

GUIDELINE ON CONSUMER PROTECTION - CBK/PG/22

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PART I: PRELIMINARY

1.1. Title - Guideline on Consumer Protection.

1.2. Authorisation – This Guideline is issued under Section 33(4) of the Banking Act (Cap. 488), which empowers the Central Bank of Kenya to issue guidelines to be adhered to by institutions in order to maintain a stable and efficient banking and financial system.

1.3. Application – This Guideline applies to all institutions licensed under the Banking Act (Cap.488).

1.4. Definitions

1.4.1. “advertisement” means any form of public notice which invites or induces or attempts to invite or induce, directly or indirectly, any person to purchase or acquire an interest in a product or service;

1.4.2. “complaint” means any oral or written expression of dissatisfaction about the provision of, or failure to provide, a financial product or service:

- (a) which is made to an institution by, or on behalf of, a consumer; and
- (b) which alleges that, as a result of an act or omission by or on behalf of the institution, the consumer has suffered or may suffer:

- (i) financial loss;
- (ii) material damage to his reputation or
- (iii) material distress.

1.4.3. “Cooling-off period” is a legally mandated window of time after signing a credit agreement during which a borrower can cancel or withdraw from the contract without penalty.

1.4.4. “Conflict of interest” refers to a situation in which a person has direct or indirect private or personal interest in a matter which is sufficient to directly or indirectly influence or has the potential to directly or indirectly influence the objective exercise of his or her official or professional duties or the making of impartial judgment over the same or related matter.

1.4.5. “Consumer” means any entity or person who uses, has used, or is or may be contemplating using directly or indirectly any of the products or services

provided by an institution; The term “consumer” may be used interchangeably with the term “customer”;

1.4.6. “Financial literacy” encompasses the awareness, knowledge, skills, and attitudes needed by customers to make informed and effective financial decisions.

1.4.7. “Institution” has the meaning respectively assigned to it under the Banking Act (Cap. 488).

Other terms used in this Guideline are as defined in the Banking Act (Cap. 488).

PART II: STATEMENT OF POLICY

2.1 Purpose

The purpose of this Guideline is to;

- (a) promote fair and equitable financial services practices by setting minimum standards for institutions in dealing with consumers;
- (b) increase transparency in order to inform and empower consumers of financial products and services;
- (c) foster confidence in the banking sector; and
- (d) provide efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services.

2.2 Scope

This Guideline provides a clear framework for protecting customers against risks of fraud, loss of privacy, unfair practices and lack of full disclosure.

2.3 Responsibility

The Board of Directors of each institution shall be responsible for:

- (i) formulating policies, procedures and guidelines which ensure that consumers’ interests are safeguarded through adherence to the established laws, regulations and this Guideline.

- (ii) ensuring that the institutions desist from unethical, inequitable and unfair business practices that negatively affect consumers.
- (iii) overseeing the consumer protection framework and ensuring that consumer complaints are attended to and addressed expeditiously.
- (iv) ensuring that institutions comply with this Guideline.
- (v) developing appropriate policies and procedures for the agents of the institution to comply with this Guideline where appropriate.
- (vi) Approving consumer protection policies and procedures.

PART III: CONSUMER PROTECTION: OBLIGATIONS OF INSTITUTIONS

3.1 KEY PRINCIPLES

- (i) All consumers should be treated equitably, honestly and fairly at all stages of their relationship with institutions. Treating consumers fairly should be an integral part of the good governance and corporate culture of all institutions.
- (ii) The relationship between an institution and a consumer shall be guided by five key principles:
 - (a) Fairness;
 - (b) Reliability;
 - (c) Transparency;
 - (d) Equity;
 - (e) Responsiveness.
- (iii) Institutions are expected to formulate and implement policies and procedures that ensure that these principles are complied with at all times:

3.2 FAIRNESS

3.2.1 General Requirements

- (a) An institution shall act fairly and reasonably in all its dealings with a consumer.
- (b) A consumer shall be treated in a humane manner whenever an institution, its officers or employees are dealing with the consumer whether through face to face or non-face to face contact.
- (c) An institution shall not:

- (i) engage in unfair, deceptive, oppressive or aggressive practices such as threatening, intimidating, being violent towards, abusing, being non-responsive or humiliating a consumer;
 - (ii) offer, accept or ask for bribes or other “gifts” as an inducement to serve a consumer;
 - (iii) discriminate against any consumer on the grounds of sex, race, colour, ethnic or social origin, tribe, birth, creed or religion, political opinion, disability, pregnancy, marital status, health status, conscience, belief, culture, dress or language.
 - (iv) take advantage of a consumer who is not able to understand the character or nature of a proposed transaction. An institution shall therefore inquire of the consumer’s specific needs and shall provide suitable products or services relevant to those needs. An institution shall also inquire from the consumer whether he understands the nature of the product or service and the institution shall provide sufficient information to enable the consumer make an informed decision.
 - (v) include an unconscionable or unreasonable term in an agreement;
 - (vi) exert undue influence or duress on a consumer to enter into a transaction;
 - (vii) disguise, diminish, obscure or conceal a material fact or warning through, among others, use of small prints which cannot be read easily, describing the material fact or warning in complex language, use of voluminous documents or omitting a material fact or warning;
 - (viii) mislead or misadvise the consumer; or
 - (ix) lend recklessly or negligently.
- (d) To ensure prudent lending, an institution shall;
- (i) take steps to assess the proposed consumer’s general understanding and appreciation of the risks and total cost of the proposed credit agreement and his rights and obligations under the agreement; his debt repayment history for credit; his existing financial means, prospects and obligations; and whether there is a reasonable basis to conclude that any commercial purpose may prove to be successful, if the consumer has such a purpose in applying for the credit; or

- (ii) after conducting an assessment, consider the merits or demerits of entering into the credit agreement with the consumer if the information available to the institution indicates that the consumer does not generally understand or appreciate his risks, costs or obligations under the proposed credit agreement;
 - (iii) consider whether entering into the credit agreement would make the consumer over-indebted;
 - (iv) ensure that a decision to deny or limit the amount of credit on account of any of the factors mentioned in Clause 3.2.1 (d) shall be reasonable, justifiable and clearly explained to the consumer and the institution may propose the modalities of addressing the deficiencies or obstacles identified to enable the consumer access the credit.
- (e) A consumer is over-indebted if the prevalence of available information at the time a determination is made indicates that the consumer is or will be unable to satisfy in a timely manner all the obligations under all the credit agreements to which the consumer is a party, having regard to that consumer's:
 - (i) financial means, prospects and obligations; and
 - (ii) probable propensity to satisfy in a timely manner all the obligations under all the credit agreements to which the consumer is a party, as indicated by the consumer's history of debt repayment and other relevant factors prevailing at the time of credit assessment.
- (f) To ensure prudent use of borrowed funds, an institution advancing credit to a consumer may consider giving free financial advisory services to the consumer on prudent management of the funds, risks to be avoided or mitigated and the steps to take in case of unexpected eventuality. The institution may keep in constant touch with the consumer to keep updated on how the borrowed funds are being used and any intervening development which might affect the repayment obligations of the consumer.

3.2.2 Responsible Business Conduct

- (i) Depending on the nature of the transaction and based on information provided by a customer, an institution should assess and understand the needs of the customer before rendering a service.
- (ii) Staff (especially those who interact directly with customers) should be properly trained and qualified.

- (iii) Where the potential for conflict of interest arises, institutions should endeavor to avoid such conflicts. When such conflicts cannot be avoided institutions should ensure proper disclosure, have in place internal mechanisms to manage such conflicts, or decline to provide the product, advice or service.
- (iv) The remuneration structure for staff of institutions should be designed to encourage responsible business conduct, fair treatment of consumers and to avoid conflicts of interest. The remuneration structure should be disclosed to customers where appropriate, such as when potential conflicts of interest cannot be managed or avoided.

Institutions shall implement a Data Protection Impact Assessment (DPIA) for any new or materially changed product, channel, decisioning model, or third-party integration that processes personal data, in accordance with the Data Protection Act (Cap. 411 C), Data Protection Regulations and subsidiary legislation.

At the minimum the DPIA should include the following as provided by the Data Protection Regulations, 2021:-

- Part 1: Description of the processing operations.
 - Part 2: An assessment of the necessity and proportionality of the processing operations in relation to the purpose.
 - Part 3: An assessment of the risks to the rights and freedoms of data subjects.
 - Part 4: The measures envisaged addressing the risks and the safeguards, security measures and mechanisms to ensure the protection of personal data and to demonstrate compliance with the Data Protection Act (Cap. 411 C).
 - Part 5: Sign Off and Record Outcomes.
- (v) Institutions to undertake third-party risk assessments and have in place explicit clauses on customer data sharing and debt collections standards including for digital credit providers interfacing with institutions.
 - (vi) Institutions to undertake periodic market conduct risk assessments including on vulnerable customers and report material issues to CBK.

3.2.3 Provision of Information and Advice to a Consumer

- (a) Institutions shall at all times ensure that staff interact with customers in a courteous, respectful, and professional manner.
- (b) Prior to a consumer choosing a product or service, an institution shall:

- (i) explain clearly in simple and ordinary language which the consumer understands, the key features of the range of products and services that the consumer is interested in so as to enable the consumer to arrive at an informed decision about these products and services
 - (ii) inform the customer of all charges, fees penalties and any other financial liability or obligation which would be incurred arising from the use of the product or the rendering of the service sought; and
 - (iii) request the consumer to provide, where applicable, all the information needed to verify whether or not the consumer is eligible for a product or service in which the consumer is interested.
- (c) Where a consumer has chosen a product or service, an institution shall before the consumer buys the product or service:
- (i) provide the consumer with general information or a summary of the main features of the product or service including the interest rate, charges, fees or other financial obligation relating to the product or service;
 - (ii) give the consumer a copy of any signed agreement which contains the terms and conditions of the agreement and
 - (iii) inform the consumer of the applicable charges, fees or additional interest the consumer will bear should the consumer decide on an early termination of any contract.

3.2.4 Suitability of Advice

- (a) Where an institution gives advice to a consumer, the institution shall ensure that:
- (i) the advice is suitable, taking into account the circumstances and needs of the consumer;
 - (ii) any product or service which the institution recommends to a consumer to buy is suitable for the consumer. The consumer should be allowed to exercise his free will on whether or not to consume a product or service.
 - (iii) there is no other product or service available to the institution that would be more suitable for the consumer. The institution shall bring to the attention of the consumer all available products or services which may be suitable to the

needs of the consumer to enable him choose a product or service which best suits his needs.

- (b) Where an officer or employee of an institution is promoting a product or service of an institution at a fee or commission payable by the institution, the officer, or employee shall inform the consumer of this fact without stating the figures to enable the consumer to consider the impartiality or otherwise with which the product or service is promoted.
- (c) An institution shall obtain from the consumer such information as is necessary for the institution to comply with clause 3.2.3(a) (i), (ii) and (iii).
- (d) Institutions should educate their consumers on their products and services through mechanisms such as:
 - (i) posting frequently asked questions in their websites or disseminating appropriate brochures within its business premises;
 - (ii) operating an effective call centre with competent staff to attend to customers queries and complaints; and
 - (iii) public awareness campaigns.

3.2.5 Conditional Sales

- (a) An institution shall not require a consumer who buys one product or service to buy another product or service from a specified provider.
- (b) Where the provision of a product or service by an institution to a consumer requires additional but ancillary (auxiliary) products or services from other providers, the institution shall make available to the consumer, where it is necessary to do so, a list of ancillary products or service providers to choose from and the consumer shall be allowed to exercise his free will. This is applicable where auxiliary financial services are necessary for the consumer to fully enjoy the benefits of a financial service or product.
- (c) However, clause 3.2.5(a) does not preclude an institution from offering linked products (e.g. making it a condition of a salary loan that the consumer has a current account with that same provider) where the provider is itself providing each of these linked products.

3.2.6 Cooling Off Period

- (a) An institution shall prior to entering into a contract with a consumer:
 - (i) explain to the consumer that he has the freedom not to enter into the contract if he is not sure of the suitability of the product or service or if the terms and conditions of the contract appear onerous or if the execution of the contract by the consumer shall be secured with difficulty arising from the financial position or other condition of the consumer.
 - (ii) inform the consumer of his right to take some time to think over the proposed transaction before signing the contract or committing himself to take the product or use the service.
 - (iii) request the consumer to confirm whether he needs some time to reconsider the proposed transaction. The institution shall act in accordance with the wishes of the consumer.

3.2.7 Protection of consumer assets against fraud and misuse

Relevant information, control and protection mechanisms should appropriately and with a high degree of certainty protect consumers' deposits, savings, and other similar financial assets, including against fraud, misappropriation or other misuses.

3.2.8 Information on Deposit and Loan Accounts

- (a) Where a consumer has a deposit or loan account with an institution, the institution shall provide the consumer with periodic statements of his deposit or loan account showing what transpired since the last statement that affected the account of the consumer, including balance changes, payments, withdrawals, disbursements and costs.
- (b) The institution shall at such interval as the institution may deem reasonable deliver to the consumer free of charge a statement of his account in a documentary form. This clause does not however preclude an institution from issuing or availing statements to consumers at such frequency and in such form including electronic form for free or at such nominal fees as the institution may charge; or as may be requested by a consumer from time to time; or as may be agreed upon between an institution and a consumer.
- (c) Given the obligations attaching to a loan account, it is advisable that borrowers and their guarantors are frequently notified by means that are convenient and cost

effective of the loan statement showing all balance changes, payments, withdrawals, disbursements, costs and any other financial liability that has accrued to that account.

- (d) An institution shall either independently or in agreement with a consumer device means of communicating loan statements to borrowers and their guarantors to ensure that borrowers and their guarantors are constantly informed of the loan repayment status. An institution may establish a mechanism by which a customer may be confidentially notified of his loan statement status through phone, sms, e-mail, internet or other convenient means,
- (e) Consumers have a duty to ensure that they frequently establish from the institutions their loan repayment status and promptly notify the institutions in case of any discrepancy on the repayment records kept by themselves and those kept by the institutions.
- (f) Institutions shall develop procedures for notifying their consumers generally of the need to check their loan repayment status to avoid disputes on the amount owing from them and further to avoid their credit information on non-performing loans being submitted to the credit reference bureaus when the consumer would be in a position to remedy the situation before the information is submitted to the credit reference bureaus.
- (g) The institution shall maintain evidence of customer notification prior adverse credit reporting.
- (h) The institution shall keep records of all notices issued to a consumer in respect of a loan.
- (i) An institution shall endeavour to notify a consumer of loan performance status by as many means as possible which are likely to reach the consumer instantly or without unnecessary delay. An institution may consider registered mail, e-mail, sms, phone, internet; physical delivery of the notice and such other means as would enable the consumer to receive notices sent by the institution.

3.2.9 Notice of Changes to Terms and Conditions and other dealings

- (a) An institution shall ensure that a consumer is notified within a reasonable time as the circumstances of the case may require and before implementing any changes to the terms and conditions of a contract, fees or charges, discontinuation of services or relocation of premises of the institution.

- (b) For purposes of paragraph 3.2.9 (a) above, the consumer and the institution shall agree at the time of opening the account or signing the loan contract or at such other time as may be convenient, on the mode of notification. The institution may also device suitable methods for reaching or notifying the consumers either individually or generally where it is not possible or convenient to enter into agreements with consumers on the mode of notification.

3.2.10 Debt Recovery Expenses

- (a) An institution shall ensure that the debt recovery fees and charges are reasonable and disclosed in contractual arrangements.
- (b) Where a consumer is unable to repay a loan as per agreed terms in the loan contract and the institution has to incur expenses to recover the outstanding amount, the institution shall;
 - (i) only incur expenses that are absolutely necessary for the recovery of the amount.
 - (ii) provide the consumer with a detailed breakdown of the costs and expenses incurred and the justification for such costs or expenses;
 - (iii) in the case of the sale of the property of a consumer or his guarantor, ensure that the sale is transparent.
- (c) Where an institution plans to outsource collection of a debt, the person who can collect the debt and the manner in which that debt can be collected should be brought to the customer's attention within a reasonable time before commencement of the debt collection by the outsourced third party.

3.2.11 Protection of consumer data and privacy

- (i) Consumers' financial and personal information should be protected through appropriate control and protection mechanisms.
- (ii) The protection mechanisms should define the purposes for which the data may be collected, processed, held, used or disclosed (especially to third parties).
- (iii) The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data.

3.2.12 Closing of Accounts

- (a) An institution shall not close an account of a consumer without giving the consumer a reasonable notice of not less than fourteen days except:
 - (i) where the account is being used for illegal activity; or
 - (ii) pursuant to a court order.
- (b) Where an institution seeks to close a consumer's account for reasons other than those stated in Clause 3.2.12 (i), the institution shall inform the consumer of the reasons why the account should be closed.
- (c) Where a consumer can take steps to prevent his account from being closed, he shall be given sufficient time to take such steps as may be necessary to keep the account running.
- (d) Where an institution closes an account of a consumer, the funds in that account shall be paid to the customer or his legal representative in such manner as the institution may deem fit unless there exists grounds or reasons for not paying the funds to the customer or when it is impossible to trace the customer despite several attempts having been made to trace the customer in which case the funds shall be dealt with as may be prescribed by any other written law.
- (e) The funds in an account closed pursuant to a court order may only be dealt with as the court may direct.

3.3. RELIABILITY

3.3.1 Updating the Address and other particulars of a Consumer

- (a) To enable an institution to serve a consumer better and keep a consumer informed, an institution shall request a consumer to keep the institution informed of any change in his or her postal address, physical address, e-mail address, telephone number, or any other particular the record of which is in possession by the institution.
- (b) An institution may, in the course of dealing with a consumer or at such time as the institution may decide, request a consumer to confirm his latest and most reliable address or means of communication and his preferences for communication purposes between him and the institutions. Preferences are not limited to one means of communication. It is preferable that consumers provide alternative

means of communications to enable institutions reach their customers through many means.

3.3.2 Reliability of banking channels

- (a) Institutions should ensure that banking channels used by them to provide services are available most of the time.
- (b) The banking channels should be closely monitored to ensure that they are functioning and are not used for illegal activities.
- (c) In the event of any disruption or unavailability, the institutions must provide timely notifications to customers through established communication channels.

3.3.3 Safeguarding Consumer Information

- (a) Institutions shall not disclose any information about a consumer to a third party except;
 - (i) where the law so requires or permits;
 - (ii) where it is in the interest of the institution to disclose the information;
 - (iii) as may be authorised by the consumer.
- (b) The duty not to disclose any information about the consumer includes information relating to the consumer's accounts and any information about the relationship between the institution and the consumer.
- (c) An institution shall comply with the provisions of the Data Protection Act (Cap. 411 C), the Data Protection (General) Regulations, 2021, the Kenya Constitution (2010) and any other relevant legal and regulatory framework governing data management. Among others the institution should explicitly provide:-
 - 1. The nature of personal data collected and held.
 - 2. Mechanisms put in place to protect customers data collected.
 - 3. How a data subject may access their personal data and exercise their rights in respect to that personal data.
 - 4. Lawful purpose for processing personal data.
 - 5. Complaint handling mechanism.
 - 6. Obligations or requirements to transfer personal data outside the country, to third parties or other data controllers of data processors, located outside Kenya and where possible specify such recipients.
 - 7. The retention period.

8. Collection of personal data about a vulnerable segment of the community, including children and the criteria applied.
9. Consent to share personal data with third parties.

3.3.4 Protecting an Account of a Consumer

- (a) An institution should advise a consumer on the measures to take to protect or safeguard his account, cheque book, bank card, PIN or other document or information pertaining to his account.
- (b) An institution shall provide consumers with a dedicated mobile telephone line(s), to enable consumers to report a lost or stolen card, cheque book or a suspect transaction.

3.3.5 Training, Competence and Supervision

- (a) An institution shall:
 - (i) assess the training needs of its staff when they take up a new role and at appropriate intervals after that (including if their role changes);
 - (ii) ensure that its staff receive sufficient training;
 - (iii) satisfy itself, on reasonable grounds, that its staff are competent to carry out their roles;
 - (iv) review at appropriate intervals the competence of its staff and take steps to ensure that they remain competent for their role;
 - (v) ensure that there is adequate segregation of roles;
 - (vi) arrange for its staff to be appropriately supervised.
- (b) Clause 3.3.5 (a) above applies to the extent necessary to ensure that the institution complies with all other provisions in this Guideline.
- (c) An institution, in determining how to ensure that it complies with clause 3.3.5(a) above, shall take into account such matters as:
 - (i) technical knowledge and its application;
 - (ii) capacity building on how to ensure equitable treatment, protection, and accessibility of products and services to all vulnerable consumer segments, including the elderly, youth, and persons with disabilities.
 - (iii) skills and expertise; and
 - (iv) changes in the market and to products, legislation and regulation.
- (d) An institution shall consider the level of relevant experience and integrity of a member of staff and the nature of the assignment when determining the level of supervision required.

- (e) The remuneration structure of staff of institutions should be designed to encourage responsible business conduct.

3.4 TRANSPARENCY

3.4.1 General Principles

- (i) Information should be provided on material aspects of the financial product or service. Appropriate information should be provided at all stages of the relationship with the customer.
- (ii) All financial promotional material should be accurate, honest, understandable and not misleading.
- (iii) Standardised pre-contractual disclosure practices (e.g. forms) should be adopted where applicable and possible to allow comparisons between products and services of the same nature. This standardization should include costs relating to digital loans and language used in all communication materials.
- (iv) Specific disclosure mechanisms, including possible warnings, should be developed to provide information commensurate with complex and risky products and services.
- (v) Consumer research should be conducted to help determine and improve the effectiveness of disclosure requirements.
- (vi) The provision of advice should be as objective as possible and should in general be based on the consumer's profile considering the complexity of the product or service, the risks associated with it as well as the customer's financial objectives, knowledge, capabilities and experience.
- (vii) Consumers should be made aware of the importance of providing institutions with relevant, accurate and available information.
- (viii) The institution should seek the customers consent whenever there is change in the terms and conditions of contractual agreements include loan restructuring and opt-in/opt-out for marketing SMSs.

3.4.2 General Requirements

- (i) An institution shall:

- (a) ensure that any information given to a consumer on among other things benefits, prices, risks and the terms and conditions; whether in writing, electronically or orally is fair, clear and transparent;
- (b) ensure that the information in clause 3.4.2(a) above is easily comprehensible so that a consumer can make an informed choice about a product or service;
- (c) ensure that consumers are informed, at the time of opening an account and at intervals thereafter as necessary, of the implications of inactivity or dormancy of the account.
- (d) ensure that the information is written in simple language and in a legible font size so that it is clear and readable;
- (e) where a consumer is unable to understand English and Swahili, provide an oral explanation in a language the consumer understands. The institution may also arrange for a written translation of the information into the language the consumer understands should the nature of the transaction require such a translation and as may be mutually agreed upon by the institution and the consumer;
- (f) where a consumer is unable to understand written information, explain orally to the consumer the written information;
- (g) ensure that where an oral explanation in clause 3.4.2(e) and (f) has been provided to the consumer, the consumer shall sign as evidence that an oral explanation has been given where the nature of the transaction would necessitate such a confirmation by the consumer;
- (h) ensure that information on its products and services is updated and current and easily available at its branches, websites and any other communication channels which it uses;
- (i) ensure that it discloses at its branches, websites, advertisements, promotional materials and any other communication channels which it uses that it is regulated by the Central Bank of Kenya.
- (j) Disclose its identity in the correspondence, documents and other written instruments that the institution issues in the course of its business generally or while dealing or contracting with a consumer.
- (k) Ensure that institutions include in their policies and procedures on how the institution will handle incapacitated customers – physically or mentally.
- (l) Shall conduct regular financial education programs to ensure customers are adequately informed about banking services, digital channels, and ethical practices.
- (m) shall display the name of the regulator to consumers so as they are aware that the institution is regulated; and will assist the consumer contact the regulator if the consumer considers that the institution has failed to comply with its regulatory requirements. The disclosure should be among others: websites, letter heads and advertisement materials.

3.4.3 Key Facts Document

- (i) An institution shall;
 - (a) prepare and maintain key information in a summarised form that informs the consumer of the fundamental benefits, risks and terms of the product or service.
 - (b) ensure that contracts and other documentation relating to the financial products or services they provide are summarized in a key facts document written in simple language, setting out clearly and briefly all the key information relating to the product or service. The information may relate to the description of the product or service, key features, benefits, requirements to be met to consume the product or service, charges and fees; potential risks, documentation required, transaction process and complaint procedure.
 - (c) on request or as the nature of the transaction may necessitate or with a view to enlightening the consumer better, provide the consumer with a copy of the Key Facts Documents in respect of the product or service the consumer is interested in or related product or service which may be of interest to the consumer. The key facts document may also be made available on the website of the institution to which a consumer may be referred if the consumer has access to the internet.

3.4.4 Terms and Conditions

- (i) The terms and conditions provided by an institution shall highlight to a consumer the fees, charges, penalties, relevant interest rates and any other consumer liabilities or obligations in the use of the financial product or service.
- (ii) An institution shall inform a consumer of all fees, charges, penalties, relevant interest rates and any other consumer liabilities or obligations relating to a product or service a consumer is interested in and shall explain to the consumer how these pecuniary liabilities may be calculated and when they will accrue.

3.4.5 Disclosure of Interest Rates

- (i) For both interest-bearing deposits and loans, institutions shall prior to the consumer signing the contract:
 - (a) inform the consumer of the term of the fixed deposit or loan;
 - (b) inform the consumer of the charges, if any, for, and consequences of, prematurely terminating a fixed deposit or loan;
 - (c) inform the consumer of whether the interest is fixed or variable;

- (d) give a consumer information on the applicable interest rates for the contracted period and the basis and frequency on which interest payments or deductions are to be made;
 - (e) explain the method used to calculate interest rates;
 - (f) disclose prominently the total amount of income the consumer shall receive on the fixed rate deposits of the consumer;
 - (g) provide a repayment schedule over the term of the loan indicating periodic principal repayments and interest charged; and
 - (h) disclose the total cost of credit.
- (ii) Total cost of credit refers to the total amount payable for credit, including all fees and other charges from the lender, after deducting the original loan amount.
- (iii) The total cost of credit is calculated by adding together all costs which the borrower would need to pay over the period of a loan. That is, it is the total sum which the borrower would need to repay, less the capital sum which is to be borrowed. The costs which the borrower would need to pay include interest payments, together with any fees, charges and commissions. These costs will also include other charges paid to third party providers for purposes of the loan such as legal fees, brokerage, insurance, valuation and government levies among others.

3.4.6 Fees and Charges

- (a) Institutions shall, for all charges and fees to be levied:
 - (i) provide a consumer with a schedule of ALL fees and charges (including commissions payable) for the product or service that a consumer has chosen;
 - (ii) display prominently its standard fees and charges at all its branches, promotional materials and through any other communication channels which it uses;
 - (iii) inform a consumer, at the time the services or products are offered and on request, of the basis of charges for services rendered which are not subject to standard fees and charges; and
 - (iv) inform a consumer of any additional charges or expenses that a consumer has to pay in respect of a particular transaction.
- (b) Where third party fees and charges are involved, an institution shall inform a consumer in advance of the relevant service or product and applicable fees and charges.
- (c) For the purposes of clause 3.4.5(b) above, third party fees and charges are fees and charges which are not levied directly by an institution but arise when another institution, agent or party is used.

- (d) The third party or agent referred to under clauses 3.4.5(b) and (c) must be approved by the Central Bank of Kenya as stipulated under the relevant legislations such as Outsourcing and Agent Banking Guidelines.
- (e) The institution shall provide the customer with no less than thirty (30) calendar days' prior written notice of any proposed changes to the pricing terms of this loan agreement. Such notice shall clearly outline the nature of the change, the effective date, and the customer's options without incurring penalties, subject to applicable laws and regulations under the Central Bank of Kenya and the Consumer Protection Act.

3.4.7 Display of Fees and Charges

- (a) Institutions shall display, in a prominent place, in their places of business and website, information relating to fees and charges relating to their products which would enable the customer to obtain the desired information at a quick glance.
- (b) The display of fees and charges should be in a conspicuous place and should be legible.
- (c) Institutions should also indicate that a customer has the right to obtain a copy of a Key Facts Document.

3.4.8 Marketing and Promotions

- (a) Institutions shall ensure that all advertising and promotional materials are fair, clear and not misleading.
- (b) Institutions shall ensure that the information is written in simple language and in a legible font which is easily readable.
- (c) All printed advertising and promotional materials for financial products or services which make a reference to an interest rate, shall include the total cost of credit and whether the interest rate is per annum or per month and whether the interest rate is fixed or variable.
- (d) For the purposes of clause 3.4.8(c) above, the total cost of credit shall be prominently displayed.

3.4.9 Financial Literacy

Institutions should:

- Facilitate technical assistance through appropriate financial literacy to potential and existing customers in an effort to enhance their financial skills necessary to secure and utilize finances.
- Develop financial literacy initiatives that are distinct from the common product advertising and marketing, and that are more targeted, strengthened and coordinated to have greater impact in terms of effectiveness and efficiency. The financial literacy initiatives will be unique to a bank based on the adopted business model and strategy.

3.4.10 Inactive, Dormant and Deceased Accounts

1. Institutions should develop:-

- Policies for handling inactive, dormant, and deceased accounts.
- The minimum standards for the identification, monitoring, control, reactivation, and reporting of dormant accounts to safeguard customer funds and mitigate operational, fraud, and money laundering risks.

2. Institutions should explicitly provide for:-

- Notification to the customers within the timeframes specified in the institution's Policy before an account is classified as inactive, dormant, or transferred to the Unclaimed Financial Assets Authority.
- Notification to the customers on the applicable charges and the related consequences in case their transactional accounts become inactive or dormant.
- Notification to the customers before closing an account.
- Notification to the customers that upon classification of an account as inactive or dormant, debit transactions shall be restricted and no charges charged on accounts with zero balance.
- Notification to the customers that for an account to be reactivated a customer shall require customer identification, successful completion of Know Your Customer (KYC) requirements among others. Dormant accounts shall remain eligible to earn contractual interest unless otherwise provided by product terms.

3. Institutions should maintain adequate records relating to dormancy classification, customer communication, reactivation, and transactions.

4. Risk management and internal audit functions should protect institutions against fraud, suspicious activities and ensure regulatory compliance.

5. Internal audit should periodically review dormant-account controls and report findings to senior management and the Board.
6. Upon notification of an account holder's passing, the account should immediately be classified as a "Deceased Account". Thereafter institutions should freeze the dormant accounts of the deceased individuals to protect their estates. Funds should not be claimed without formal legal authorization. At minimum, the executors or administrators must provide the Death Certificate, a Grant of Probate/Letters of Administration, and personal identification to claim the assets.

PART IV - COMPLAINTS HANDLING AND CONSUMER RECOURSE

4.1 Complaints Procedures

Institutions shall have in place and operate appropriate and effective procedures, which are documented, for receiving, considering and responding to consumer complaints.

4.2 Informing Consumers About Complaints-Handling Procedures

Institutions shall ensure that information about procedures for handling consumer complaints are easily available at its branches, websites, brochures and any other communication channels which it uses.

4.3 Investigating and Determining Complaints

- (i) Once a complaint has been received by an institution, the institution shall:
 - (a) investigate the complaint competently, promptly and impartially;
 - (b) assess fairly and promptly the subject matter of the complaint, whether the complaint should be upheld and what remedial action or redress (or both) may be appropriate;
 - (c) offer any redress or remedial action which is appropriate;
 - (d) explain to the complainant, in a way that is fair, clear and not misleading and in a language the consumer understands its assessment of the complaint, its decision on it, and any offer of remedial action or redress; and
 - (e) comply promptly with any offer of remedial action or redress which the complainant accepts.
- (ii) When assessing the track record of an institution in investigating and determining complaints, the Central Bank of Kenya will have regard to the quality and fairness of the institution's investigations and determinations and to the clarity of its written communications to complainants.

4.4 Complaints Handling and Consumer Recourse Mechanisms

Institutions shall establish timeframes within which various types of complaints will be resolved and notified to the complainant. Without prejudice to, an institution, on receiving a complaint, shall provide the complainant with a prompt written acknowledgement within 48 hours and resolve the complaint in 7 working days. For complaints not resolved within 7 working days, written updates should be forwarded to the customer on the progress in resolving the complaint, once in every seven days.

- (i) The Central Bank of Kenya will have regard, when assessing an institution's track record in investigating and determining complaints, to the clarity and reasonableness of requests which the institution has made to complainants for further information, the speed with which the complaint was resolved, whether the institution has taken steps to address generally the factors that led to the complaint to avoid future complaints of a similar nature, the nature of compensation and the responsiveness of the institutions in limiting the number of complaints from its customers.
- (ii) Institutions should maintain complaints registers which at a minimum should record:
 - The date the complaint was made.
 - The name, address, and telephone number of the complainant.
 - The nature of the complaint.
 - The name of the person or persons who were the subject of the complaint.
 - Any action taken to investigate a complaint, details of the findings and the date and manner by which the complainant was informed of the result.
 - The register should capture bankwide complaints, including from branches, social media, agents and head office.
- (iii) Preventing and resolving mistaken transactions:
 - 1) An institution shall have policies and procedures to minimize the risk that a mistake will be made by a consumer in a payment transaction including, without limitation:
 - (a) to enable a consumer who has initiated a payment transaction to verify the name and other details of the intended beneficiary where feasible, and the amount of the payment, before the transaction is completed; and
 - (b) designing user interfaces for making payment transactions which are intuitive and easy to use for all consumers, regardless of their financial or technological capability.
 - 2) If a consumer alleges that a payment transaction was mistakenly made, the institution shall promptly and proactively assist the consumer to have the transaction reversed including, without limitation, by liaising with the recipient's

institution and making reasonable efforts to seek the reversal of the payment transaction.

- 3) If an institution considers that a payment transaction alleged by a consumer to have been made by mistake was correctly made, then the institution has the burden of proving that was the case.

4.5 Identifying and Remediating Recurring Systemic Problems including from Cross Selling

Institutions shall put in place arrangements to ensure that, in handling complaints, it identifies and remedies any recurring or systemic problems by:

- (a) Analyzing the causes of individual complaints in order to identify any failings in processes, products or services and staff; and
- (b) Correcting any such failings.

4.6 Quarterly Complaints Reports to Central Bank of Kenya

- (a) Institutions shall provide Central Bank of Kenya with a report, in the format set out at Appendix A to these Guidelines, concerning its receipt and handling of consumer complaints.
- (b) Reports shall cover the calendar quarters of the year and shall be sent to reach the Central Bank of Kenya within 5 days after the end of every calendar quarter.

PART V: CONSUMER PROTECTION PROVISIONS EMBEDDED IN OTHER LEGISLATIONS

- (a) The consumer protection provisions in this Guideline are applicable concurrently with those stipulated in other legislations such as the Banking Act (Cap. 488) ; Data Protection Act (Cap. 411 C), the Data Protection (General) Regulations, 2021, the Kenya Constitution (2010), Competition Authority Act, Consumer Protection Act (Cap. 501) and Agent Banking Guidelines.
- (b) The Central Bank of Kenya will consider the provisions in this Guideline together with those in the other legislations, guidelines and regulations in determining whether an institution has adequately safeguarded the interests of consumers as they provide their products and services.

PART VI: REMEDIAL MEASURES

Central Bank may pursue any or all remedial actions provided for under sections 33, 33A, 34 and 55 of the Banking Act and may take such other administrative action as it may deem appropriate.

PART VII: EFFECTIVE DATE

7.1 Effective Date - The effective date of this guideline shall be January 1, 2027.

7.2 Supersedence - This guideline supersedes the Guideline on Consumer Protection issued on January 1, 2013.

ENQUIRIES

Enquiries on any aspect of this guideline should be referred to:

Director,
Bank Supervision Department
Central Bank of Kenya
P.O. Box 60000 00200

NAIROBI

TEL. 2860000 e-mail: fin@centralbank.go.ke

QUARTERLY COMPLAINTS REPORT TO THE CENTRAL BANK OF KENYA¹

Name of Institution:

Financial Year:

Quarter Start Date:

Quarter End Date:

To be submitted to the Central Bank within 5 days following the end of the calendar quarter

TABLE A: CUSTOMER COMPLAINTS RECEIVED AND RESOLVED

Date of Complaint	Complainant	Nature of Complaint	Category of Complaints	Total number of customer complaints received	Total number of customer complaints resolved

TABLE B: TIMEFRAME FOR RESOLVING CUSTOMER COMPLAINTS

Period of resolution of the complaints	Number of customer complaints Resolved

AUTHORIZATION:

Name of Compiling Officer:

Name of authorizing officer (1):

Name of authorizing officer (2):

¹ This return includes all the complaints received by the institution, resolved and ongoing.