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MFSA Sets Sharper Supervisory Expectations on Complaints Handling Across Banking, Insurance and Investment Sectors

Outcomes-Based Supervision highlights governance, transparency and consumer-centric gaps, with firms given one year to remediate ahead of follow-up reviews

The Malta Financial Services Authority (MFSA) has issued three Dear CEO letters outlining the outcomes of its Outcomes-Based Supervision thematic review on complaints handling frameworks across [credit institutions](#), [insurance undertakings](#), and [investment firms](#).

The cross-sector supervisory exercise, conducted during 2025 by the MFSA's Conduct Supervision function, assessed the extent to which licensed entities have implemented effective, transparent and consumer-centric complaints management arrangements, in line with applicable regulatory requirements, including Banking Rule BR/22 and the Conduct of Business Rulebook (CoBR) for Investments and Insurance companies.

Key Supervisory Observations

The MFSA identified a number of market-wide weaknesses affecting governance, implementation and consumer outcomes, notwithstanding examples of good practice observed in parts of the market.

Across the three sectors, recurring issues included:

- Inconsistent or outdated complaints management policies, including insufficient version control, lack of senior management approval and fragmented documentation;
- Weak internal follow up and root cause analysis combined with deficiencies in complaints registers, including missing or incomplete data that limits entities' ability to ensure traceability, identify systemic issues, perform effective trend analysis, and drive meaningful remediation. Delays and inconsistencies in acknowledging and resolving complaints, including misalignment with regulatory timelines;
- Insufficient clarity and accessibility of complaints procedures, particularly on firms' websites and client-facing disclosures;
- Inadequate communication with complainants, including limited reasoning in final decisions and incomplete information on escalation to the Office of the Arbiter for Financial Services;

- Challenges in cross-border complaints handling, especially where language considerations, distribution arrangements and responsibility allocation were not clearly addressed.

The MFSA noted that, in several instances, complaints handling remained overly procedural, with insufficient focus on fair client outcomes and clear, reasoned decision-making.

Regulatory Expectations and Way Forward

The Authority emphasises that robust complaints handling is a cornerstone of effective conduct risk management and consumer protection. All licensed entities are therefore expected to:

- Review and strengthen their complaints handling frameworks to ensure full alignment with regulatory requirements, including the requirement to carry out root cause analysis with a view to address any identified causes of consumer detriment
- Ensure that complaints policies are clear, up to date, approved by senior management, and effectively implemented;
- Maintain accurate, comprehensive complaints registers capable of supporting trend analysis and root cause identification;
- Publish clear, accessible and consistent complaints-handling information for clients, including escalation rights;
- Ensure complaints are handled fairly, transparently and within prescribed timelines, using plain and understandable language;
- Strengthen internal monitoring, reporting and Board oversight, including regular reporting by the Compliance function.

As part of the MFSA's multi-year Outcomes-Based Supervision framework, entities have been granted a remediation period of one year to address identified shortcomings. Follow-up supervisory assessments are planned during 2027 to evaluate progress and the effectiveness of enhancements implemented.

The MFSA expects Chief Executive Officers and Compliance Officers to take personal ownership of this, under the oversight of the Board, and to ensure that complaints handling is treated not merely as a compliance obligation, but as an essential mechanism for improving governance, conduct and consumer trust across Malta's financial services sector.

About MFSA

The Malta Financial Services Authority (MFSA) is the single regulator of financial services in Malta, covering banks, insurance companies, investment services, trusts and pensions. In 2018, the MFSA became the first European regulator to develop a framework to regulate virtual financial assets. The MFSA's mission, as enshrined in its Strategic Statement, is to enhance its position as an independent, proactive and trustworthy supervisory authority with the main purpose of safeguarding the integrity of markets and maintaining stability within the financial sector, for the benefit and protection of consumers. The MFSA licenses over 2,000 entities to operate in the financial services sector.