



Handling of Complaints from the Public against the Banking System in 2009

Main Findings

- In 2009, the Banking Supervision Department handled 8,600 enquiries and complaints from the customers of the banks and credit card companies (not including telephone enquiries).
- 26.6 percent of complaints against the banks and credit card companies were found to be justified in 2009. The proportion of justified complaints out of total complaints for which a position was taken was highest for First International Bank and Mizrahi-Tefahot Bank (about 33 percent) and lowest for Bank Leumi (about 17 percent).
- Total refunds to customers as a result of enquiries and refunds to groups of customers as a result of violations revealed by complaints totaled about NIS 10.5 million.
- As a result of the comprehensive reorganization implemented by the Banking Supervision Department in the area of mortgages and bank fees, there was a significant decline in the number of enquiries and complaints received in these areas.

Handling of enquiries and complaints from the public

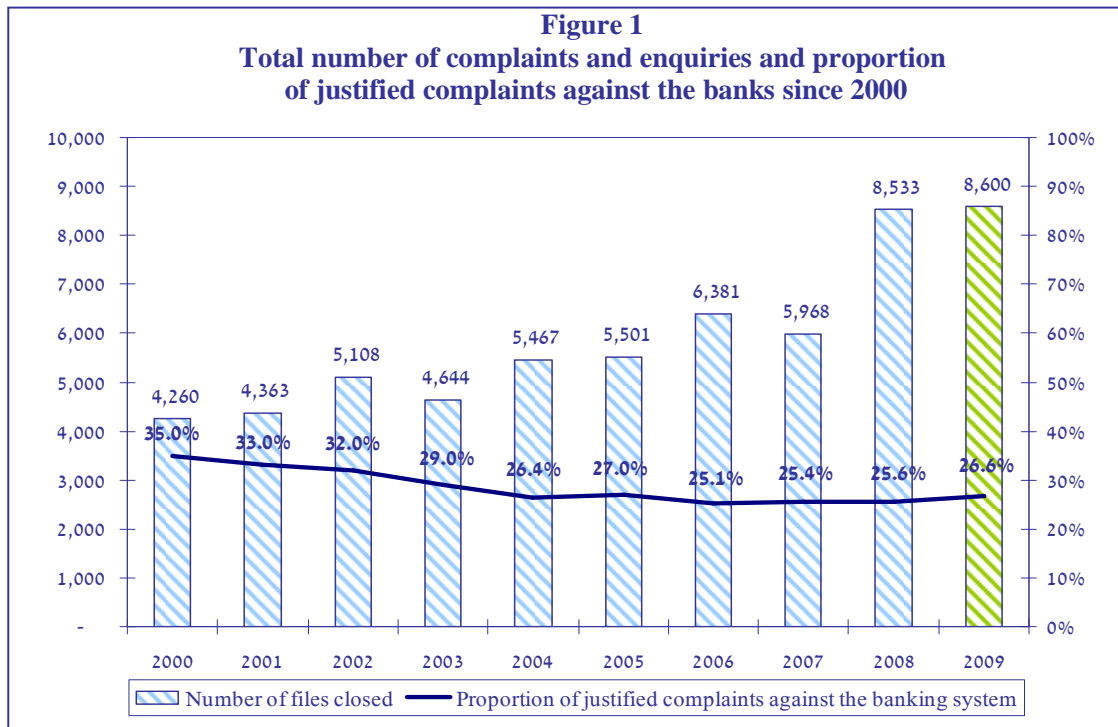
In 2009, the Banking Supervision Department handled 8,600¹ enquiries and complaints from the customers of the banks and credit card companies (not including telephone enquiries), of which 3,106 were complaints and the rest enquiries and requests for information. 1,896 of the complaints were found to be either justified or unjustified. Over the years, there has been an upward trend in the number of enquiries and complaints by bank customers to the Unit for Public Enquires that is part of the Banking Supervision Department and this number has essentially doubled from 2000 until today. The reasons for this are, among others, the introduction of the possibility for submitting a complaint by email, which made the process more accessible, extraordinary events, such as the collapse of Heftsiba, and the reform of fees and provision of information to the public (see Figure 1).

Total refunds to customers as a result of enquiries and refunds to groups of customers as a result of violations revealed by complaints totaled about NIS 10.5 million.²

26.6 percent of the complaints against the banks and the credit card companies were found to be justified in 2009. In recent years, there has been a noticeable downward trend in the proportion of justified enquiries and the Banking Supervision Department attributes this decline to, among other things, the reorganization and comprehensive reform in various areas of bank-customer relations.

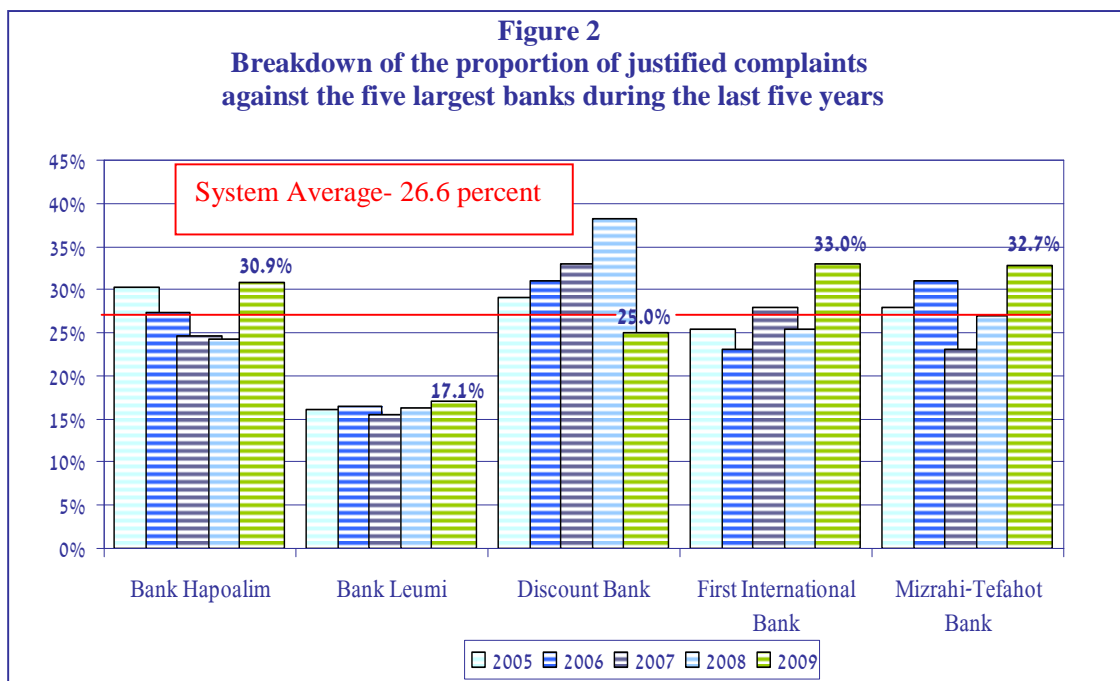
¹ This figure includes complaints related to the collapse of the Heftsiba Company. Note that the rest of the figures in this press release do not include those complaints, which will be dealt with in a separate press release.

² This amount does not include the assistance to Heftsiba customers.



Proportion of justified complaints for the five largest banks

Of the five largest banks, the proportion of justified complaints within the total number of complaints for which a position was taken was highest for First International Bank and Mizrahi-Tefahot Bank (about 33 percent) and lowest for Bank Leumi (about 17 percent). While the proportion of justified complaints against First International Bank and Mizrahi-Tefahot Bank has been characterized by an upward trend in recent years, the low proportion of justified complaints against Bank Leumi has remained stable during the past five years.



Proportion of enquiries and complaints relative to bank size

Of the total enquiries and complaints against the five largest banks, about 24 percent were against Bank Leumi, although it is the largest of the banks (34 percent). In contrast, about 16 percent of the enquiries and complaints were against Mizrahi-Tefahot Bank which accounts for about 9 percent. 20 percent of the enquiries concerned Israel Discount Bank which accounts for 15 percent of the largest five banks (see Table 1).

Table 1
Breakdown of enquires and complaints³ against the five largest banks according to their proportion

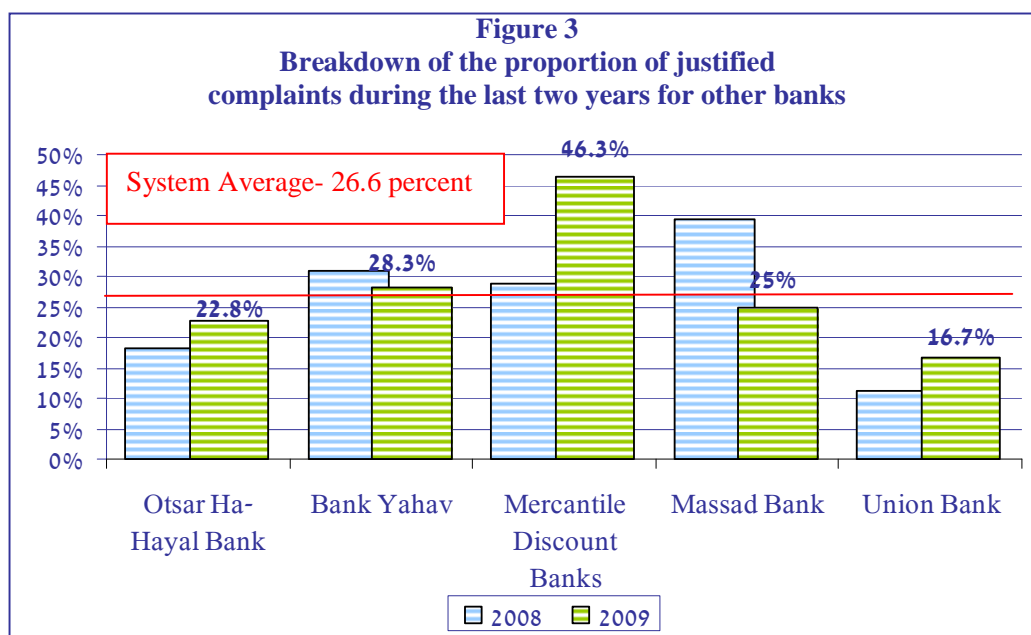
	Bank's share in largest five banks*	Proportion of enquiries and complaints against the bank within the total enquires and complaints against the five largest banks
Bank Hapoalim	33%	32.1%
Bank Leumi	34%	24.3%
Discount Bank	15%	20%
First International Bank	9%	7.7%
Mizrahi-Tefahot Bank	9%	15.9%
	100%	100%

* Bank of Israel estimate.

Proportion of justified complaints against other banks in the banking system

In 2009, the proportion of justified complaints within total complaints for which a position was taken, for banks not among the five largest, was highest for Mercantile Discount Bank (46.3 percent) and lowest for Union Bank (16.7 percent).

Figure 3
Breakdown of the proportion of justified complaints during the last two years for other banks



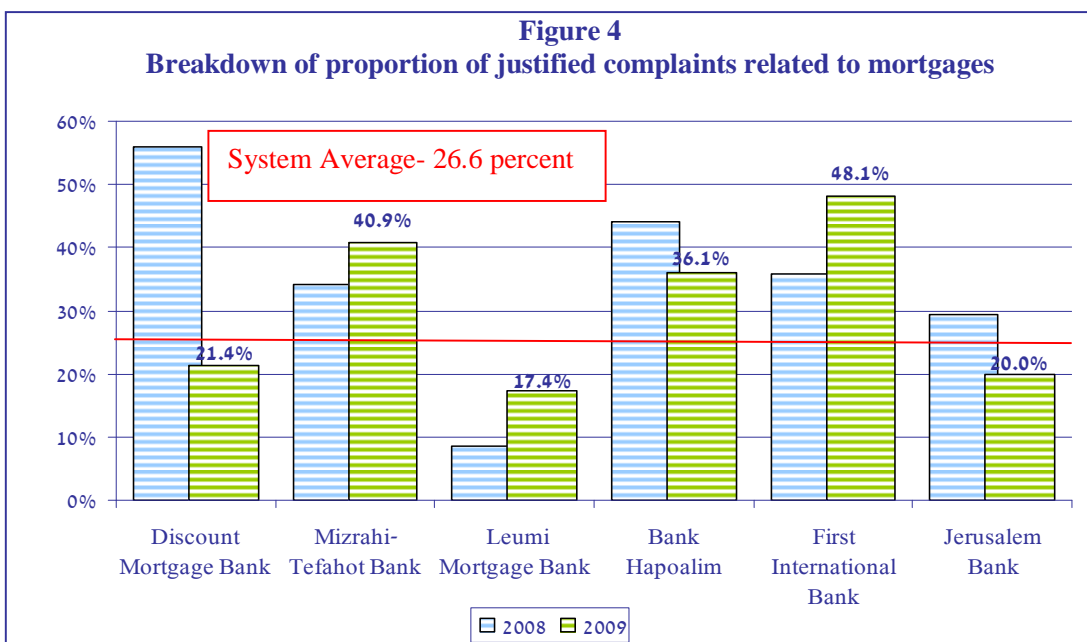
³ Not including enquiries and complaints related to mortgages.

Proportion of justified complaints against credit card companies

The proportion of justified complaints within total complaints, for which a position was taken, for the credit card companies, was highest for Isracard (23.1 percent) and lowest for Leumi Card (9.1 percent). The proportion of justified complaints for ICC was 15.8 percent.

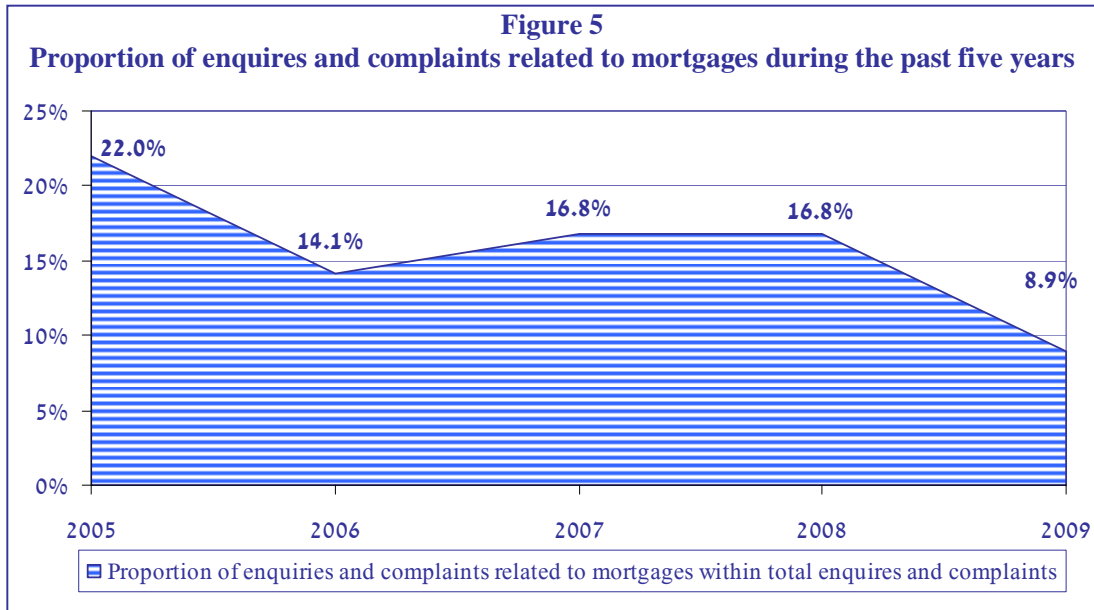
Proportion of justified complaints related to mortgages

In the area of mortgages, the proportion of justified complaints within total complaints for which a position was taken was highest for First International Bank (48.1 percent), followed by Mizrahi-Tefahot Bank (40.9 percent). The proportion of justified complaints was lowest for Leumi Mortgage Bank (17.4 percent).



Downward trend in the proportion of enquires and complaints related to mortgages

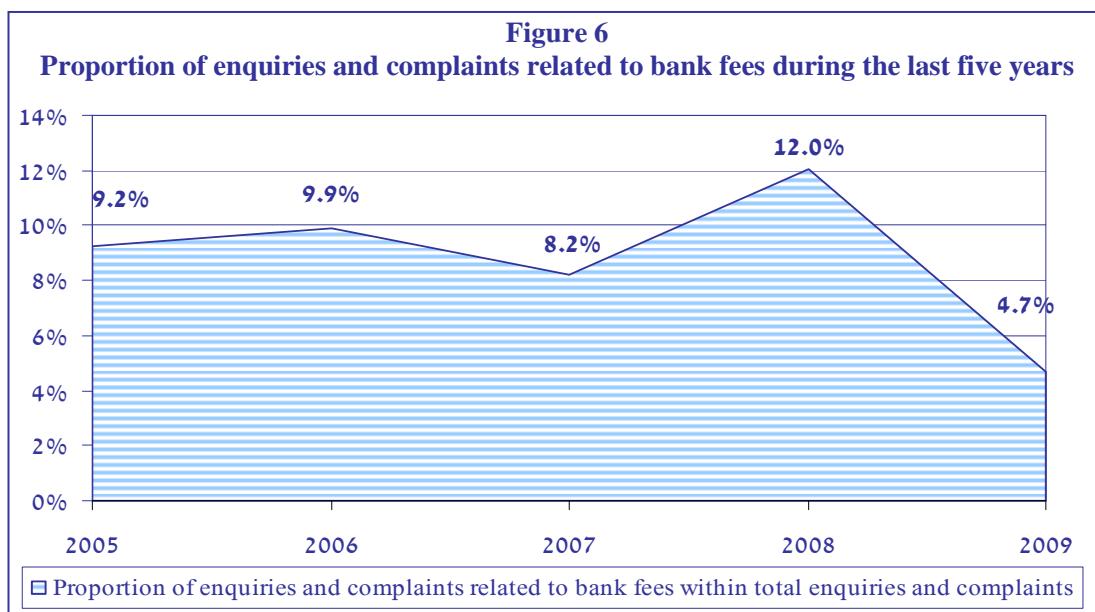
In recent years, there has been a noticeable downward trend in the proportion of enquiries and complaints related to mortgages within the total enquiries and complaints submitted to the Banking Supervision Department. In 2009, this proportion stood at only 8.9 percent as compared to an average of 17.4 percent during the previous four years (see Figure 5). The Banking Supervision Department attributes this decline to the comprehensive reorganization of the mortgage system in 2007, which included the introduction of regulations by the Department regarding information for the customer, early redemption, paying off of loans and insurance policies. The regulation of these areas is intended to encourage competition in the mortgage market, primarily with regard to the recycling of housing loans.



Decline in the proportion of enquiries and complaints related to bank fees

There was a significant decline in the quantity of enquiries and complaints related to bank fees submitted to the Banking Supervision Department. In 2009, the proportion of complaints related to fees stood at only 4.7 percent as compared to an average of 9.8 percent during the previous four years. The Banking Supervision Department attributes this decline to the comprehensive reorganization that was implemented as part of the bank fees reform. Among the areas in which there was a particularly noticeable decline in enquiries and complaints were current account fees and disclosure to customers regarding fees. In the past, fees were the most common reason for the enquiries of customers to the Banking Supervision Department. This trend reached a peak in 2008 during the preparations for implementation of the bank fees reform.

The reform included lower prices for basic banking services, a reduction in the number of fees and greater transparency of prices for customers.



The Banking Supervision Department continues to serve the public with regard to all aspects of their relations with the banks and credit card companies. For information and to submit a complaint regarding banking services, please contact the Unit for Public Enquiries by telephone (02-552680), by fax (02-6669077), by mail (POB 780, Jerusalem 91007) or through the consumer page at the Bank of Israel website: www.bankisrael.org.il.