

22 April 2026

Conduct Supervision
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Dear Chief Executive Officer
Dear Compliance Officer

Re: Outcomes Based Supervision: Credit Institutions – Complaints Handling

You are receiving this letter as a Chief Executive Officer and Compliance Officer of a Credit Institution supervised by the Malta Financial Services Authority (referred to herein as the “MFSa” or the “Authority”).

1. Background

The Authority remains steadfast in its commitment to promoting a robust and effective regulatory framework in which Licensed Entities are expected to maintain exemplary standards of compliance, conduct their operations with the highest degree of integrity, and consistently act in the best interests of their clients. Adherence to all applicable laws, regulations, and supervisory expectations is fundamental not only to safeguard consumers, but also to reinforce trust, stability, and confidence within the financial services sector. By upholding these standards, the Authority seeks to ensure a fair, transparent, and resilient market environment that supports sustainable growth and protects the interests of all stakeholders.

To fulfil this objective, the Authority utilises a comprehensive range of supervisory tools, including on-site inspections, regulatory meetings, thematic reviews, and ongoing monitoring activities. These enable the Authority to assess whether Licensed Entities are operating with the required levels of transparency, fairness, and professionalism at all stages of their business.

When Licensed Entities prioritise effective client support and responsible treatment, they foster deeper and longer-lasting customer relationships. This commitment not only benefits clients but also promotes a more stable, resilient and trusted financial services system.

An essential component of this framework is the effective handling of client complaints. Licensed Entities must ensure that their complaints-management processes are clear, accessible, fair and responsive, while enabling clients to raise concerns in a structured and transparent manner. Timely and well-reasoned replies to the complaints raised not only demonstrate an institution’s commitment to fair treatment of its clients but also provide valuable insight into potential systemic issues. Strengthening complaints-handling practices supports informed consumer outcomes, enhances institutional accountability, and contributes to the overall integrity and stability of the financial services sector.

Banking Rule BR/22 on Complaints-Handling Procedures (BR/22) for Credit Institutions establishes a comprehensive regulatory framework requiring all Credit Institutions operating in Malta to maintain a robust, transparent, and consumer-focused system for managing complaints. The Rule obliges Institutions to adopt a formal complaints-management policy that should be defined and endorsed by senior management, who should also be responsible for its implementation and for monitoring compliance with it. Credit Institutions are also required to set up a complaints-management function capable of conducting impartial investigations while identifying and mitigating any potential conflicts of interest. It further mandates the maintenance of an adequate and comprehensive Complaints Register, provide information on complaints and complaints-handling to the MFSA upon request, and publish clear information on complaints procedures in the Credit Institution's website and other easily accessible documents that are given to the consumer (such as brochures, pamphlets and contractual documents). Banking Rule BR/22 also prescribes specific timelines for Credit Institutions to acknowledge and respond to complaints, together with step-by-step investigative and reply procedures designed to ensure fairness and thoroughness. Additionally, Credit Institutions are required to conduct ongoing internal follow-ups and monitoring of complaints to identify systemic issues and apply corrective measures. Banking Rule BR/22 ultimately aims to provide consumers with an easily accessible mechanism for raising concerns before resorting to judicial or external dispute-resolution avenues, while ensuring full compliance with data protection requirements throughout the handling process.

During the first half of 2025, the MFSA's Conduct Supervision Function conducted a cross-sectorial Thematic Review ("the Exercise") focusing on the Complaints-Handling Processes implemented by local Credit Institutions, Insurance Companies and Investment Firms (a separate Dear CEO Letter pertaining to the other two sectors is available accordingly). The aim of this Exercise was to obtain a comprehensive understanding of how Licenced Entities process complaints received from clients, including the adequacy of internal procedures, the effectiveness of escalation channels, and the timeliness and quality of responses issued. In the context of Credit Institutions, particular attention was given to assessing whether these provide clear, accessible, and accurate information to clients regarding the manner in which complaints may be submitted and how these will be processed. The Exercise also sought to evaluate whether the complaints-handling framework in place ensures fair treatment of clients, supports effective resolution, and aligns with the requirements and expectations set out by the Authority. Through this Exercise the MFSA sought to identify good practices, highlight potential weaknesses, and verify that Institutions' procedures promote a consistent, transparent, and consumer-centric approach to complaint resolution.

This letter outlines the MFSA's key findings arising from the aforementioned Thematic Review and sets out the Authority's supervisory expectations for Credit Institutions in relation to this area. It also provides guidance, observations, and examples of good practices that Credit Institutions are expected to adopt, to enhance the effectiveness, transparency, and overall governance of their complaint-handling processes.

2. Scope and Methodology

A Thematic Review constitutes an important supervisory instrument through which the Authority focuses its oversight on specific areas of interest or concern across a broad spectrum of regulated entities. Rather than examining the practices of a single Authorised Person, this approach enables the Authority to identify and analyse recurring issues, emerging risks, and common industry behaviours on a wider, sectorial basis.

The value of a Thematic Review is further strengthened by the publication of its outcomes, which enhances transparency and ensures that observations, insights, and expectations are communicated clearly to both the industry and the public. Such openness contributes to increased trust and confidence in the regulatory framework and reinforces the Authority's commitment to accountability. Furthermore, other Licensed Entities that were not included in the Thematic Review are expected to take due consideration of the outcomes of this letter and, where necessary, enhance their complaints handling arrangements accordingly.

Moreover, Thematic Reviews promote continuous improvement among regulated entities and within the supervisory process itself. By assessing industry practices and levels of compliance, these reviews help stakeholders identify areas requiring enhancement, implement corrective measures, and elevate overall standards within the sector. Through this mechanism, Thematic Reviews serve as a catalyst for better governance, more effective risk management, and improved outcomes for consumers and the financial system as a whole.

The scope of this Thematic Review which was an Outcome Based Exercise was to enable the Authority to assess the extent to which locally licensed Credit Institutions are adhering to the requirements as set out in Banking Rule BR/22 – Complaints-Handling Procedures for Credit Institutions. Through this exercise, the Authority sought to obtain a comprehensive understanding of how effectively six (6) Retail Credit Institutions (100% of the Core Domestic Credit Institutions and 50% of the Retail Credit Institutions supervised by the Authority) had implemented the governance structures, procedural safeguards, and operational standards mandated by Banking Rule BR/22, particularly in relation to the fair, timely, and transparent handling of client complaints.

To carry out this assessment, the Authority issued a comprehensive questionnaire to the selected Credit Institutions. Through this questionnaire, Institutions were required to submit detailed information on their internal complaints-handling frameworks, including copies of their policies and procedures, escalation and decision-making mechanisms, record-keeping practices, reporting lines, and compliance monitoring arrangements in order to substantiate their declarations and enable the Authority to verify the adequacy and effectiveness of the measures reported.

The Authority then analysed the responses received to identify good practices, detect instances of non-compliance or procedural shortcomings, and determine whether additional supervisory engagement was required. The information provided by each Credit Institution

was subsequently cross-checked against supporting documentation, as well as the content published on the Credit Institution’s website, to validate the accuracy and completeness of the declarations made. The findings derived from this exercise ultimately enabled the Authority to assess whether Credit Institutions were maintaining a complaints-handling process that was robust, effectively governed, and fully aligned with regulatory expectations.

Through this Exercise the Authority identified several areas of concern, ranging from deficiencies in internal processes, to gaps in governance and implementation. The findings derived from this Exercise ultimately enabled the Authority to assess whether Credit Institutions were maintaining a complaints-handling process that is robust, effectively governed, and fully aligned with regulatory expectations. Each participating Credit Institution has been notified of its specific findings and are required to take the necessary remedial action.

Given that this Exercise forms part of an outcome-based supervisory initiative, undertaken as a three-year pilot project, Credit Institutions have been afforded a period of one year to remediate the issues identified. Subsequently, in the third year of the cycle, the Authority will reassess the Credit Institutions on the same parameters in order to determine whether the necessary improvements have been implemented and to evaluate progress made when compared to the initial assessment.

The following parts of this letter are divided into three sections; the “Good Market Practices” Section refers to the good practices identified by the Authority during the Exercise, the “General Observations” Section refers to general market observations that emanated from the Exercise together with MFSA’s Expectations, and the “MFSA Expectations” Section refers to the Authority’s expectations following this Exercise.

3. Key Findings

3.1 Complaints Management Policy

Regulatory Requirements

Banking Rule BR/22 has been in force since 5th March 2020, and therefore Credit Institutions are expected, by now, to have a fully approved and finalised policy in place. Where applicable, such policies should also include proper version control log, including the date of approval and details of any revisions made over time. This documentation is essential to demonstrate when changes were implemented and to ensure transparency and traceability in the institution’s internal procedures.

Finding

During the Exercise, the Authority noted that one particular Credit Institution submitted only a draft policy, with no version control or indication of prior approvals. This immediately

suggests that the Credit Institution did not have a finalised and approved policy in place prior to the commencement of this exercise, which is inconsistent with the expectations set out under Banking Rule BR/22. The absence of a formalised policy poses concerns regarding the institution's governance, oversight, and adherence to regulatory requirements as well as to the manner in which complaints are handled by the institution in question, in practice.

MFSA Expectations

Credit Institutions are required to maintain a fully approved and finalised policy in accordance with the requirements set out in Banking Rule BR/22, which has been in effect since 5th March 2020. This includes ensuring that the policy is not only complete and formally endorsed by the relevant governing bodies within the Credit Institution but is also supported by proper version control log. Version control should clearly indicate the date of approval, the version number, and a record of any subsequent amendments, thereby providing transparency, traceability, and assurance of ongoing compliance. It should also indicate the officials responsible to draft and approve the said policy.

3.2 Registration of Complaints

A proper complaints register is essential, as it enables credit institutions to track each complaint from receipt to resolution, ensuring consistent handling and timely follow-up. Moreover, it also allows credit institutions to identify recurring issues or emerging risks. On the other hand, the complaints register provides the Authority with clear evidence of how complaints are managed and whether regulatory obligations are being met.

Regulatory Requirements

In accordance with Rule 8 of Banking Rule BR/22, Credit Institutions are required to maintain a comprehensive Complaints Register documenting every complaint received and all actions taken in response. This Register must include, at a minimum, the subject matter of the complaint, the date it was received, the date the institution issued a reply, the date the matter was resolved, the outcome of the complaints-handling process, and where applicable, a detailed description of the banking product concerned. Moreover, the Competent Authority may request access to this Register at any time for supervisory review. Furthermore, all documentation related to each complaint must be securely retained and archived for a reasonable period, taking into account the nature and complexity of the complaint.

Finding

Upon reviewing the Complaints Registers submitted by the Credit Institutions, the Authority noted that a number of registers did not fully comply with the requirements set out in Rule 8 of Banking Rule BR/22. While all Credit Institutions did submit a Complaints Register, several

of these fell short of meeting the expected standards and specific obligations mandated by the Banking Rule. For example, certain registers failed to include key information such as the date on which the complaint was responded to, among other required details. These omissions not only hinder the Authority's ability to accurately assess institutions' complaint-handling processes but also make it very difficult if not impossible for the Credit Institution in question to follow up on complaints and fair and correct treatment of complainants, irrespective of whether the complaint was upheld or otherwise.

Furthermore, it was observed that some Credit Institutions were not recording complaints that had been resolved at the first point of contact. This practice is of concern to the Authority, as excluding such complaints may lead to an incomplete and potentially misleading representation of the volume and nature of customer grievances. Accurate and comprehensive data is essential for conducting reliable trend analysis, identifying recurring issues, and evaluating the effectiveness of internal complaints-management procedures. Omitting a number of complaints will hinder proper root cause analysis which is to be carried out by the Compliance Function and presented to the Board of Directors.

Additionally, the Authority identified issues relating to the quality and relevance of the descriptions inputted in the Complaints Register. Several institutions provided vague or unclear entries which did not supply meaningful information. Such entries undermine the purpose of the Complaints Register, which is to offer a clear and traceable record of each complaint, including the actions taken and the timeframe within which it was addressed.

MFSA Expectations

While Banking Rule BR/22 provides a broad definition of a complaint, capturing any general expression of dissatisfaction, the Authority expects Credit Institutions to establish clear internal procedures that distinguish between matters requiring formal treatment and those that do not. Institutions should therefore internally define which types of "expressions of dissatisfaction" qualify as formal complaints and hence need to be recorded in the Complaints Register, and which constitute simple enquiries or issues resolved immediately and therefore fall outside the scope of formal reporting. This ensures consistency, proportionality, and regulatory compliance in the complaints-handling process.

In view of the above, the Authority highlights the need for Credit Institutions to address these inconsistencies, ensure accurate and complete reporting, and fully adhere to the regulatory framework established under Rule 8 of Banking Rule BR/22. The Authority also expects that the Complaints Register incorporates granular information which is required for the Compliance Function to carry out trend analysis and identify root causes which should be eventually tackled in order to provide a better customer experience.

In preparation of Rule R5.12.281 of the Conduct of Business Rulebook for Credit Institutions, the Authority suggests that the Compliance Officer be granted unfettered access to records relating to client complaints. Such access is essential to enable the Compliance Officer to effectively monitor the operation of the complaints-handling process and to ensure that

complaints are treated as a meaningful source of information within the firm's ongoing compliance monitoring activities. The Complaints Management Policy should therefore include a dedicated section outlining how the Compliance Officer intends to consider Complaints as a source of relevant information in the context of the said function's general monitoring responsibilities. For the avoidance of doubt, this does not require the compliance function to have a role in determining the outcome of Complaints.

Furthermore, with respect to the projected Conduct of Business Rulebook for Credit Institutions Guideline G.5.12.2 the Authority would like to highlight the importance of the Compliance Officer providing the Board of Directors with regular updates on complaints received. This ensures that the Board maintains adequate oversight and can review trends, emerging risks, and the effectiveness of the firm's complaints-handling arrangements. The compliance report should therefore include comprehensive information on complaint volumes, categories, resolution timelines, and any systemic issues identified. Such reporting is crucial to enabling the Board to exercise its governance responsibilities and to ensure that fair client outcomes remain central to the credit institutions' operations.

3.3 Internal Follow-up of Complaints Handling

Regulatory Requirements

In accordance with Rule 10 of Banking Rule BR/22, Credit Institutions must continuously monitor and analyse complaints-handling data to detect and address recurring or systemic issues as well as potential legal or operational risks. This includes identifying common root causes across similar complaints, assessing whether these underlying issues may impact other products or processes, even those not directly complained about, and implementing reasonable corrective measures to prevent reoccurrence.

Finding

Upon review of the formal Root Cause Analysis report by credit institutions, it transpired that several of the reports provided did not contain a substantive analytical assessment of the underlying causes of complaints. Instead, these reports merely offered a categorisation of complaint types without examining the drivers behind the recurring issues or identifying systemic weaknesses. Such submissions fall short of the real purpose of a Root Cause Analysis, which is intended to provide meaningful insight into patterns, operational deficiencies, and areas requiring corrective action.

MFSA Expectations

The Authority expects all Credit Institutions to conduct a comprehensive Root Cause Analysis of the complaints they receive, regardless of volume or complaint type. This analysis must go beyond simple categorisation and should identify the underlying drivers,

systemic weaknesses, process gaps, or operational issues contributing to recurring complaints.

Each institution is therefore expected to:

- Perform regular and structured Root Cause Analysis as part of their complaints-handling framework.
- Document the Root Cause Analysis in a formal report, approved internally and available for supervisory review.
- Ensure the analysis is substantive and granular while clearly demonstrating an understanding of the underlying causes of complaints rather than simply categorising them.
- Use the findings to implement corrective and preventive measures, showing a continuous effort to improve internal processes and customer outcomes.

The Authority emphasises that conducting a proper Root Cause Analysis is an essential component of an effective complaints-management system, and all Credit Institutions are expected to meet this standard consistently.

3.4 Provision of Information

Regulatory Requirements

Rule 11 of Banking Rule BR/22 requires Credit Institutions to publish clear and accessible information on their complaints-handling procedures.

This transparency is essential to ensure that clients understand how to submit a complaint, the steps involved, and the expected timelines for resolution. Public availability of this information strengthens consumer protection, enhances trust in the Credit Institutions, and demonstrates a commitment to fair treatment and regulatory compliance.

Finding

During the Authority's review, it was noted that one Credit Institution did not have its complaints-handling process published on its website. This omission could indicate a weak consumer protection culture and a reluctance to make complaint channels easily accessible. Furthermore, it limits customers' ability to exercise their rights and raises concerns regarding the institution's adherence to transparency obligations.

MFSA Expectations

The Authority expects that all Credit Institutions to fully comply with Rule 11 of Banking Rule BR/22 by ensuring that their complaints-handling procedures are clearly published and easily accessible, especially on their public website and also made available within branches. In an increasingly digitalised environment, where customers rely heavily on online platforms for

information, services, and support, it is essential that all relevant and helpful information is made available online to facilitate ease of access and promote transparency.

This information must be complete, current, and prominently displayed so that clients can readily understand how to submit a complaint and what to expect from the process. Credit Institutions are expected to maintain full transparency in this regard, and the absence of published procedures will be considered a failure to meet regulatory obligations.

3.5 Procedure for Responding to Complaints

During the Authority's review of the complaints-handling procedures submitted by Credit Institutions forming part of this Exercise, the Authority identified several deficiencies relating to the treatment of verbal complaints, the clarity of the wording used in delay notifications, acknowledgment requirements, and complaint-resolution timelines.

Regulatory Requirements

In accordance with Banking Rule BR/22 Rules 12, 13, 14, 15, and 16, Credit Institutions are required to provide clients with a written summary of verbal complaints, issue written acknowledgments to any complaints made within two (2) working days and complete their investigation on the complaints lodged by clients within fifteen (15) working days. If this timeline is not possible, the Credit Institutions are required to issue delay notifications to the complainants before the end of the 15-day period, explicitly stating that the investigation is not completed, provide reasons for the delay and give an indication of when the investigation is expected to be completed.

Moreover, Rule 17 places a specific obligation on Credit Institutions to ensure that, when providing a final decision that does not fully satisfy the complainant's demand, the Credit Institution must provide a thorough explanation of the rationale behind its decision, ensuring the customer fully understands the basis and rationale for the outcome. The complainants should also be informed that they may refer to other Alternative Dispute Resolution forums, including the Arbitrator for Financial Services.

a. Finding – Treatment of Verbal Complaints

It was noted that the Policy of one Credit Institution does not specify that a written summary of verbal complaints must be provided to clients. This requirement is essential to ensure transparency, accuracy, and proper documentation of issues raised verbally. The absence of such a provision may lead to misunderstandings or disputes regarding the substance of the complaint and is not consistent with established good practices in complaint-handling.

b. Finding – Complaint Resolution Timelines

Additionally, the Authority observed that two Credit Institutions, including the one being referred to in the above paragraph, used delay-notification wording that lacked clarity. The

relevant policies did not explicitly state that the Credit Institution would be unable to conclude the complaint within the statutory 15-day timeframe. Instead, the language merely indicated that more time would be required, without making explicit reference to the regulatory deadline or the obligation to formally notify clients when the 15-day limit cannot be met. Such vague communication may mislead clients and does not meet the transparency standards required under the regulatory framework.

Furthermore, the Authority identified issues within another Credit Institution's complaints policy, which stated that acknowledgments should be issued within a maximum of seven (7) days instead of within two (2) working days as required by Banking Rule BR/22. This Credit Institution's complaints policy also did not include reference to the requirement that the acknowledgment is to be done in writing. The absence of this explicit wording regarding written communication reduces clarity and may lead to inconsistent practices within the Credit Institution. The same Credit Institution's policy also indicated that complaints should be concluded within two months, which is not aligned with the regulatory expectations concerning complaint-resolution timelines.

These shortcomings collectively highlight gaps in regulatory understanding, procedural clarity, and customer communication, warranting corrective action by the institutions concerned.

MFSA Expectations

The Authority expects all Credit Institutions to ensure that their complaints-handling procedures are fully aligned with regulatory requirements and clearly documented within their internal policies. Institutions are expected to update their policies to reflect the complaint-resolution timelines as set by the Banking Rule BR/22 and eliminate any ambiguities, ensure consistency, and provide clear guidance to staff, thereby safeguarding transparency, accuracy, and fair treatment of clients throughout the complaint-handling process.

c. Finding – Clarity of the wording used in Communication with Complainants

This Exercise identified a consistent shortcoming across all Credit Institutions assessed: none had incorporated the requirements emanating from Rule 17 of Banking Rule BR/22 into their internal complaints-handling policies.

This step is intended to promote transparency, reduce unnecessary escalations, and support fair treatment by giving clients a clear and complete understanding of the Credit Institution's assessment. Following this Exercise, the Authority noted that this requirement was absent across all policies examined, indicating a systemic omission in how Credit Institutions document and formalize their complaints-resolution procedures.

MFSA Expectations

Credit Institutions are expected to fully integrate the requirements of Rule 17 of Banking Rule BR/22 into their internal complaints-handling policies and procedures. Specifically, Credit Institutions must ensure that when issuing a final decision on a complaint, and the customer remains dissatisfied, the Credit Institution clearly and comprehensively explains the rationale underpinning its decision before directing the customer to other external escalation mechanism, including the Arbiter for Financial Services.

This explanation must be sufficiently detailed, transparent, and easy for the customer to understand by using simple and plain language, enabling them to make an informed assessment of the Credit Institution's position. Credit Institutions are therefore required to formalize this obligation within their documented complaints-resolution frameworks and ensure that staff responsible for complaints handling apply this requirement consistently in practice.

By implementing this rule, Credit Institutions promote transparency, reduce unnecessary escalations, and foster fair treatment of customers through enhanced clarity and accountability in the complaints-handling process.

4. Good Market Practices Identified

As part of the Thematic Review, it was noted that the sampled Credit Institutions generally adopted a multi-channel approach to make it easy and efficient for customers to lodge a complaint. Leading Credit Institutions provided several accessible channels, such as telephone, email, online forms, mobile applications, branch visits, and chat services, allowing customers to choose the method which is most convenient for them. Clear guidance is typically provided on the Credit Institution's website on how to lodge a complaint and what steps the customer is to expect throughout the process. Additionally, a couple of Credit Institutions also ensure that complaints are captured and recorded at the first point of contact rather than being redirected unnecessarily. This practice supports quicker handling, reduces customer effort, and helps issues get resolved promptly and accurately. Overall, this approach minimizes friction, improves the customer experience, and strengthens the institution's ability to identify and address problems effectively.

One credit institution demonstrated robust investigative practices by carrying out immediate root-cause analysis for every complaint received and ensuring that the resulting insights were systematically documented within the Complaints Register. This structured approach supports evidence-based decision-making and enables the institution to identify not only the specific issues raised but also the broader underlying factors, thereby facilitating both effective resolution and long-term preventative measures.

5. Other General MFSA Expectations

The Authority notes the efforts made by Credit Institutions to strengthen their complaints-handling frameworks in recent years, with several Credit Institutions investing in improved channels for receiving and managing customer complaints. These developments aim to provide timely and effective responses while enhancing fairness and transparency throughout the complaints-resolution process. Nonetheless, the Exercise also identified material inconsistencies in how Credit Institutions implement the requirements set out in Banking Rule BR/22, particularly those relating to the clarity, reasoning, and communication of final decisions.

It is evident that while most Credit Institutions have established appropriate structures for logging, tracking, and resolving complaints, unfortunately certain gaps remain in how they respond to complaints, provide information and conduct internal follow-ups on complaint cases. The Authority emphasises that robust complaints-handling procedures constitute a key component of consumer protection and operational conduct.

In this context, the Authority sets out the following expectations:

In line with conduct-of-business principles, Credit Institutions are expected to ensure that their complaints-handling processes promote transparency, fairness, and accountability. Credit Institutions must provide customers with clear, complete and balanced information throughout the process, avoid generic or templated responses when issuing decisions, particularly in complex cases, and demonstrate that the customer's concerns have been thoroughly assessed and supported with adequate reasoning. The Authority expects Credit Institutions to move beyond mere procedural compliance and adopt a genuinely customer-centric approach to complaint resolution in line with their general obligation to act fairly, honestly, professionally and in accordance with their client's best interest.

Credit Institutions are also expected to ensure that customers receive timely, accurate, and helpful updates on the progress of their complaint. This includes providing clear timelines and expected response dates, proactively informing customers of any delays together with the reasons for such delays, and ensuring that all communications are consistent, traceable, and easy to understand. Transparent communication remains essential in supporting customer confidence and managing expectations effectively.

While the possible use of digital channels for submitting and tracking complaints is encouraged, Credit Institutions must ensure that customers with limited digital skills continue to have equal and unhindered access to complaints-handling mechanisms. For this reason, physical channels such as in-branch or telephone contact must remain available, with all verbal interactions supported by written confirmation. Credit Institutions must also provide adequate support and assistance to vulnerable customers and provide clear, accessible instructions on how to lodge complaints through both digital and non-digital means. It is essential that no customer cohort is placed at a disadvantage when seeking redress.

Credit Institutions are expected to maintain comprehensive and structured internal records of all complaints in line with regulatory requirements. Such records should enable effective monitoring of complaint trends, identification of systemic issues, and timely proper root-cause analysis and remediation. The Authority reiterates that such analysis should, where appropriate, be integrated within the Credit Institutions' product oversight and governance frameworks to ensure that any new products would not lead to current causes of complaints.

Undeniably, internal follow-ups of complaints are a critical component of an effective complaints-handling framework. They ensure that once a complaint is logged, it is actively monitored, progressed, and brought to a proper conclusion rather than left unresolved. Regular follow-ups reinforce accountability, enable the timely identification of delays or procedural gaps, and ensure that issues are escalated appropriately when required. This ongoing oversight is essential to maintaining the integrity of the complaints-handling process and safeguarding fair client outcomes.

Credit Institutions should be able to demonstrate to the Authority that their complaints data is accurate, complete, and used proactively to enhance internal processes and strengthen customer protection.

Furthermore, the Authority expects that all staff involved in the complaints-handling process are exposed to regular and up-to-date training on the requirements of Banking Rule BR/22, including the obligations under Rule 17, as well as on internal procedures, escalation pathways, standards for drafting clear and well-reasoned decisions, and broader consumer-protection expectations. Credit Institutions should ensure that policies and standards are applied consistently across all business units and customer service channels.

Credit Institutions are expected to make certain that customers are clearly and prominently informed of their rights to escalate complaints externally, if they are dissatisfied with the outcome of the Credit Institution's investigation following a complaint. This includes informing customers about the Arbiter for Financial Services, outlining the specific timeframes within which an escalation may be made, and indicating any documentation that may be required. All such information must be presented clearly and transparently, without being hidden in fine print or expressed in overly technical language.

Credit Institutions operating on a cross-border basis must ensure that cross-border clients face no hindrance when submitting a complaint, thereby maintaining a consistent standard of consumer protection across all jurisdictions in which they operate. As banking services are increasingly offered across borders, clients residing out of the home Member State must receive the same level of accessibility and support as domestic clients.

Finally, the Authority expects Credit Institutions to periodically review their complaints-handling frameworks to ensure that they remain aligned with regulatory requirements, best practices, and evolving customer needs. Institutions should be able to

demonstrate regular assessments of process effectiveness, timely updates to procedures, and improvements driven by customer feedback and complaint outcomes.

6. Way Forward

The Authority expects all Credit Institutions falling within the scope of Banking Rule BR/22 – Complaints-Handling Procedures for Credit Institutions authorised under the Banking Act (1994) to adhere strictly to the requirements established therein and to address the MFSA expectations as set out in this letter. To support full compliance, Credit Institutions are encouraged to conduct a comprehensive gap analysis to identify any divergences between their existing practices and the regulatory obligations set out in Banking Rule BR/22, thereby enabling the timely implementation of any necessary enhancements to meet the prescribed standards.

The Authority will continue to engage with Credit Institutions as this three-year supervisory cycle progresses, through follow-up assessments, to ensure that the obligations outlined in this letter are being met and that continued compliance with Banking Rule BR/22 is maintained.

Should you require any clarification on the above, please do not hesitate to contact the Authority's Conduct Supervision Function on conductbanking@mfsa.mt.

Kindly be guided accordingly.

Yours Sincerely,

Malta Financial Services Authority

Christopher P. Buttigieg
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