



INSIDE THIS ISSUE

PAGE 11

The True Cost of Underinsurance

Underinsuring your home or belongings may reduce your premium, but it can also reduce what you receive when you need to claim. One FAIS Ombud settlement shows why understanding the value of your assets and the consequences of underinsurance matters.

PAGE 2

Is Your Car Fully Covered? Don't Forget the Extras

Your vehicle may be insured at its retail value, but that does not necessarily mean that non-standard extras such as canopies, tow bars or mag wheels are covered. A recent FAIS Ombud settlement highlights why these extras should be declared and correctly reflected on your policy.

PAGE 3

Who Really Drives Your Car? Your Insurer Wants to Know

The person who regularly drives your vehicle can affect how your insurer assesses the risk and calculates your premium. A FAIS Ombud case highlights how providing incorrect information about the regular driver can become a problem when you need to claim.

FROM THE EDITOR'S DESK

Financial decisions do not always feel complicated when we make them.

Sometimes, it is simply a question of trying to get a better premium, choosing an investment that sounds right for you, or trusting that the person assisting you has explained everything you need to know. The problem is that the consequences of those decisions may only become clear when something goes wrong.

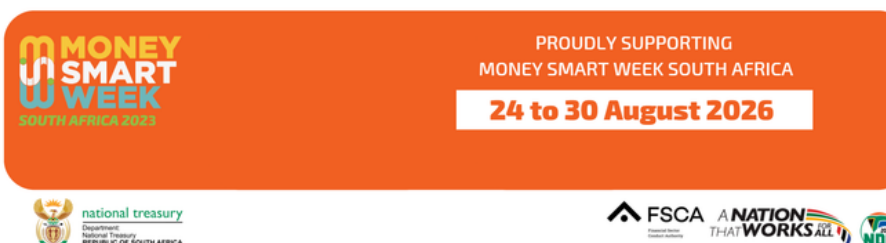
In this edition, we look at some of the issues that can arise when important information is not properly understood, recorded or explained. From knowing who the regular driver of your vehicle is, to understanding what you are paying for when you invest, the common thread is simple: understanding what you are signing up for matters.

Our settlement cases also show why the relationship between a consumer and a financial services provider goes beyond completing forms and processing applications.

The information provided, the questions asked and the advice given can make a significant difference when a consumer later needs to rely on the financial service.

We also welcome our new colleagues who joined the Office during the second quarter of 2026. Their skills, experiences and perspectives strengthen our team as we continue our work to resolve complaints and promote better outcomes for consumers.

We hope this edition encourages you to ask questions, read the documents provided to you and, where necessary, seek clarity before making a financial decision. Because when it comes to your money, understanding first can save you from trying to fix a problem later.



The FAIS Ombud participated in the Money Smart Week South Africa 2026 campaign, held from 24 to 30 August 2026. The theme for the year, “Money Smart: The Power of Possible,” highlighted the importance of making informed financial decisions and building a stronger financial future.

During Money Smart Week 2026, the FAIS Ombud collaborated with the Department of Cooperative Governance and Traditional Affairs (CoGTA) and other financial ombud schemes, including the National Financial Ombud Scheme (NFO), Ombud for Financial Services Providers (OPFA) and the Ombud Council.



Through community engagements and awareness activities, the collaboration focused on bringing financial education closer to consumers, promoting financial literacy and raising awareness of the free services available to consumers when things go wrong.

NEW APPOINTMENTS



We are pleased to introduce the newest members of our team. Each brings valuable skills, fresh perspectives, and a strong commitment to service excellence.



MR ZUSAKHE NDABA: CASE MANAGEMENT GRADUATE TRAINEE

Zusakhe Ndaba holds a Bachelor of Laws (LLB) degree. He gained valuable experience as a Graduate Lecturing Assistant in the Faculty of Law at the University of the Western Cape, where he strengthened his research, analytical, communication, and administrative capabilities.

Driven by a passion for dispute resolution and professional growth, Zusakhe recently joined the FAIS Ombud as a Graduate Trainee in the Case Management Department. He is excited to contribute to the Office while developing his knowledge and skills in the financial services sector.

Outside of work, he enjoys football, gaming, and keeping abreast of developments in the legal and business landscape. He looks forward to collaborating with colleagues and contributing to the Office's commitment to fair outcomes for consumers and financial services providers.



MR TLOU CLIFFORD MATLHATLHA: CASE ADMINISTRATOR

Tlou Clifford Matlhatlha holds a Bachelor of Administration Honours degree from the University of Limpopo. He has gained valuable experience through various workplace integration and training programmes, including public sector roles as an Administrative Assistant (Intern) at the Presidency of the Republic of South Africa, and finance and insurance industry experience as an Academy Personal Financial Advisor at Old Mutual (RSA).

He joined the Office of the FAIS Ombudsman in October 2025 as a Client Care Graduate Trainee. Driven by a strong passion for public service and a commitment to continuous learning, Tlou is eager to continue contributing meaningfully to the organisation's success. He is excited to take on his new role as a Case Administrator, where he will continue to apply and develop his skills.

NEW APPOINTMENTS



MS HAPPY MOKGATE: ICT GRADUATE TRAINEE

Happy Mokgate holds a Diploma in Information Technology, an Advanced Diploma in Information Technology, and a Postgraduate Diploma in Cybersecurity from Nelson Mandela University, where she graduated cum laude. She is currently pursuing a master's degree in information technology and has a strong passion for learning and continuously expanding her knowledge in the technology field.

Driven by curiosity and a commitment to personal and professional growth, Happy is eager to build on her academic foundation while gaining practical experience. She looks forward to developing her skills and contributing meaningfully to the work of the FAIS Ombud.

Outside of her academic and professional pursuits, Happy enjoys cooking, which she finds a rewarding way to recharge. She also enjoys exploring different restaurants and capturing aesthetically pleasing views through photography.



MS MASINDI MANAGA: ICT GRADUATE TRAINEE

Masindi Managa holds a Bachelor of Science in Information Technology, specialising in Data Science, from Eduvos and is currently pursuing her Honours degree. Her research focuses on the application of machine learning to economic challenges in South Africa. She has a growing interest in the intersection of data, artificial intelligence, and finance, particularly in how these fields can support innovation and informed decision-making within the financial services sector.

Driven by curiosity and a passion for creating meaningful impact, Masindi is eager to expand her knowledge and apply her skills in a professional environment. She looks forward to contributing to the work of the FAIS Ombud while gaining valuable experience and developing her understanding of the financial services sector.



SETTLEMENT



The True Cost of Underinsurance

The South African Insurance Association explains underinsurance as “Property that is insured for less than it would cost to replace the property.” Whilst you may save on lower monthly premiums by understating the value of your property, such as household contents, your buildings, motor vehicles, etc., you will, as a result, not have enough cover, and this gap will be realised in the event that you have to claim.

This is because where a policyholder is underinsured, insurance companies apply the principle of average, meaning the insurer will pay out only a percentage of your claim, based on how much you are underinsured. For example, a home valued at R2,000,000 might be insured for R1,000,000.

This means that the asset is 50% underinsured. Should the homeowner say experience a kitchen fire that causes R100,000 damage, the insurer will offer a settlement of only R50,000 because of the underinsurance and the fact that the insurer did not receive the correct premium for the asset's true value.

Financial Services Providers (‘FSPs’) are not required to advise you as to the correct value to insure your household contents, buildings, motor vehicles etc. but FSPs do have a duty to advise you of the dangers of underinsurance and the application of average, and the importance of ensuring that your assets are insured for replacement value, retail value in the case of motor vehicles, so that you are placed in a position to make an informed decision as to the appropriate level of cover that will ensure that you do not experience any short payments should you need to claim.

Case Study - Background:

1. The Complainant stated that her late husband secured a homeowners insurance policy through the Respondent in 2018.
2. After a fire at the insured property on 15 August 2023, the Complainant filed a claim and learned the property was significantly underinsured. The required cover was R3,529,806.94, but the sum insured was only R2,084,167.00.

As a result, the average clause applied, and the payout received was only R1,171,066.07.

value, as advisors do not conduct property valuations and as such could not be held liable for the loss.

Assessment of Evidence:

3. The Complainant submitted that the Respondent's Advisor did not adequately explain the policy, especially the risks and consequences of underinsurance. She also stated that the Advisor failed to conduct appropriate annual reviews to ensure the property remained adequately insured.
4. The Complainant maintained that, if the risks of underinsurance had been properly explained and the policy reviewed, she would have ensured the property was adequately insured.
5. The Complainant sought compensation for the resulting loss of approximately R2 million. The policy was originally arranged for the Complainant's late husband, with the assistance of his brother-in-law, who acted as a short-term insurance advisor and representative.
6. The Respondent stated that the late husband chose to insure the property for R1.5 million, mainly for affordability, and that all relevant documents were provided to the brother-in-law, who completed the paperwork.
7. The Respondent added that the policy was renewed annually, with the brother-in-law managing renewals by phone.
8. After the husband's death, the Complainant contacted the Respondent in 2023 to transfer the policy to her name as owner and premium payer. The Respondent stated that she did not request any changes to the cover at that time.
9. During the 2023 renewal, the Respondent obtained the Complainant's email address and sent her the renewal documents, advising her to review the insured amounts, payments, and premiums, and to notify them if any changes were needed.
10. The Respondent submitted that the policyholder was responsible for determining the property's
11. In considering the matter, the Office considered the Respondent's obligations under the FAIS General Code of Conduct for Authorised Financial Services Providers and Representatives ("the Code").
12. In particular, section 2 requires a Provider to act with due skill, care and diligence when rendering financial services. Section 7(1) requires the Provider to furnish the client with appropriate and material information relating to the relevant financial product, including material terms and risks, to enable the client to make a reasonable and informed decision.
13. The Office also considered the obligations under section 8 relating to obtaining sufficient information regarding the client's needs and circumstances to enable an appropriate analysis and the provision of useful advice, as well as the record-keeping requirements in section 9.
14. It was established that the policy was arranged as a replacement policy. Therefore, the advice process should have documented the reasons for replacing the previous policy, the information used to determine the cover, and the rationale for the selected sum insured under the new policy.
15. The Office found that the risk of underinsurance and the financial consequences of the average clause were material information that the policyholder should have been told and that the advice should have documented.
16. The record of advice only noted that the late husband chose to insure the property for R1.5 million, with no evidence of discussion about the basis for this amount, the property's replacement value, or the risks of underinsurance.
17. Although the Respondent claimed to have conducted annual reviews by phone, it could not provide documentation or recordings to support

this. The Office therefore had no evidence of advice given during the policy's term.

18. The Office considered the period after the Complainant's husband's death. Transferring the policy to the Complainant was a material change, allowing the Respondent to review the cover with her and explain the insurance coverage, including underinsurance risks. However, the Respondent could not show that such a review or disclosure occurred.

19. The Office also noted the Respondent's claim that his late brother-in-law, who assisted with the original policy, was knowledgeable in short-term insurance. While this may have been relevant initially, it did not remove the Respondent's duty to document advice properly or prove that the Complainant understood the policy's terms, cover, and risks, including determining or valuing the replacement cost of a property. As such, simply recording the late husband's selected sum insured was not sufficient where there was no evidence that the implications of the decision had been explained or understood.

20. The Office accordingly found that the Respondent could not demonstrate compliance with the relevant conduct, advice, and record-keeping obligations under the Code.

21. Having said that, it could also not be established that the Complainant would have elected to increase the sum insured and incurred the corresponding higher premium had the risk of underinsurance been disclosed to her.

22. The Office could therefore not attribute the full financial loss of approximately R2 million to the Respondent's conduct and found that awarding the full amount would not be appropriate.

Outcome:

23. The Office found that shortcomings in the advice process contributed to the unfair outcome for the Complainant and recommended resolving the matter through a fair and reasonable settlement.

24. The Respondent offered R50,000, which the Complainant accepted as full and final settlement of the matter.

Lessons Learnt:

1. Always ensure that your assets are insured for their full current replacement value (not market or second-hand value). For building insurance, in addition to your property's value, factor in rebuilding costs and consult professionals for accurate property and asset valuations.
2. For motor vehicles, always ensure that your vehicle is insured for the prevailing retail value and that any additional extras that did not come standard from the factory and were added on afterwards are specifically specified on the policy to ensure an accurate value for your vehicle in the event of a claim.
3. In addition, ensure that you review your policy on an annual basis and update the cover amounts to reflect the current replacement value; in other words, the amount that it would cost to replace the item new today. Another important aspect of homeowners insurance is accounting for any renovations you do that increase your home's value.
4. Whilst an FSP is not required to provide you with the correct value to insure your assets, the FSP does have a duty to caution you to the risks of underinsurance and the application of a guarantee, and ensure that you are placed in a position to make an informed decision.



INSURANCE

SETTLEMENT



Motor Vehicle Retail Value and Vehicle Extras

A motor vehicle's retail value refers to the current selling price on the dealer's floor i.e. the average price a dealership would charge to sell that specific make, model, and year on their showroom floor, and is a value that is found in industry dealer guides such as TransUnion and Mead & McGrouther etc. It is the amount that most insurers will use to insure a motor vehicle and it ensures that in the unfortunate event that the car is completely written-off or stolen that, the insurer will pay out the amount needed to replace the vehicle with one of the same make or model taking into consideration the condition of the car and the mileage.

A vehicle's retail value does not automatically include non-standard or aftermarket vehicle extras such as canopies, tow bars, leather seats, mag wheels etc. Any non-standard or aftermarket vehicle extras should be explicitly declared and listed on the policy with their individual replacement values to ensure full coverage. This is in addition to the retail value of the vehicle and will attract an additional premium. You will, however, ensure that in the event of your vehicle being written off or stolen, you will receive the amount required to place you in the position you were prior to the loss.

Financial Services Providers ('FSPs') and their representatives are required to inform you of the requirement to have your vehicle covered for retail value to ensure that you are placed in a position to make an informed decision.

This extends as well to any non-standard vehicle extras where the FSP must ensure that such information is sought from the client to ensure that not only is the cover provided appropriate in placing you in the position you were prior to the claimed event, but that you are also suitably informed of the requirement to specifically specify these items on the policy at their replacement value.

This is a duty of care that is placed on FSPs by the General Code of Conduct for Authorised Financial Services Providers and Representatives ('the Code'). FSPs are also required to ensure that they do thorough reviews of their client's policies at least once every year. Annual reviews provide an excellent opportunity to ensure the policy remains appropriate and to explain material policy terms to the client. A thorough review significantly reduces the risk of later problems.

Case Study: Background:

1. The Complainant held a motor vehicle insurance policy covering his 2015 Land Rover Defender. The policy commenced on 1 October 2018. The Respondent, a registered financial service provider, took over as the broker on the policy in 2021.
2. The Complainant advised that vehicle accessories valued at approximately R71,462 had been disclosed and recorded on the policy.
3. On 19 September 2025, the insured vehicle was involved in an accident. The insurer settled the claim in the amount of R325,268, being the sum insured reflected on the policy schedule.
4. The Complainant contended that the vehicle's retail value at the time of loss was approximately R478,800 and that the settlement amount did not adequately reflect the vehicle's true value or the declared accessories. He further submitted that the broker failed to conduct regular policy reviews and ensure that the vehicle remained adequately insured.
5. The Complainant withdrew from the Agreement of Loss, alleging that the offer was insufficient and sought rectification of the claim to reflect the correct vehicle value and all declared extras.
6. The Respondent submitted that when it assumed responsibility for the policy in 2021, the sum insured already reflected approximately R325,268 and that this value had not been introduced by the brokerage. The Respondent further argued that the matter was not advice-related.
7. The Respondent advised that a meeting had taken place on 23 February 2021 with the Complainant's mother and partner as representatives of the Complainant, who was unavailable at the time. The Respondent maintained that the vehicle was already insured at the disputed value when the brokerage took over the portfolio.
8. The insurer confirmed that the vehicle was insured on a Retail Value basis throughout the

policy period. However, where the sum insured is lower than the prevailing retail value, a claim settlement is limited to the sum insured reflected on the policy schedule.

Assessment of Evidence:

9. The evidence showed that when the Respondent assumed responsibility for the policy in 2021, no documented review of the policy, insured value, or the Complainant's insurance needs was conducted or retained.
10. Following the claim, an Agreement of Loss confirmed a settlement of R325,268, being the insured value recorded under the policy.
11. Although the Respondent argued that it did not introduce the disputed insured value, there was no documentary evidence demonstrating that any review, advice process, or communication warning the Complainant of the risk of underinsurance had been undertaken between 2021 and the date of loss.
12. The Office noted that Section 2 of the General Code of Conduct for Authorised Financial Services Providers and Representatives ('the Code') requires financial services to be rendered with due skill, care and diligence. The Respondent failed to demonstrate compliance with this section of the Code when it assumed responsibility for the policy in 2021.
13. Furthermore, Section 8(1) of the Code requires that a financial services provider take reasonable steps to seek from the client appropriate and available information from the client to enable the provider to provide the client with appropriate advice and identify the financial product or products that will be appropriate to the client's risk profile and financial needs. The respondent failed to ensure that the cover provided appropriately covered the Complainant's needs.
14. As a result, the Respondent was also unable to comply with Section 7 (1)(a) of the Code, which states a financial services provider must provide a

reasonable and appropriate general explanation of the nature and material terms of the relevant contract or transaction to a client, and generally make full and frank disclosure of any information that would reasonably be expected to enable the client to make an informed decision.

15. The Respondent failed to provide evidence of any needs analysis, record of advice, annual review, or communication regarding the adequacy of the insured value. This constituted non-compliance with Sections 2, 7 and 8 of the Code.

16. The Office found that the Respondent had access to updated retail values through the insurer's systems. A reasonably diligent broker would have identified the significant discrepancy between the insured value of approximately R325,268 and the prevailing retail value of approximately R478,800 and would have alerted the Complainant to the risk of underinsurance.

17. The Respondent's failure to conduct periodic reviews and provide appropriate advice deprived the Complainant of the opportunity to make an informed decision regarding the adequacy of his insurance cover.

18. This Office was therefore of the view that the Respondent failed to exercise due skill, care and diligence and did not adequately document or provide advice as required under the FAIS framework, resulting in prejudice to the Complainant.

19. The Office recommended that the matter be resolved through a fair and reasonable settlement in accordance with the Respondent's obligations under the Code.

Outcome:

20. Following the Office's recommendation, the Respondent agreed to pay the difference between the policy's insured value of R325,268 and the vehicle's market value of R478,800.

21. The settlement calculation resulted in a difference in cover of R153,532, less an amount of

R38,292.10 representing additional premiums that would have been payable for the higher level of cover from March 2021 to September 2025, leaving a settlement amount of R115,239.90.

22. The Complainant accepted the settlement on 27 May 2026, and the Respondent confirmed payment upon receipt of the required documentation.

Lessons Learnt:

1. To ensure that your motor vehicle is comprehensively insured in the event of a claim for a total write-off or where the vehicle is stolen, you need to ensure that the vehicle is insured at the prevailing retail value and that any non-standard aftermarket vehicle extras are specifically specified on the policy. This ensures you can replace the vehicle with one of the same make or model, taking into account the car's condition and mileage.
2. FSPs and their representatives are required to gather information about aspects such as non-standard or aftermarket vehicle extras and the make and model of the vehicle to ensure that the cover provided is appropriate.
3. FSPs and their representatives must also ensure that you are suitably informed of the requirement to have your vehicle insured for its prevailing retail value, and to specifically specify vehicle extras items on the policy at their replacement value to ensure that you are able to make an informed decision.
4. Consumers must also empower themselves to the requirements of their vehicle insurance policies so that they can ask the required questions and seek appropriate information from FSPs and their representatives.





Who Really Drives Your Car? Your Insurer Wants to Know

You own the car, pay the insurance and your name is on the policy. But does it really matter who drives it most often? It does.

The person who regularly drives your vehicle can affect how an insurer assesses the risk and determines your premium. The problem starts when the person listed on the policy is not the person who actually drives the vehicle most often, particularly when this only comes to light after an accident.

The cheaper option can be tempting

Your circumstances can change after you take out insurance. Perhaps your child starts using the car to get to university, your partner becomes the main driver, or a relative begins using it during the week. You may then discover that changing the regular driver could increase your premium. It can be tempting to leave the original driver on the policy to keep the premium lower, especially if someone assisting you with the insurance suggests doing so. But a lower premium may come with consequences you only discover when you need to claim.

Why does the regular driver matter?

Insurance is based on risk, and insurers consider information about the vehicle and its drivers when assessing that risk. The regular driver is therefore not simply an administrative detail.

If the person who regularly drives the vehicle is different from the person declared to the insurer, the insurer may question whether it had the correct information when assessing the risk. This can become particularly important when a claim is submitted.

This is where advice matters

If you use a broker, adviser or representative to arrange your insurance, the information you provide should be accurately recorded and you should understand what you are agreeing to. You should also understand what information could affect your cover and the consequences of providing incorrect or incomplete information.

However, you also have a responsibility to check what has been recorded. Before signing, check who is listed as the regular driver, where the vehicle is kept, how it is used and whether the information still reflects your circumstances. If something has changed, tell your insurer.

What could go wrong?

Getting this information wrong can lead to a dispute over a claim, particularly where the information was material to the insurer's assessment of the risk.

This is why saving a few hundred rand on your monthly premium may not be worth discovering after an accident that the information on your policy does not reflect reality.

So, who really drives your car?

When arranging or reviewing your vehicle insurance, don't focus only on the price. Ask whether the regular driver affects your premium, what happens if someone else regularly drives the vehicle and what you need to tell the insurer if your circumstances change.

The cheapest premium is not necessarily the most important part of your insurance. The real test is whether the cover you paid for will still be there when you need it.

CONTACT
US

Should you require assistance in submitting a new complaint, wish to follow up on an existing complaint, or have any other general enquiry, please contact us, and your query will be directed accordingly.

Tel: +27 12 762 5000
Sharecall: 086 066 3274
Email: info@faisombud.co.za
Website: www.faisombud.co.za



CONSUMER OUTREACH INITIATIVES



The FAIS Ombud continued its commitment to consumer education and financial literacy during the quarter, conducting 38 outreach activities from July to September 2026. This included 11 outreach activities in July, 19 in August and 8 in September, extending the Office's reach across seven provinces: Gauteng, Mpumalanga, KwaZulu-Natal, the Eastern Cape, Northern Cape, North West and Limpopo.

The outreach programme reached consumers in communities across the seven provinces. In Gauteng, engagements were held in Johannesburg, Sebokeng, Ivory Park, Pennyville, Ga-Rankuwa, Doornfontein, Mamelodi, Hammanskraal, Benoni, Diepsloot, Cosmo City, Soweto, Protea Glen, Zandspruit and Roodepoort. In Mpumalanga, the Office reached communities in Emalahleni, Mbombela and KwaMhlanga, while engagements in KwaZulu-Natal extended to Umlazi, KwaMashu and Durban. Outreach activities in the Eastern Cape reached Seymour, Fort Beaufort, Cookhouse and Somerset East, while activities in the Northern Cape were conducted in Kimberley. In North West, the Office reached communities in Coverdale and Bloemhof, while the Limpopo outreach programme reached consumers in Greater Giyani.

Through presentations, exhibitions, workshops and mall activations, the FAIS Ombud engaged a diverse range of consumers, including community members, tertiary students, shoppers and other members of the public. Activities took place at community halls and centres, shopping malls, universities, taxi ranks, municipal facilities and public events, allowing consumer education to be delivered in accessible spaces within the communities served.

To make consumer education accessible to the communities reached, engagements were conducted in eight languages: English, isiZulu, Setswana, isiXhosa, Sesotho, isiNdebele, Xitsonga and Tshivenda. Across the various initiatives, the FAIS Ombud continued to promote financial literacy, informed financial decision-making, consumer rights and awareness of the free dispute resolution services available to financial consumers.



Consumer Outreach by Province





Physical Address:
Menlyn Central Office Building,
125 Dallas Avenue, Waterkloof Glen,
Pretoria, 0010

**FOLLOW US ON OUR SOCIAL
MEDIA PLATFORMS:**

-  **Facebook:** FaisOmbud
-  **X:** Faisombud
-  **LinkedIn:** Fais Ombud SA
-  **Instagram:** Faisombud