

Consumer protection as a long-term investment

This year, the CBUAE moved to strengthen consumer protection in the financial services sector. The new Consumer Protection Regulation remakes the relationship between banks and their customers.⁷ It aims to ensure that consumers receive the information required to make sound decisions, are not subject to unfair or deceptive practices, and have access to recourse mechanisms to resolve complaints and disputes.

Consumer protection to improve transparency and trust

The new regulation is broad in scope and has far-reaching implications. Product development, terms of service, and customer experience throughout the sales and product life cycle are several of the areas affected. Some banks may therefore require a fundamental reorganization of their consumer protection practices in order to comply with the new regulations.

Even before this regulation was released, many UAE-based banks understood that mutual trust and confidence are cornerstones of sustainable growth and success in the banking industry. Sound consumer protection practices help banks foster such relationships with customers through transparent pricing and disclosures, effective complaint and dispute resolution processes and responsible promotion and sale of financial products and/or services.

In response to recent events and the industry's ongoing digital transformation, consumers are demanding even greater commitment to transparency from banks. Future uncertainty, potential job losses and pay cuts brought about by Covid-19 have disrupted the financial plans of millions of consumers. Even as the economy recovers, many remain risk-averse and have drastically changed how they live, spend and save. Effective consumer protection practices that elicit trust are a competitive advantage in such an environment. A June 2020 KPMG survey, for example, found that retail banking consumers

considered trust in a brand and personal safety as important as value for money when selecting a bank.

Consumer protection as a competitive advantage

Covid-19 has also accelerated the shift towards digital banking. Digital banking has clear benefits: lower costs, innovative products and the ability to reach new customer segments. However, digitalization sometimes comes at the expense of reduced confidence-building interactions between banking staff and their customers. Consequently, a reputation for strong consumer protection practices is even more critical to a bank's long-term success and, if done correctly, can become a valuable competitive edge.⁸

The Consumer Protection Regulation recognizes these trends, and ultimately it will increase consumers' confidence and strengthen the banking system. Regardless of regulations, however, banks should understand that failure to invest in sound consumer protection practices today will lead to an erosion of consumer and shareholder value in the future. On the other hand, modernizing and improving consumer protection practices will provide a competitive edge and facilitate future growth.

This means that consumer protection should form part of a bank's strategy, be addressed at the board level and cascaded down to all functions and operations. The associated costs of building an effective consumer protection framework is a long-term investment and a driver of business transformation, rather than a compliance cost.

⁸ UAE Banking Perspectives 2021, [Link](#)

⁷ Clyde & Co: UAE Central Bank establishes a new data protection regime for financial institutions, [Link](#)

Contact us



Goncalo Traquina

Partner
Head of Management Consulting -
Financial Services

E: gtraquina@kpmg.com



Abbas Basrai

Partner
Head of
Financial Services

E: abasrai1@kpmg.com



Nic Ray

CEO
BrandsEye

E: nic.ray@brandseye.com



Virginia Lin

Business Director Europe, Middle
East and North Africa
BrandsEye

E: virginia.lin@brandseye.com



Bilal Bassiouni

Senior Analyst, Middle East
BrandsEye

E: bilal.bassiouni@brandseye.com

www.kpmg.com/ae
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