMPLAINT PARTIALLY UPHELD

Fiduciary duties, tax agreement, interest charges, corporate governance, professional obligations, professional negligence

A complaint was filed against a company service provider on alleged breaches of fiduciary duties and professional obligations. The complainant claimed that the service provider acted with gross negligence in handling certain matters relating to tax payments and corporate services.

The complainant raised these issues:

a) The service provider's appointed director failed to sign an agreement with tax authorities to settle pending tax and interest due, resulting in higher interest charges.

b) The company service provider gave incorrect advice on a BVI holding company structure.

c) The service provider inadequately handled matters on a bank with whom the companies held accounts, affecting prompt tax settlement.

d) The complainant sought compensation totalling €122,418, which included additional tax interest charges, remaining funds after tax refunds, professional fees and other related costs.

The service provider defended its position, arguing:

a) It ensured tax payments were made as soon as funds were available and any interest incurred was due to late remittance of funds.

b) The first proposed agreement with the tax authorities could not be signed since full payment was not affected within the required timeframes.

c) Their expertise was limited to Maltese tax matters and they had never offered advice on foreign tax issues.

d) They had kept the complainant updated on the bank situation and maintained records of all related correspondence.

The Arbiter made these observations:

1) While certain aspects of the complaint fell outside his competence, the key matters on breach of fiduciary duties and professional obligations in relation to directorship services were within scope.

2) The service provider's appointed director failed to sign and submit the first tax agreement in a timely manner, despite the complainant's clear acceptance of the agreement terms and readiness to make payments.

3) The director appeared more focused on securing payment of fees due to the service provider rather than acting in the companies' best interests at a crucial time when urgent action was needed.

4) The service provider's claim that full tax payment was required before signing the agreement was deemed unreasonable since, logically, the agreement needed to be signed first for payments to be treated accordingly.

5) The director had a clear conflict of interest, demanding settlement of relatively small service fees before proceeding with urgent tax matters that could have saved significant interest charges.

6) The director's actions constituted a breach of fiduciary duty through negligence in carrying out directorship services and failure to act with due care and diligence.

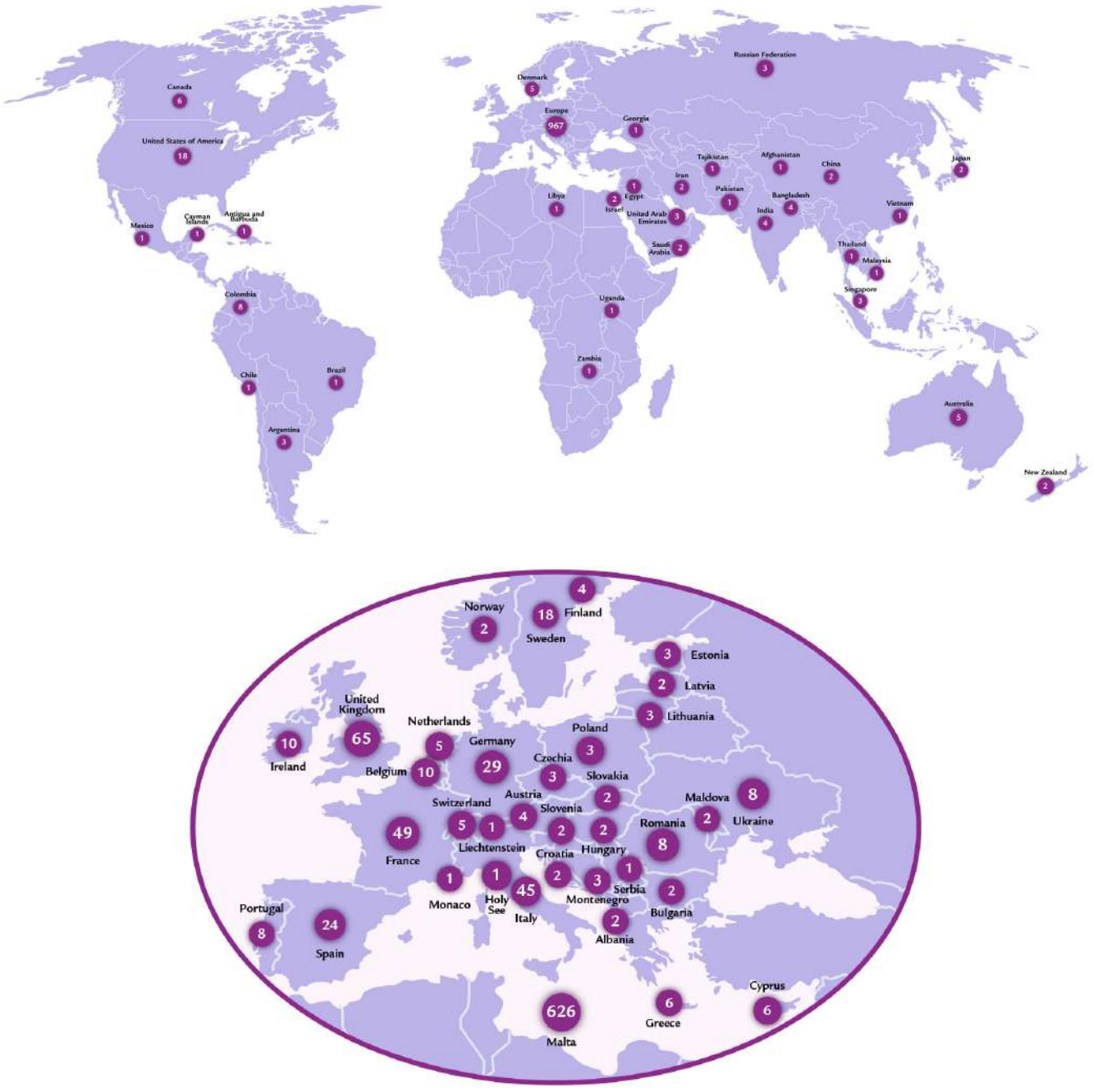
Based on these considerations, the Arbiter awarded compensation of €26,371 for damages suffered due to the failure to properly execute the tax agreement, plus €2,850 in moral damages for the service provider's failure to act in the companies' best interests when faced with conflicts of interest.

The decision was not appealed.

Annex 1

Origin of Enquiries and Complaints

The jurisdiction of the Office of the Arbiter for Financial Services covers complaints lodged by eligible customers anywhere in the world against financial services providers licensed in Malta. The heat map presented here showcases the international scope of the OAFS's operations and highlights the global presence of Malta's financial services industry, as it represents all consumers who engaged with the OAFS in 2024 through both enquiries and formal complaints.



Annex 2

Enquiries and Minor Cases Statistics

Figure 1 – Total Enquiries and Minor Cases (2016-2024)

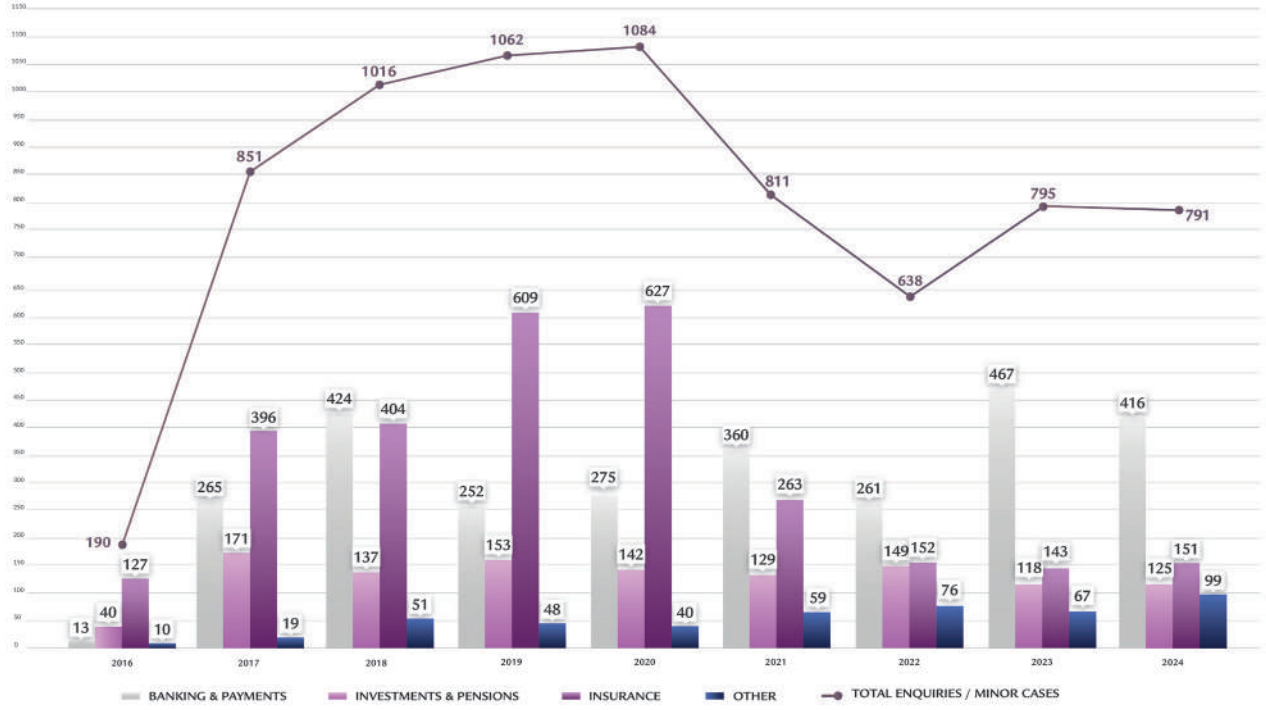


Figure 2 – Enquiries and Minor Cases (by origination)

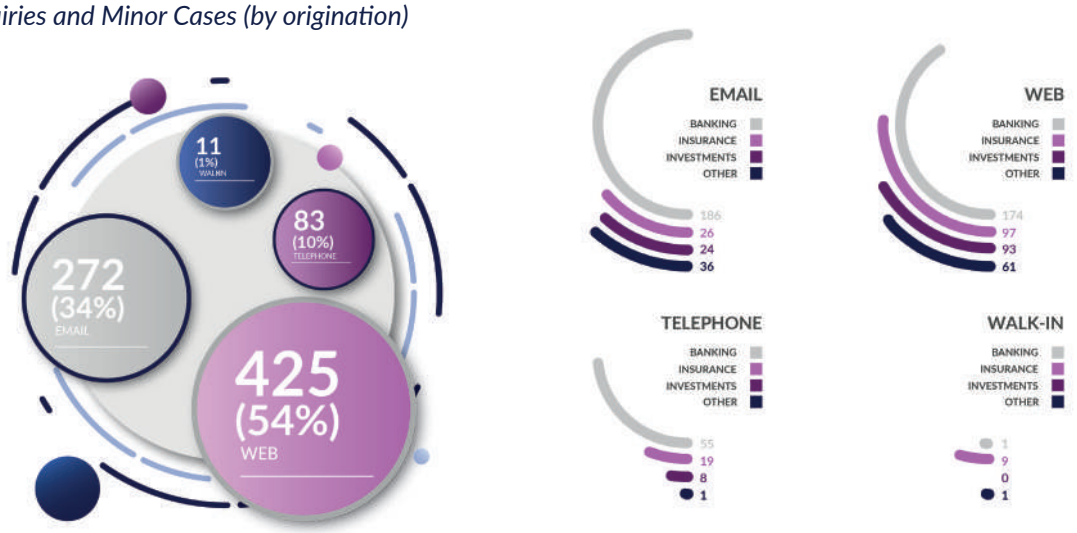


Figure 3 – Enquiries and Minor Cases (by sector and outcome)

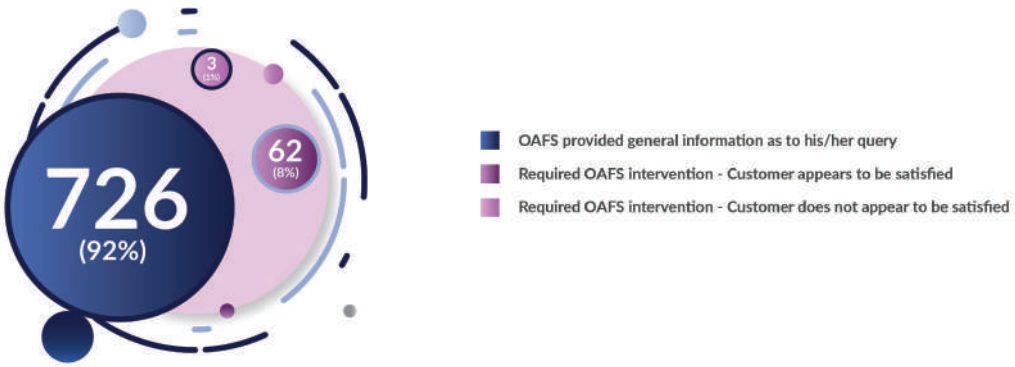
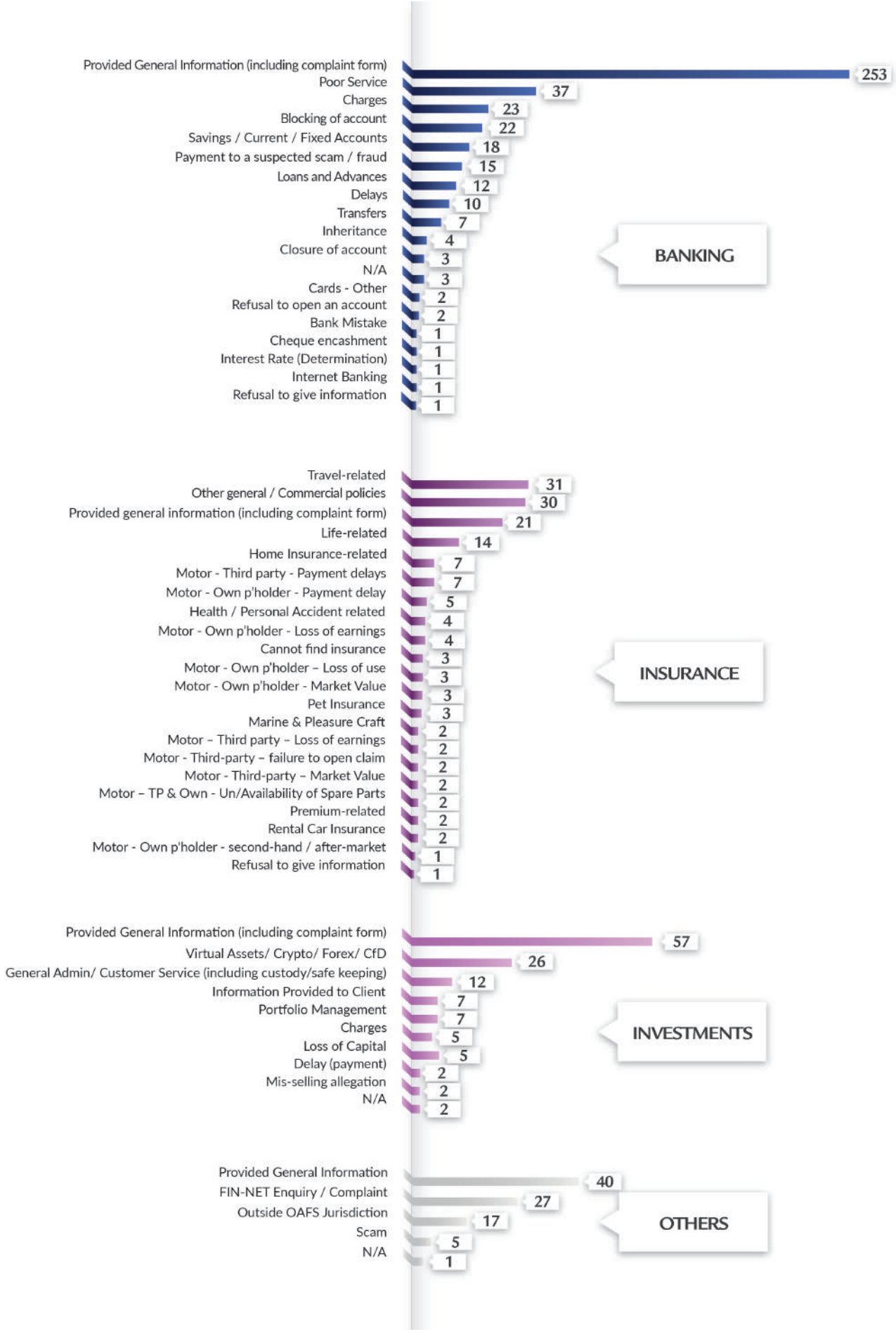


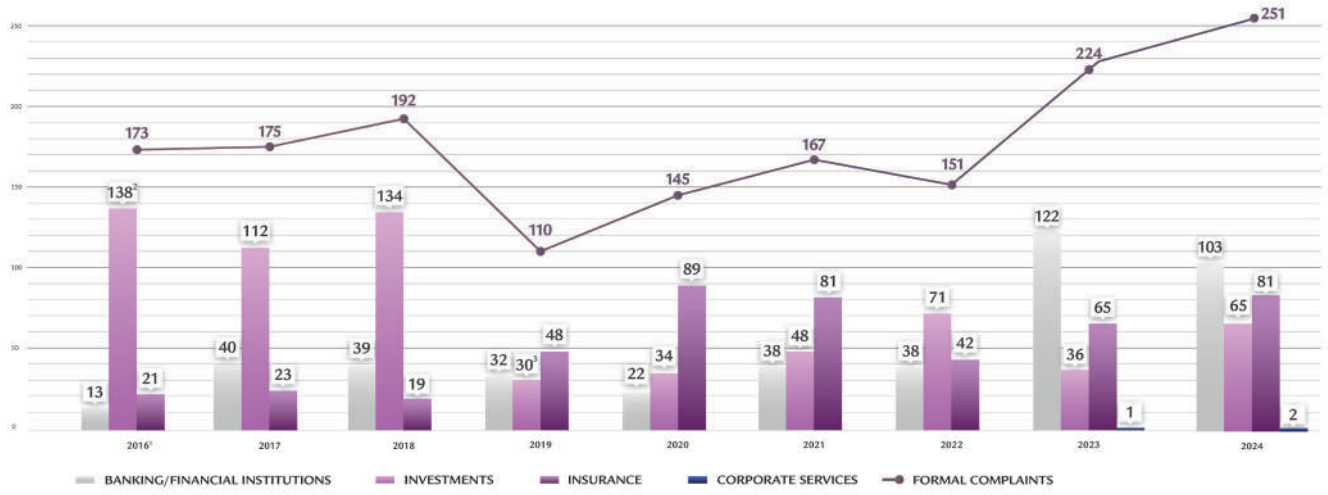
Figure 4 – Enquiries and Minor Cases (by type)



Annex 3

Formal Complaints Statistics

Figure 5 – Total number of formal complaints (2016-2024)



[1] The number of complaints for 2016 (June to December) has been adjusted to reflect the actual number of cases received, rather than the number of complainants collectively making up such cases.

[2] This includes nine cases (comprising 400 complainants) which were treated as one collective complaint (Case reference 28/2016) given that their merits are intrinsically similar in nature, and a further 38 complaints filed separately by different complainants. In the latter cases, each case was treated on its merits. All these cases concern a collective investment scheme.

[3] One complaint is made up of 56 individual complainants as their merits are intrinsically similar in nature.

Table 1 – Complaints registered by product and issue (2024)

BY PRODUCT	BANKING AND PAYMENT SERVICES	INSURANCE	INVESTMENTS	CORPORATE SERVICES	GRAND TOTAL
Savings/Current/Term Account	66				66
Life-related			60		60
Crypto / Virtual Financial Assets				31	31
Transfers	20				16
Pensions-related				16	13
Portfolio Management				13	10
E-Money	10				10
Travel-related			10		5
Cards	5				4
Miscellaneous (securities and funds)				4	3
Health-related			3		2
Home (Building & Contents)-related			2		2
Motor – Own policy			2		1
Commercial policies			1		1
Contractual Fulfillment		1			1
Forex dealing / CfD / Binary Options				1	1
Home Loans	1				1
Other personal lines			1		1
Personal Loans	1				1
Pet-related			1		1
Rental Car-related			1		1
Service Quality		1			1
Total	**103**	**2**	**81**	**65**	**251**

BY ISSUE	BANKING AND PAYMENT SERVICES	INSURANCE	INVESTMENTS	CORPORATE SERVICES	GRAND TOTAL
Value at maturity		56			**56**
General admin/customer service	10		28		**38**
Suspected irregular activity	34				**34**
Unauthorised use		27			**27**
Rejection of claim		21			**21**
Administration/Management/Custody			20		**20**
Delays	8		3		**3**
Charges	3		5		**5**
Other	5		1		**6**
Opening/Closure	7	1	1		**5**
Misselling / Suitability			3		**3**
Mistake / Incorrect application	1		1		**2**
Billing and Fees				1	**1**
Calculation of price/interest			1		**1**
Compliance and Regulatory Matters				1	**1**
Intermediary-related		1			**1**
Premium-related		1			**1**
Total	**103**	**81**	**65**	**2**	**251**

Table 2 – Complaints registered in 2024 by provider (alphabetically) and sector

	BANKING AND PAYMENT SERVICES	CORPORATE SERVICES	INSURANCE	INVESTMENTS	TOTAL
ALB Limited				1	1
Alchemy Markets Limited				1	1
APS Bank plc	6		1		6
Atlas Healthcare Insurance Agency Limited			2		1
Atlas Insurance PCC Limited			2		2
Bank of Valletta plc	52		1	1	54
Blevins Franks Trustees Limited, Blevins Franks Wealth Management Limited				1	1
Building Block Insurance PCC Limited			1		1
Calamatta Cuschieri Investment Services Limited				1	1
CiliaFormosa Financial Advisors Limited				1	1
Collinson Insurance Europea Limited			4		4
Cowen Insurance Company Limited			2		2
Crystal Finance Investments Limited				1	1
CSB International Limited		2			2
Elmo Insurance Limited			1		1
England Insurance Agency Limited			1		1
FCM Bank Limited	1				1
Finance Incorporated Limited	1				1
FinXP Limited				1	1
Foris Dax MT Limited				24	24
Foris Dax MT Limited, Foris MT Limited				1	1
Foris MT Limited	2			1	3
GasanMamo Insurance Limited		1			1
GasanMamo Insurance Limited, Thomas Smith Insurance Agency Limited		1			1
Global Shares Execution Services Limited				3	3
Hogg Capital Investments Limited				1	1
HSBC Bank Malta plc	8				8
HSBC Life Assurance (Malta) Limited			1		1
Izola Bank plc	1				1
Lawsons Equity Limited				2	2
Lifestar Health Limited			1		1
LifeStar Insurance plc			1		1
Lombard Bank Malta plc	2				2
Mapfre Middlesea plc			4		4
Mapfre MSV Life plc			57		57
MeDirect Bank (Malta) plc				1	1
Momentum Pensions Malta Limited				3	3
OKCoin Europe Limited				2	2
Openpayd Financial Services Malta Limited	7				7
Openpayd Financial Services Malta Limited, Foris Dax MT Limited, Foris MT Limited				1	1
Optimus Fiduciaries (Malta) Limited				1	1
Papaya Limited	20				20
Pilatus Bank plc	2				2
Praxis PES Malta Limited				1	1
Riverside Insurance Agency Malta Limited			1		1
Sovereign Pension Services Limited				3	3
Sparkasse Bank Malta plc	1				1
Square Trade Europe Limited, Starr Europe Insurance Limited			1		1
STM Malta Pension Services Limited				10	10
TMF International Pensions Limited				2	2
Zenith Finance Limited				1	1
Total	**122**	**65**	**36**	**1**	**224**

Table 3 – Case closure outcomes at the mediation stage

This table presents a breakdown of case closures occurring at the mediation stage during 2024. It categorises the various pathways through which disputes were resolved or withdrawn at an early stage of the complaint process. The categories include cases withdrawn prior to mediation, those settled by mutual agreement before mediation commenced, agreements reached during mediation, and withdrawals or agreements concluded before or during the arbitration hearing.

SERVICE PROVIDER	WITHDRAWN PRIOR TO MEDIATION	PARTIES AGREED TO SETTLE PRIOR TO COMMENCEMENT OF MEDIATION	AGREEMENT WAS REACHED AT MEDIATION	WITHDRAWN FOLLOWING MEDIATION	WITHDRAWN AND/OR AGREEMENT REACHED PRIOR TO CASE HEARING	AGREEMENT REACHED DURING HEARING BEFORE ARBITER	WITHDRAWN FOLLOWING CASE HEARING	TOTAL
Alchemy Markets Limited			1					1
APS Bank plc	1		1	2			1	5
Bank of Valletta plc	4		18	6				28
CiliaFormosa Financial Advisors Ltd			1					1
Collinson Insurance Europe Limited	1	1		1				3
Cowen Insurance Company Limited			1	1				2
Deriv Investments (Europe) Limited	1						1	2
England Insurance Agency Limited	1							1
Foris Dax MT Limited	2			3			1	6
Global Shares Execution Services Limited			1	1		1		3
HSBC Bank Malta plc	2		1	1			1	5
Izola Bank plc			1					1
Lifestar Health Limited		1						1
Lombard Bank Malta plc		1		1				2
Mapfre Middlesea plc	1	1	1	1				4
Mapfre MSV Life plc			30	2				32
Momentum Pensions Malta Limited			1	1				2
OKCoin Europe Ltd							1	1
Openpayd Financial Services Malta Limited					1			1
Papaya Ltd	2			2			1	5
Praxis PES Malta Limited	1							1
Riverstone Insurance (Malta) Limited				1		1		2
Sovereign Pension Services Limited			1					1
Starr Europe Insurance Limited	1							1
STM Malta Pension Services Limited			1	1		1		3
Zenith Finance Limited	1							1
Total	**18**	**4**	**59**	**24**	**1**	**3**	**6**	**115**

Table 4 – Decisions delivered by the Arbiter in 2024

	Banking/ Payments	Corporate Services	Insurance	Investments	Total
Not upheld	16	2	14	19	51
Partially upheld	13	1	14	8	36
Upheld	2	-	3	2	7
Res judicata	**31**	**3**	**30**	**23**	**87**
Appealed	-	-	**1**	**6**	**7**

Table 5 – Decisions Delivered by the Arbiter in 2024 (Breakdown by Financial Services Provider)

The table below provides a breakdown of the type and nature of decisions by financial services provider during 2024, and whether the final decision has been appealed.

Financial Services provider	Sector	Preliminary & Clarifications	Final Decisions	Not Upheld	Partially Upheld by Arbiter	Upheld by Arbiter	Total	Appealed	Not Appealed
ACT Advisory Services Limited	Corporate Services		1		1		1		1
APS Bank plc	Banking / Payments		2	1		1	1		2
Atlas Healthcare Insurance Agency Limited	Insurance		1	1			1		1
Atlas Insurance PCC Limited	Insurance		2	1		1	1	1	1
Bank of Valletta plc	Banking / Payments		14	4	10		14		14
Building Block Insurance PCC Limited	Insurance		1	1			1		6
Calamatta Cuschieri Investment Services Limited	Investments	1	3	2	1		3	1	2
Calamatta Cuschieri Investment Services Limited & Crystal Finance Investments Limited	Investments		1	1			1		1
CCGM Pension Administrators Limited	Investments		1	1			1	1	0
Cowen Insurance Company Limited	Insurance		1			1	1		1
CSB International Limited	Corporate Services		2	2			1		2
ETI Securities plc	Investments		1	1			1		1
FCM Bank Limited	Banking / Payments		1		1		1		1
Finance Incorporated Limited	Banking / Payments		2	2			2		2
FinXP Ltd	Investments		1	1			1		1
Foris Dax MT Limited	Investments	1	7	7			7	1	6
GasanMamo Insurance Limited	Insurance		1	1			1		1
GasanMamo Insurance Limited & Thomas Smith Insurance Agency Limited	Insurance		1	1			1		1
GlobalCapital Financial Management Limited	Investments		1		1		1	1	0
Hogg Capital Investments Limited	Investments		1		1		1		1
HSBC Bank Malta plc	Banking / Payments		3	2		1	3		3
HSBC Life Assurance (Malta) Limited	Insurance		1	1			1		1
Insurem Insurance Limited	Insurance	1	1	1			1		1
Integrated-Capabilities (Malta) Limited & Optimus Fiduciaries (Malta) Ltd.	Investments		1	1			2		1
Lifestar Insurance Ltd	Insurance		1	1			1		1
Mapfre Middlsea plc	Insurance		1	1			1		1
Mapfre MSV Life plc	Insurance		17	3	14		17		17
MeDirect Bank (Malta) plc	Investments	1	1			1	1	1	0
MIB Insurance Agency Limited	Insurance		1	1			1		1
Momentum Pensions Malta Limited	Investments		5	1	4		5	1	4
Oney Insurance (PCC) Limited	Insurance		1				1		1
Openpayd Financial Services Malta Limited	Banking / Payments	3	3	3			3		3
Optimus Fiduciaries (Malta) Limited	Investments		1	1			1		1
Papaya Limited	Banking / Payments	1	5	3	2		5		5
Riverside Insurance Agency Malta Limited	Insurance		1	1			1		1
Sovereign Pension Services Limited	Investments	1	4	2	1	1	4		4
STM Malta Pension Services Limited	Investments	1	1	1			1		1
Truevo Payments Limited	Banking / Payments	1	1	1			1		1
Total		**11**	**94**	**51**	**36**	**7**	**94**	**7**	**87**

Data featured under "Preliminary & Clarifications" includes decisions on initial legal pleas (such as if the service provider is contumacious) and any clarification requests that the parties to a complaint might have requested the Arbiter to issue following delivery of a decision. Data featured under the "Appealed" column has been obtained from the eCourts website and is subject to change as cases might have been decided or ceded following publication of this report.

Annex 4

Court of Appeal judgments issued in 2024 in relation to decisions issued by the Arbiter for Financial Services

OAFS Case Reference	Service Provider	Complaint outcome	Date of Arbiter's decision	Court of Appeal (Inferior) reference	Outcome by the Court
099/2021	STM Malta Pension Services Limited	Partially upheld	05/12/2022	163/2022	Fully confirmed Arbiter's decision
130/2021	Integrated-Capabilities Malta Limited	Partially upheld	13/02/2023	24/2023	Fully confirmed Arbiter's decision
107/2021	Optimus Fiduciaries (Malta) Limited	Partially upheld	13/02/2023	25/2023	Revoked decision
097/2022	Bank of Valletta plc	Upheld	20/02/2023	28/2023	Revoked decision
005/2022	STM Malta Pension Services Limited	Partially upheld	17/05/2023	66/2023	Fully confirmed Arbiter's decision
163/2021	STM Malta Pension Services Limited	Partially upheld	17/05/2023	67/2023	Fully confirmed Arbiter's decision
095/2022	HSBC Bank Malta plc	Not upheld	16/06/2023	75/2023	Confirmed Arbiter's decision. Different position taken on some points.
001/2022	STM Malta Pension Services Limited	Partially upheld	16/06/2023	74/2023	Fully confirmed Arbiter's decision
099/2022	Bank of Valletta plc	Not upheld	22/06/2023	77/2023	Revoked decision
123/2022	APS Bank plc	Partially upheld	04/07/2023	76/2023	Revoked decision
019/2022	MC Trustees (Malta) Limited	Partially upheld	15/09/2023	93/2023	Fully confirmed Arbiter's decision
051/2021	Sovereign Pension Services Limited	Upheld	13/10/2023	108/2023	Fully confirmed Arbiter's decision
049/2022	STM Malta Pension Services Limited	Partially upheld	10/11/2023	116/2023	Fully confirmed Arbiter's decision
116/2023	APS Bank plc	Upheld	21/12/2023	4/2024	Fully confirmed Arbiter's decision
086/2023	Calamatta Cuschieri Investment Services Limited	Not upheld	05/01/2024	6/2024	Fully confirmed Arbiter's decision
085/2022	MPM Pensions Malta Limited	Partially upheld	22/01/2024	9/2024	Fully confirmed Arbiter's decision
119/2023	Foris DAX MT Limited	Not upheld	22/03/2024	23/2024	Appeal considered null by Court
197/2023	GlobalCapital Financial Management Limited	Partially upheld	12/04/2024	32/2024	Fully confirmed Arbiter's decision

The decisions and judgments are available on our website, financialarbiter.org.mt

Office of the Arbiter for Financial Services

Audited Financial Statements as at 31 December 2024

National Audit Office
Notre Dame Ravelin
Floriana FRN 1600
Malta

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Independent Auditor's Report

To the Board of Management and Administration

Opinion

We have audited the financial statements of the Office of the Arbiter for Financial Services (the "Office"), which comprise the statement of financial position as at 31 December 2024, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and comply with the Arbiter for Financial Services Act, Chapter 555 of the Laws of Malta.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Office in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other independent responsibilities in the exercise of our functions in accordance with Article 108(12) of the Constitution of Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Office is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Office is in the process of being terminated in accordance with national law.

The Board of Management and Administration is responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Management and Administration regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor General
19 June 2025

BOARD OF MANAGEMENT AND ADMINISTRATION REPORT

Board of Management and Administration submit their annual report and the financial statements for the period ended 31st December 2024.

Objects

The Office of the Arbiter for Financial Services is an autonomous and independent body setup in terms of Act XVI of 2016 of the Laws of Malta. It has the power to mediate, investigate and adjudicate complaints filed by customers against financial services providers.

Results

The statement of comprehensive income is set out on page 3.

Review of the period

The Board reports a deficit of €85,489 during the period under review.

Post Statement of Financial Position Events

There were no particular important events affecting the entity which occurred since the end of the accounting year.

Statement of the Board of Management and Administration responsibilities

In terms of the licensing regulations applicable to Goverment entities, the entity is to prepare financial statements for each financial period which give a true and fair view of the financial position of the Entity as at the end of the financial period and of the surplus or deficit for that period.

- adopt the going concern basis unless it is inappropriate to presume that the Entity will continue to function;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accrual basis; and
- prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Statement of financial position

	Notes	2024	2023
		€	€
ASSETS			
Property, Plant and Equipment	6	**121,182**	**56,677**
Intangible Asset	7	**-**	**-**
		121,182	**56,677**
Current assets			
Trade and other receivables	8	**14,064**	**33,391**
Cash and cash equivalents	9	**171,840**	**248,637**
		185,904	**282,028**
TOTAL ASSETS		**307,086**	**338,705**
RESERVES AND LIABILITIES			
Reserves			
Accumulated Funds		**222,763**	**308,252**
		222,763	**308,252**
Current liabilities			
Trade and other payables	10	**84,323**	**30,453**
		84,323	**30,453**
Total liabilities		**84,323**	**30,453**
TOTAL RESERVES AND LIABILITIES		**307,086**	**338,705**

The accounting policies and explanatory notes on pages 6 to 9 are an integral part of these financial statements.

The financial statements have been authorised for issue by the Board of Management and Administration and signed on its behalf by:

Geoffrey Bezzina
Chairman
Board of Management and Administration

Date: 30 May 2025

Statement of Comprehensive Income

	Notes	2024 €	2023 €
Income	3	**681,322**	**675,658**
Administrative expenses	4	**(766,074)**	**(671,096)**
Financial costs	5	**(737)**	**(761)**
Surplus for the year		**(85,489)**	**3,802**

The accounting policies and explanatory notes on pages 6 to 9 are an integral part of these financial statements.

Statement of changes in reserves

	Accumulated fund	Total
	€	€
Balance at 1 Jan 2022	**230,736**	**230,736**
Surplus for the year	73,714	73,714
Balance at 31 December 2022	**304,450**	**304,450**
Surplus for the year	3,802	3,802
Balance at 31 December 2023	308,252	308,252
Surplus for the year	(85,489)	(85,489)
Balance at 31 December 2024	222,763	222,763

The accounting policies and explanatory notes on pages 6 to 9 are an integral part of these financial statements.

Statement of cash flows

	Note	2024	2023
		€	€
Operating activities			
Surplus for the year		**(85,489)**	**3,802**
Adjustments to reconcile profit before tax to net cash flows:			
Non-cash movements			
Depreciation of fixed assets		**22,183**	**21,007**
Working capital adjustments			
Increase in trade and other receivables		**19,327**	**(19,189)**
Increase in trade and other payables		**53,870**	**(67)**
Net cash generated from operating activities		**9,891**	**5,553**
Investing activities			
Purchase of property, plant and equipment		**(86,688)**	**(49,658)**
Purchase of Intangible Asset		**-**	**-**
Net cash used in investing activities		**(86,688)**	**(49,658)**
Cash and cash equivalents at 1 January		**248,637**	**292,742**
Net increase in cash and cash equivalents		**(76,797)**	**(44,105)**
Cash and cash equivalents at 31 December	9	**171,840**	**248,637**

The accounting policies and explanatory notes on pages 6 to 9 are an integral part of these financial statements.

Notes to the financial statements

1. Corporate information

The financial statements of the Office for the Arbiter for Financial Services for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the members. Office of the Arbiter for Financial Services is a Goverment entity.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in euro (€).

Statement of compliance

The financial statements of Office for the Arbiter for Financial Services have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Intangible assets

An acquired intangible asset is recognised only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. An intangible asset is initially measured at cost, comprising its purchase price and any directly attributable cost of preparing the asset for its intended use.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write down the carrying amount of the intangible asset using the straight-line method over its expected useful life. Amortisation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised.

The amortisation of the intangible asset is based on a useful life of 4 years and is charged to profit or loss.

Amortisation method, useful life and residual value

The amortisation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Fixtures, furniture & fittings	10 years
Computer equipment	4 years
Office equipment	4 years

Depreciation is to be taken in the year of purchase whereas no depreciation will be charged in the year of disposal of the asset.

Notes to the financial statements (continued)

Summary of significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined, net of outstanding bank overdrafts.

Trade and other payables

Trade and other payables are shown in these financial statements at cost less any impairment values. Amounts payable in excess of twelve months are disclosed as non current liabilities.

3. Income

Income represents Goverment funding and complaint fees.

	2024	2023
	€	€
Government Funding	**675,000**	**675,000**
Complaint Fees	**3,996**	**5,100**
EU Funding Returned	**-**	**(4,442)**
Other Grants	**2,326**	**-**
Total Income	**681,322**	**675,658**

4. Expenses by nature

	2024	2023
	€	€
Staff Salaries	**575,654**	**514,373**
Office maintenance & Cleaning	**13,880**	**13,146**
Car & Fuel Expenses	**22,252**	**25,608**
PR & Marketing	**3,452**	**1,425**
Financial Education	**27,586**	**-**
Telecommunications	**6,437**	**5,202**
Professional Fees	**9,195**	**2,089**
Depreciation charge for the year	**22,183**	**21,007**
Other expenses	**85,436**	**88,246**
Total administrative costs	**766,074**	**671,096**

Notes to the financial statements (continued)

4. Expenses by nature (continued)

Average number of persons employed by the office during the year:	2024	2023
Total average number of employees	**12**	**11**

5. Financial costs

	2024	2023
	€	€
Bank and similar charges	**737**	**761**

6. Property, plant and equipment

	Assets under Construction	Furniture, Fixtures & Fittings	Office Equipment	Computer Equipment	Total
	€	€	€	€	€
Net book amount at 1 January 2023	-	11,527	887	2,337	14,751
Additions	36,870	-	6,444	6,344	49,658
Depreciation charge for the period	-	(2,819)	(2,499)	(2,414)	(7,732)
Net book amount at 31 December 2023	**36,870**	**8,708**	**4,832**	**6,267**	**56,677**
Additions	(36,870)	103,184	10,404	9,970	86,688
Depreciation charge for the year	-	(13,138)	(4,212)	(4,833)	(22,183)
Net book amount at 31 December 2024	**-**	**98,754**	**11,024**	**11,404**	**121,182**
As at 31 December 2024					
Total cost		131,377	25,535	36,534	193,446
Accumulated depreciation	-	(32,626)	(14,510)	(25,130)	(72,266)
Net book amount at 31 December 2024	**-**	**98,751**	**11,025**	**11,404**	**121,180**

Notes to the financial statements (continued)

7. Intangible Asset

	Website and Case and File e-Solution	Total
	€	€
Total Cost as at 1 January 2024	53,100	53,100
Additions	-	-
Accumulated Depreciation	(53,100)	(53,100)
Net book amount at 31 December 2024	**-**	**-**

8. Trade and other receivables

	2024	2023
	€	€
Prepayments	**9,264**	**8,823**
Deposits	**4,800**	**19,768**
Other receivables	**-**	**4,800**
	14,064	**33,391**

9. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	2024	2023
	€	€
Cash at bank and in hand	**171,840**	**248,637**

10. Trade and other payables

	2024	2023
	€	€
Other payables	**-**	**13,110**
FSS Payable	**-**	**9,778**
Accruals	**84,323**	**7,565**
	84,323	**30,453**

Administrative expenses

	2024	2023
	€	€
Staff Salaries	**575,654**	**514,373**
Training	**767**	**2,392**
Office Consumables	**2,924**	**2,319**
Conference Expenses	**-**	**8,280**
Cleaning	**11,758**	**10,543**
Office Maintenance	**2,122**	**2,603**
Printing and Stationery	**6,717**	**6,715**
PC/Printer Consumables	**-**	**-**
Other Office Costs	**5,222**	**5,793**
Other Office Equipment	**-**	**-**
Telecommunications	**6,437**	**5,202**
Website Expenses	**26,404**	**23,940**
Postage, Delivery & Courier	**2,039**	**1,369**
Insurance	**19,411**	**21,254**
Memberships & Subscriptions	**2,483**	**2,111**
General Expenses	**3,883**	**940**
Vehicle, leasing and fuel expenses	**22,252**	**25,608**
Travelling Expenses	**11,313**	**9,121**
PR & Marketing	**3,452**	**1,425**
Financial Education	**27,586**	**-**
Professional Fees	**9,195**	**2,089**
Accounting Fees	**4,273**	**4,012**
Depreciation Charge	**22,183**	**21,007**
	766,074	**671,096**

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