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## FROM THE EDITORS DESK:

Welcome to our first newsletter of the financial year! We are excited to embark on this journey of sharing informative content with our valued stakeholders. Through this platform, we aim to provide insights and updates that are relevant to you.

In this edition, we have featured two significant settlements: one addressing Life Cover versus Accidental Cover, and another focusing on the Taxation of Retirement Fund Lumpsums upon Withdrawal and Retirement. These topics are important for understanding your rights and options in financial matters.

We extend our heartfelt gratitude for your continuous support and for sharing our newsletters. Together, we look forward to fostering greater transparency and trust in financial services.

# NEW APPOINTMENTS

**Ms. Portia Khampepe**

***Graduate Trainee: Marketing and Communication***

Portia Seipati Khampepe graduated with a BTech in Journalism from Tshwane University of Technology in 2019. Her enthusiasm for communications, marketing, and PR combined with her academic qualifications, positions her as a valuable addition to the team. Previously, she has worked for a non-profit organisation as a PR and Communications Officer. As a graduate trainee in the Marketing and communications department, Portia looks forward to contributing and expanding her skills.



**Mr. Sulumani Mdluli**

**Business Application Support**

Sulumani Mdluli holds a Certificate In Information Technology, from CTU Training. He also completed a Microsoft Certified Solution Associate (MCSA), and a Certified Ethical Hacker (CEH), and is currently pursuing SysOps in AWS. He started as a Junior system engineer at Huge Connects, then served as an IT Application support specialist at Eskom Pension and Provident Fund (EPPF), then served as Consultant - Systems Manager for ABSA at LTIMINDTREE, and Senior IT Infrastructure Specialist. He currently serves or Occupies an ICT Business Application Support position at FAIS Ombud.



**Mr. Manuel Masiagwala**

***Network and Security Specialist***

Manuel Unarine Masiagwala holds a National Diploma in Information Technology from the Vaal University of Technology and a certificate in the Small Business Enrichment Programme from the University of Johannesburg. He is a Certified Ethical Hacker (CEH) and possesses several other industry related certifications, including CompTIA Security+, Micro Focus Privileged Account Manager (PAM350), Bitdefender Certified Technical Specialist, IBM Artificial Intelligence Analyst, IBM IoT Cloud Developer, and Cisco CCNA Routing and Switching. Manuel is currently pursuing an Advanced Diploma in Information Resource Management with the University of South Africa.



# NEW APPOINTMENTS

**Ms. Andrea Arenz**

***Senior Adjudicator***

Andrea holds a Bachelor of Law degree and a Post-Graduate Diploma in Financial Planning from the University of Stellenbosch. She is a Certified Financial Planner and a member of the Financial Planning Institute of South Africa. She also successfully completed the FAIS regulatory 1 and 5 examinations for key individuals and representatives.

Andrea has worked in the financial services industry, focusing on legal advisory, regulatory compliance, and financial planning. She has consulted with clients to provide pragmatic legal advice and services. In the wealth management space, she established a compliance culture within the organisation. This involved working directly with Key Individuals to implement financial services legislation, including FAIS, FICA, and POPI, and provided training to all staff, specifically financial advisors and wealth planners. Andrea is excited to be part of the FAIS Ombud and is looking forward to contributing to its collective success.

**Mr. Simon Seripe**

***Senior Adjudicator***

Simon Seripe holds a National Diploma in Accounting, a Post Graduate Diploma in Financial Planning, an Advanced Post Graduate Diploma in Financial Planning with a specialisation in Investments and Personal Risk Management, a Master's in Business Administration ("MBA"), a Diploma in Investment Analysis and Portfolio Management, a BPhil (Honours) in Marketing Management, a Post Graduate Diploma in Corporate Governance, a Post Graduate Diploma in Legal Services of Compliance and a Post Graduate Diploma in Risk Management. He is a Certified Financial Planner, Certified International Compliance Professional, and Certified Business Accountant.

Simon has extensive experience in the financial services sector gained in areas of individual and corporate financial advice, and retirement fund consulting, corporate governance, RISK management and compliance. He has worked for small to large corporates such as Absa, Investec, Momentum, Liberty Life, Old Mutual. Simon is delighted and honoured to be part of FAIS Ombud and looking forward to adding value to the organisation while advancing his knowledge in financial services.

## NEW APPOINTMENTS

**Ms. Livhuwani Thavhanyedza**

***HR Generalist***

Livhuwani Thavhanyedza is a Human Resources Management professional registered with the South African Board for People Practices (SABPP). She holds an Honors Degree in Social Sciences with a specialisation in Psychology. She is a certified Skills Development Facilitator and has completed certificate Programmes in Human Resources Management and Applied Organisational Development.

Livhu brings a wealth of experience in Human Resources across the Government and Non-Profit sectors. Her areas of interest include development, personal mastery in the workplace and any HR activity that enables organisational success through its people. Prior to joining the FAIS Ombud, she was responsible for driving the human capital agenda for an international Non-Profit company in the public health and education space. She is excited about joining the team and looks forward to an enriching and mutually beneficial experience.

## INTERNAL APPOINTMENTS

**Ms. Lutendo Mitileni**

***Adjudicator***

Lutendo holds a BCom Finance degree with honours in Financial Planning and is a Certified Financial Planner CFP<sup>®</sup>, with a proven track record in the financial services industry. She has extensive experience in delivering financial services through the six-step financial planning process, specialising in retirement planning, investment planning, tax planning, and estate planning.

Lutendo is dedicated to financial planning education and empowering consumers to make informed decisions. This passion led her to transition into the regulatory environment, joining the FAIS Ombud as a junior case manager. Committed to staying current with industry trends and expanding her knowledge, Lutendo completed her regulatory examinations (RE 5) with the Financial Sector Conduct Authority. She is also pursuing a postgraduate diploma in legal principles compliance at the University of Johannesburg.

Lutendo upholds the highest ethical standards and is driven by a genuine desire to positively impact consumers' financial well-being. She has recently been appointed as an adjudicator.

## INTERNAL APPOINTMENTS

**Ms. Uyanda Lila Phiri**

**Adjudicator**



Uyanda Lila Phiri is an experienced Complaints officer with a demonstrated history of eight (8) years in dispute resolution and compliance at the Office of the FAIS Ombud.

She also has 10 years of successful experience in the financial services industry and insurance industry. Recognised consistently for performance excellence at FAIS Ombud and Sanlam, and contributions to the success of the financial services industry and within the compliance environment with a focus on the FAIS Act. She is passionate about the financial planning process, the insurance industry, and educating the public on this subject. She has recently been appointed as an adjudicator.



# Understanding Insurance Coverage for Factory Fitted Extras



Insurance aims to restore you to the position you were in before a loss occurred. Therefore, ensuring your vehicle is adequately insured is crucial, which includes specifying all extras fitted to the vehicle.

Comprehensive motor vehicle insurance typically covers up to the retail value of your vehicle, inclusive of factory fitted items included in the listed price. The dealer invoice serves as a guide; for instance, specific vehicle models may come standard with leather seats. However, any factory fitted extras specifically ordered need to be detailed separately with their correct replacement costs noted for each item. These extras are usually listed separately on the dealer invoice. While specifying these items may incur an additional premium, it provides peace of mind that you will be adequately covered in the event of any losses.

Consulting the dealer invoice is crucial, as these items are typically listed separately from the purchase price. When insuring a used vehicle, it is important to ascertain the exact specifications, including which factory fitted items were standard, included in the purchase price, or added either before or after delivery.

This proactive approach ensures that your insurance accurately reflects the value and specifications of your vehicle, offering comprehensive protection tailored to your needs.

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# SETTLEMENTS



## Life Cover vs Accidental cover

*Life insurance policies are designed to pay benefits when the lives insured passes away by death due to any cause, including factors such as old age, cancer, most types of illnesses, and accidental death. It will pay out a lump sum to your beneficiaries. The acceptance of cover and the premiums are determined based on medical underwriting conducted at inception. Premiums are usually paid for your whole life, and as long as premiums are paid, the insurance company will pay the cover amount to the nominated beneficiaries in the event of your death.*

Accidental death insurance, as the name suggests, is an insurance policy that pays out benefits only if death occurs due to an accident. The definition of an accident is quite specific and normally covers accidents caused by road accidents, drowning, fire, electrocution, hijacking, and murder. However, you must consult your policy wording to ensure that you know exactly what you are covered for. Accidental death cover is cheaper than life insurance as it only covers death from an accident cause and not all possible causes.

Complaints investigated by this Office in this regard normally involve instances where a prospective client will approach a Financial Services Provider for a life cover policy, but due to the medical underwriting questions conducted, it is found that the client does not qualify for the life cover being applied for and that only accidental cover is available. The transaction proceeds without the client being made properly aware of the change in cover or the implications thereof. There are also instances where individuals apply for and are accepted for life cover benefits. However, the failure of the client to complete specific medical tests or where the medical tests are negative results in the cover being automatically altered to accidental cover at the same premium without adequate communication with the client.

## **Case Study: T vs L**

The complainant approached this Office after having submitted a claim with the respondent after her mother's passing. The complainant claimed that her late mother had been paying for an ordinary life cover policy, but when the claim was submitted, the respondent claimed that her mother had only been covered for accidental death. The complainant questions whether the deceased had been appropriately advised of the change to accidental cover as the original application had been in respect of life cover.

The respondent noted that when listening to the sales call, it was identified that based on the answers to the medical questions, the deceased only qualified for the Life Cover: Non-Natural. The sales agent who had assisted the deceased had provided her with all the necessary disclosures; however, a couple of concerns were raised, as the respondent believed that there could have been more clarity regarding the Life Cover: Non-Natural Causes product.

Considering this, the respondent undertook a review of the policy and reconstructed it based on the premium agreed upon at the time of the sale. The matter was escalated to its Actuarial Department to calculate how much comprehensive Life Cover it could have offered the deceased, and a sum of R232 598.00 was calculated. The respondent was careful to advise that it did not mean that the deceased qualified for the full Life Cover at the point of sale and that the approach undertaken was considered without the full risk (medical history) and in consideration to reach an amicable resolution.

The respondent contacted the complainant in this regard, and she accepted the reconstructed cover amount of R232 598.00.

### **Lessons Learnt:**

- 1.) You do not purchase life cover; you apply for it, and based on the results of any medical underwriting conducted, the application can be either accepted or rejected.***
- 2.) In addition, it is vital that one completes any medical underwriting requirements and that any medical disclosures are true and comprehensive to ensure that the correct level of coverage is provided and that there are no concerns when you look to claim.***
- 3.) It is also important to consider any policy documents provided to you so that you can confirm that the cover provided is appropriate to your needs. This should be done not only at the inception of the policy but also on an ongoing basis to ensure that the cover provided remains appropriate.***



# Taxation of Retirement Fund Lumpsums upon Withdrawal and Retirement

It is important that one is aware of the tax treatment of retirement fund lump sums, as the tax-free portion of the lump sum depends on whether one withdraws from the fund or retires from the fund. (Please see below the retirement and withdrawal tax tables). In addition, and as can be seen from the tables below, the amount of tax you will pay will depend on how much cash you decide to take at the time.



The tax-free amount provided on retirement benefits is cumulative. This means that it is allocated once in a lifetime. In other words, if it's used up, you can't claim it again. For example, if a person used R300 000 of the R550 000 with the first lump sum, the balance left is R250 000, and once this is used up, this relief is not available again. Also, it is important to note that an early lump sum withdrawal will compromise the tax-free withdrawal from retirement benefits.

## Retirement fund lump sum taxation upon retirement: 2025 tax year (1 March 2024 – 28 February 2025):

| Taxable income (R)  | Rate of tax                                     |
|---------------------|---|
| 1 – 550 000         | 0% of taxable income                            |
| 550 001 – 770 000   | 18% of taxable income above 550 000             |
| 770 001 – 1 155 000 | 39 600 + 27% of taxable income above 770 000    |
| 1 155 001 and above | 143 550 + 36% of taxable income above 1 155 000 |



**Retirement fund lump sum taxation upon Withdrawal:  
2025 tax year (1 March 2024 – 28 February 2025)**

| Taxable income (R)  | Rate of tax                                     |
|---------------------|---|
| 1 – 27 500          | 0% of taxable income                            |
| 27 501 – 726 000    | 18% of taxable income above 27 500              |
| 726 001 – 1 089 000 | 125 730 + 27% of taxable income above 726 000   |
| 1 089 001 and above | 223 740 + 36% of taxable income above 1 089 000 |

### Case Study: I vs A

The complainant approached the respondent as she wanted to withdraw an amount of R500,000.00 from her Pension Preservation Fund, to fund the purchase of Kuehne + Nagel shares. The complainant had been advised that she could proceed to with the required R500 000 as this amount would be tax free. Once the withdrawal was processed and the funds were paid into the complainant’s account, she noted that only R414,950.00 was paid and that she had been subjected to tax at a rate of 18%. This means that the complainant received R85 050 less than she required to purchase the desired shares. When the complainant approached the respondent, he admitted that he had provided incorrect information, yet refused to compensate the complainant for the shortfall.

In response to this Office's complaint, the respondent stated that despite the incorrect advice rendered, there was no cause for the complainant to expect a refund. The respondent admitted that “I erroneously referred to the incorrect tax table on the SARS website” and further submitted that it was well-known that the complainant’s investment would have been taxable at some stage. The respondent also confirmed that he was aware of the reasons why the complainant wanted to access the funds, i.e., the purchase of shares from her employer, Kuehne + Nagel. The respondent also claimed that he had cautioned the complainant about the withdrawal and informed her that the tax tables were available to the public. Therefore, the respondent was of the view that the complainant should have performed her due diligence, and therefore, the respondent did not believe that the complainant had a legitimate or fair dispute.

In response, this confirmed that it was not in dispute that the respondent had provided incorrect information to the complainant in that he had quoted from the retirement tax table, stating that the first R550 000 would be tax-free, as opposed to the withdrawal tax table where only the first R27 500 would be tax-free with the remainder taxed at 18%.

The respondent was reminded that Section 3 (a)(i) of the General Code of Conduct for Authorised Financial Services Providers and its Representatives (Hereinafter referred to as “The Code”) states that when a provider renders financial services, presentations made and information provided to the client must be factually correct. In addition, Section 7(1)(c)(xi) of the code states that the provider should provide full and appropriate information on the material tax considerations.

This Office also conceded that tax on these funds would have been payable in some form on these benefits. However, it cannot be ignored that the complainant had required a specific amount, i.e., R500 000, and that because of the incorrect advice she had been prevented from withdrawing the correct amount that would have provided this amount net of tax. As she is only allowed one withdrawal from her preservation fund prior to retirement, she is short of what is required. As the respondent failed to act with the required due skill, care, and diligence as required by Section 2 of the Code, this Office was of the view that the respondent looked to resolve the matter by making a fair and reasonable offer. The respondent confirmed that it would resolve the complaint for the full R85 050 deducted in full and final settlement of the complaint which was accepted by the complainant.

***Lessons Learnt:***

***1.) The tax-free lump sums available depend on whether one withdrawal from a retirement fund prior to retirement or when one retires from the fund.***

***2.) In addition, the tax-free amount provided on retirement benefits is cumulative and an early lump sum withdrawal will compromise the tax-free withdrawal from retirement benefits.***

***3.) It is therefore important that you provide your financial services provider with all the information available to ensure that the advice provided is correct and appropriate in respect of any withdrawal required.***





## CONSUMER OUTREACH INITIATIVES

*The FAIS Ombud recently engaged in several initiatives to promote consumer awareness and financial literacy in the North West Province. These events aimed to educate communities about the role of our office and how we assist them.*

### **Presentation and Roadshow – Groot Marico Community and Mmabatho**

The FAIS Ombud visited the Groot Marico community and Mmabatho, delivering an informative workshop session to the official government employees of the Department of Economic Development, Environment, Conservation and Tourism during their staff wellness day. The purpose of the workshop was to inform them about our office and the services we offer.

### **Presentation and Roadshow - Maquassi Hills Municipality (Lebaleng)**

In Lebaleng, within the Maquassi Hills Municipality, the FAIS Ombud participated in a workshop arranged for various government officials by the Department of Economic Development, Environment, Conservation and Tourism. The attendees were keen to understand how our initiatives can assist them, asking relevant questions and demonstrating their eagerness to learn.



# THE ADVICE CORNER

## Life Insurance Complaints

Welcome to our advice corner! In this issue, we shed light on what the FAIS Ombud investigates and what falls beyond our jurisdiction. Our goal is to help you understand when and how you can approach us for assistance in resolving your grievances.

### What the FAIS Ombud Investigates:

- Whether the product recommended was appropriate to your needs and circumstances.
- If crucial information was misrepresented or not disclosed when you purchased the policy.
- If the terms and conditions of your policy were not fully explained to you.

### What the FAIS Ombud Doesn't Investigate:

- We don't assess the performance of investment-linked life insurance products.
- Non Advice disputes against insurers that are members of the National Financial Ombud Scheme (NFO).
- Where you became aware or ought to have become aware of the loss more than three (3) years before approaching our Office for assistance.



## CONTACT US

*Should you require assistance in submitting a new complaint, wish to follow-up on an existing complaint or for any other general enquiry please contact us at the numbers provided below and your query shall be directed accordingly.*

**Tel: +27 12 762 5000**

**Sharecall: 086 066 3274**

**Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)**

**Website: [www.faisombud.co.za](http://www.faisombud.co.za)**

**Postal Address:**

**P O Box 41  
Menlyn Park  
0063**

**Physical Address:**

**Menlyn Central Office Building,  
125 Dallas Avenue, Waterkloof Glen,  
Pretoria, 0010**

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