

UN Principles for
**Responsible
Digital Payments**



TECHNICAL NOTE

Make recourse clear, quick and responsive

JANUARY 2024



**BETTER THAN CASH
ALLIANCE**





Background

The World Bank's Global Findex acknowledges digital payments as the cornerstone of financial inclusion. The pandemic starkly illustrated their potency then supercharged their adoption. Billions now benefit from access to essential financial services. Recently, there has been a surge in the number of adults embracing digital payments for the first time. Global Findex data reveals that two thirds of adults now engage in digital transactions, with emerging economies witnessing particularly significant growth in the past decade. Account ownership in these economies has grown to 71 percent, a marked increase from 2011 (42 percent). Encouragingly, the gender gap in account ownership has narrowed almost by half.

However, exponential growth is accompanied by a concomitant upswing in disputes and grievances. Redressal systems have not evolved in lockstep with uptake. Users encountered difficulties in both comprehending and navigating the resolution process, especially during complex transactions involving multiple entities - such as government ministries, payment service providers (PSPs), and agents. A recent merchant digitization survey in Pakistan revealed that 50 percent of respondents had experienced poor redressal issues and consequently regarded all digital payments as inherently untrustworthy. The burden of payment system failures weighs heavily on low-income consumers who lack alternative financial resources while awaiting resolution. In the same survey, 65 percent of respondents cited reliability as a principal reason for preferring cash over digital payments. Streamlining complaint processes and ensuring users understand the redressal processes are vital to earn back trust in digital financial services.

Women are even less inclined to use recourse channels due to limited awareness, reduced confidence in navigating them, and a reluctance to disclose personal information. Around one third of mobile money users require some assistance.

Yet, a recent (2019-2020) IPA study in Uganda found that complaints by female customers were only 35 percent of the overall volume, despite women accounting for 45 percent of total subscribers. Women, often with less financial experience, are also particularly susceptible to financial abuse and fraud. The same study demonstrated that users with unresolved complaints were roughly three times more likely to reduce or halt usage than those whose problem was resolved. Frequently, users shoulder the impression that responsibility for resolution rests primarily on them. This hampers the recourse process and erodes faith in its efficacy.

Recourse systems act as a vital safety net, particularly for low-income users and women. It is imperative to overhaul these mechanisms, ensuring that filing a complaint is as straightforward as conducting a digital transaction to restore lost trust.

This technical note is product of the Responsible Finance Forum (RFF) Recourse Working Group. It is a resource for Alliance members aiming to fortify recourse mechanisms via policy evolution. Within this document, various Alliance member strategies are recast as case studies to demonstrate how recourse has been improved. These strategies encompass policy revisions, technology-based complaint resolution, and the bolstering of systemic oversights. Recognizing the significance of peer dialogue and knowledge sharing, this technical note is extended to external stakeholders seeking to strengthen their recourse mechanisms through condign policy evolution.

The Responsible Finance Forum's Recourse Working Group, formed in February 2023, enhances the capabilities of key digital payment stakeholders; governments, regulators, the private sector, and international development organizations. The group shares knowledge to strengthen recourse mechanisms, focusing on user clarity, equitable access, and accountable, timely resolution. Members of the working group include the United Nations Better Than Cash Alliance, Bangko Sentral ng Pilipinas (BSP), Bank of Ghana, CONDUSEF Mexico, and Flow Global.

Members of the Better Than Cash Alliance commit to provide responsible digital financial services that benefit users fully, implementing and embedding the [UN Principles for Responsible Digital Payments](#) in their work. Upholding these principles requires constant vigilance and managed evolution to match changing user needs and the evolving product, technology and regulatory landscapes. Recourse mechanisms must evolve too. **The Principles underline the need for recourse to be clear, quick, and responsive**, affording:

- clear information to the user by creating awareness
- equal access via user-centric design
- timely and accountable resolutions to enhance user experience.

1 What makes a successful recourse system?

Four pillars for a successful recourse system

The following four pillars were identified during the RFF Working Group deliberations as common themes that characterize a successful recourse system. They align with and augment UN Principles for Responsible Digital Payments:

Awareness and communication



- Simplify recourse
- Ease user burden
- Multichannel, multilingual approach

Inclusive design for equitable gender access



- Design for the user's convenience
- Respect the user's lived realities
- Balancing automation and human interaction
- Unbiased tech usage

Timely resolution, predictable processes



- Timely resolution and transparent expectations
- Collaborate to streamline the resolution
- User-friendly product flow
- Advanced fraud detection, prevention, and data monitoring

Accountability and user engagement



- Make accountability central
- User engagement in system enhancement
- Comprehensive tracking and feedback systems



Awareness and communication

Simplify recourse

When users encounter grievances, they often lack the knowledge to address them. Recourse information is scarce when problems occur, leading to confusion. This lack of awareness encompasses users' rights, the nature of complaints, and the procedures for lodging them, which particularly disadvantage new and at-risk users. It is imperative to offer users more than just a helpline by providing comprehensive recourse information including escalation options.

WHO?



GOVERNMENTS



REGULATORS



PROVIDERS

Ease user burden

Onerous obligations deter users from seeking redress. Transpose the responsibility of seeking recourse from users by establishing easily accessible redress points throughout the value chain. These access points should be available in pre-contractual disclosures, during onboarding, after transactions, and at complaint instigation.



REGULATORS



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Multichannel, multilingual approach

Recourse often fails atypical individuals by neglecting factors such as language, gender, disability, cultural norms, literacy levels, and access to technology. Disseminate recourse information through multiple channels, using local languages, including the vernacular to cater to diverse user segments, especially women. This approach might encompass WhatsApp messages, visual process charts, interactive voice response (IVR), interactive radio programs, or video messaging on locally relevant platforms.



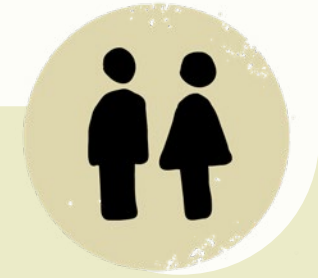
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Inclusive design for equitable gender access

Design for the user's convenience

Excessive bureaucracy repels users, particularly those with limited time. Create easy-to-use recourse by minimizing documentation. Provide a single point of contact to reduce confusion and frustration. A user-friendly interface is vital, to accommodate all digital literacy levels.

WHO?



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Respect the user's lived realities

Consider the unique needs of the target community, including cultural nuances and gender preferences when designing recourse systems. Call centers with female employees help women users feel more comfortable discussing sensitive financial matters. All complaints should be treated equally. For example, resolution personnel must receive comprehensive procedural training that includes specialized topics like gender sensitivity to ensure empathy for all users.



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Balancing automation and human interaction

While automation and the advent of chatbots enhances efficiency, users may feel more comfortable with human interactions. Provision for human interaction, if desired, allows users to receive recourse in a way that aligns with their comfort and familiarity levels. This balanced approach will accommodate a wider range of user needs and preferences.



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Unbiased tech usage

Artificial intelligence (AI)-based chatbots can introduce biases into user interactions. AI and other programming languages rely on a collection of data sets, which may lead to prejudices, particularly against women. It is imperative to mitigate these biases to ensure fair recourse responses. Ensure variegated data and full representation in decision-making - include women and other vulnerable voices at every stage.



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USERS



Timely resolution, predictable processes

Timely resolution and transparent expectations

Seeking redress places significant burdens of time and resource on users, particularly impacting those dependent on daily payments. When a user files a complaint, it should initiate a predictable timetable for conclusion. Users should be informed immediately of what to expect throughout the recourse process. Proactive updates on the status of the complaint mitigate the obligation on customers to follow up and chase information.

WHO?



REGULATORS



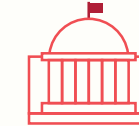
PROVIDERS



USERS

Collaborate to streamline resolution

Not knowing whom to petition confuses and demoralizes complainants. Avoid having users reach out to multiple parties. Ideally, a collaborative system exists where multiple stakeholders mutually assign accountability and enhance interoperability.



GOVERNMENTS



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User-friendly product flow

Users should not be responsible for flagging up faults and errors. Streamlining product flows is crucial to prevent users from bearing the burden of issue detection which complicates and confuses redress.



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Advanced fraud detection, prevention, and data monitoring

As fraud evolves, countermeasures must also evolve. Proactive detection and prevention are vital to modern recourse procedures. Data analysis and predictive technologies are powerful tools to mitigate against fraud.



REGULATORS



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Accountability and user engagement

Make accountability central

Users everywhere dislike multiple points of contact when raising issues. Streamline recourse procedures so that users contact a single party. Comprehensive information helps ameliorate frustrations during transaction failures. Transparency is enhanced by offering an independent third-party dispute resolution upfront to users during complaint initiation.

WHO?



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User engagement in system enhancement

Feedback is a powerful tool for product enhancement. Involve users when improving the recourse system and offered services. Understanding user behavior generates valuable insights for program and product enhancements. Insights and user feedback generated through the recourse procedures help to identify risks and training gaps and refine segmentation knowledge.



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USERS

Comprehensive tracking and feedback systems

Data from the complaints process builds better products tomorrow. Implement robust systems for capturing user feedback and complaints data, including frequency, referral rates, resolution statuses, and the nature of transaction failures. This data flags issues and areas for improvement whilst simultaneously revealing the efficacy of resolution channels.



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2 Global principles for effective recourse & consumer protection



International principles underscore the importance of robust complaints handling and resolution procedures within digital financial services. These principles promote the necessity for efficient, prompt, and equitable complaint mechanisms.

Notable principles include:

The G20/OECD Financial Consumer Protection Principles (2022) lay out vital guidelines for safeguarding financial consumers, with a focus on transparency and consumer-centric practices. They address disclosure, equitable treatment, dispute resolution, and financial education. Principle #12 emphasizes the need for fair, efficient, and accessible complaint handling and redress mechanisms. Financial institutions are urged to establish internal processes for handling complaints and identifying systemic issues. When internal avenues prove inadequate, consumers should have access to independent redress mechanisms. Aggregate complaint data should be available, and regulatory bodies should utilize this information for oversight and enforcement.

The World Bank's technical note, Complaints Handling within Financial Service Providers: Principles, Practices, and Regulatory Approaches (2019), underscores the pivotal role of regulatory authorities in enforcing and upholding standards for effective complaint handling. The document emphasizes the significance of transparent and efficient recourse in safeguarding consumer interests and fostering trust. It outlines a core set of principles, including accessibility, fairness, accountability, and timeliness, which should serve as guiding principles for resolving consumer complaints.

The GSR14 Best Practice Guidelines on consumer protection in a digital world (2014), by the International Telecommunication Union, emphasize core principles such as transparency, equitable treatment, privacy, and accessibility. The guidelines provide practical recommendations for regulators and policy makers to create a secure and trustworthy digital ecosystem.

The Alliance for Financial Inclusion offers guidance on establishing accessible and equitable dispute resolution processes through its Policy Recommendations on Effective Redress Mechanisms Guidelines. Additionally, AFI's Complaint Handling in Central Bank Toolkit (2022) provides valuable resources for implementing effective complaint handling.

The GSMA's Mobile Money Policy and Regulatory Handbook provides essential insights into achieving a delicate balance between encouraging innovation and protecting user interests in the dynamic realm of mobile money, with a focus on user recourse mechanisms, interoperability standards for seamless transactions, and robust data protection measures.

UNESCO's AI Ethics Recommendations (2021) and OECD's AI Principles (2019) provide invaluable insights and guidance concerning the ethical dimensions of AI and emergent technologies. These recommendations encompass aspects such as inclusivity, fairness, transparency, accountability, data protection, and awareness, which are essential considerations when harnessing AI, for the creation of recourse mechanisms. For instance, a key finding from the analysis of GPT-3.5's financial advice exhibited gender-based discrepancies. The model suggested that men, rather than women, prioritize creating or updating wills and designating beneficiaries for their assets, reflecting an implicit assumption of disparate financial circumstances between men and women with children. Therefore, it is crucial to identify and rectify inbuilt discriminatory bias in AI algorithms to promote fairness.

These principles collectively underscore the importance of safeguarding consumers and implementing effective recourse mechanisms, with a shared emphasis on fairness, transparency, accountability, and accessibility.

Bangko Sentral ng Pilipinas (BSP)'s Online Buddy (BOB) chatbot for recourse

Before the introduction of BOB chatbot, BSP handled consumer complaints manually through email, fax, phone calls, and in-person visits, imposing transportation and time costs on consumers. Additionally, BSP encountered challenges related to data storage limitations and a lack of analytical tools for efficient management and policy development. The launch of BSP Online Buddy in July 2020 embodied BSP's commitment to digital transformation while addressing challenges posed by traditional recourse mechanisms.



Awareness and communication

- BOB is available 24/7 on the BSP website and BSP Facebook page, and through SMS, accommodating consumers in English, Tagalog, and Taglish.
- Expanded access to the BSP's Consumer Assistance Mechanism across all digital communication platforms, including social media.



Inclusive design

- Automated the laborious and time-consuming complaints-handling process. A recent IPA study (using 2020–2021 data) with BSP revealed that the chatbot accurately categorized 74 percent of complaints, a significant time saving for BSP staff.
- BOB's digital platforms capture more data than before, providing valuable insights used to inform oversight and design.



Timely resolution

- BOB offers real-time responses and expedites the resolution of consumer concerns by automatically directing them to the relevant financial service providers.
- Enables the BSP to automatically address queries and complaints, and manage conversations based on historical data.



Accountability

- Developed a strong legal framework for Consumer protection in the financial sector, combining financial inclusion, education, governance, and supervision to benefit consumers.
- Regulated a clear mandate for financial service providers (FSPs) to provide redress mechanisms to clients, coupled with a mechanism to escalate complaints to regulators, empowering consumers.

Latest insights

- Maintain and improve traditional channels for handling complaints alongside technological solutions. In 2022, a quarter of complaints used traditional channels.
- Expand BOB into rural areas and to excluded segments of the population, such as women, senior citizens, farmers, or fishers.
- Address factors such as poor rural internet and low-tech literacy to improve inclusivity.
- Offer diverse communication channels until access and connectivity issues are resolved

“Recourse mechanisms for financial consumers must adapt to the ever-evolving financial system. Redress mechanisms must have future-proofing qualities that ensure application to emerging financial products and services to fill potential regulatory gaps. While automation is the solution to manually laborious complaints management, traditional communication channels should still be maintained for the benefit of all financial consumers, especially those from the underprivileged and vulnerable sectors. This has been the case with BSP's Online Buddy chatbot (BOB).”

Rowena C. Figueroa

Consumer Protection and Market Conduct Office,
Bangko Sentral ng Pilipinas

“Collaboration is of utmost importance and implementing a whole-of-government approach can be challenging due to our varying mandates. Consumer recourse requires a comprehensive approach that involves everyone's participation. At BSP, as we were developing the Financial Consumer Protection Act to ensure its acceptance in Congress, we recognized that it could not be solely driven by the Central Bank. Therefore, we engaged in collaboration with other financial regulators, urging them to support the bill. Our mandates may differ, but BSP has established a unified consumer protection framework for financial products. Recognizing that consumer protection extends beyond financial regulators, we actively engage with other regulators, industry associations, and agencies. There are numerous stakeholders involved, but it is crucial for all of us to prioritize the consumer at the core, and that is the message we aim to convey. This exemplifies the effectiveness of institutional advocacy.”

Attorney Charina B. De Vera-Yap

Director of the Consumer Protection and Market Conduct Office
of the Bangko Sentral ng Pilipinas

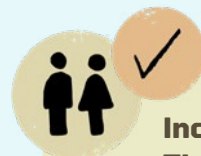
Bank of Ghana's policies on consumer protection

In Ghana, consumers of payment and financial services face numerous challenges stemming from a lack of understanding of the digital financial landscape and the neglect of consumer needs in product designs. Recognizing these issues, the Bank of Ghana (BoG) took proactive steps, via technology and regulatory oversight, to improve consumer protection and streamline recourse mechanisms.



Accountability

In 2017, BoG implemented a pivotal regulatory framework, consisting of the Consumer Recourse Mechanism Guidelines for Financial Service Providers and the Disclosure and Product Transparency Rules for Credit Products and Services. These regulations safeguarded consumers' welfare by ensuring access to effective and efficient complaints handling and redress mechanisms. Currently, BoG is reviewing these regulations to address evolving dynamics in the digital financial landscape and enhance compliance.



Inclusive design & Timely resolution

BoG introduced a customer complaint system known as "Akushika", powered by AI and natural language processing technology. Akushika simulates human conversation, offering automated responses to user queries and seamlessly connecting users to live human agents when necessary. This innovative service supplements existing consumer recourse regulations, making it easier for consumers to seek redress efficiently.



Awareness and communication

BoG remains committed to educating the public about digital financial products, services, and available channels for grievance resolution. By promoting awareness, BoG empowers consumers with the knowledge to navigate the digital financial landscape confidently and make informed decisions.

"Explore technology for more effective recourse but complementing it with human interaction to cater for diverse consumer needs is crucial."

Kwame A. Oppong
Director, FinTech and
Innovation Office,
Bank of Ghana.

Latest insights

- Due to an increase in licensed PSPs, consumer complaints have surged. BoG evaluates recourse mechanisms during the licensing process to ensure regulatory compliance.
- BoG enhances the consumer empowerment aspects of recourse mechanisms, including improving their understanding of available recourse options and how to utilize them effectively.
- BoG aims to shift the perception of adequate recourse from a mere regulatory requirement to a valuable tool that improves customer value.

"To safeguard users, we prioritize consumer protection. In 2017, the Bank of Ghana issued the Consumer Recourse Mechanism Guidelines for Financial Service Providers, utilizing its legislative authority to safeguard consumer interests. While legislation is crucial, we recognize the value of traditional recourse mechanisms in ensuring inclusivity. Hence, we are developing tailored policies to meet the diverse needs of different segments. Building trust, as outlined in the UN Responsible Principles for Digital Payments, is paramount. While 65 percent of issues have been resolved through traditional channels, integrating technology into recourse mechanisms has enabled cost-effective scalability. It is vital that technology maintains the same level of trust as human interaction."

Nancy Arhinfuwaa Imadi

Head for License and Product Authorization for FinTech and Innovation, Bank of Ghana, as shared during the Recourse Working Group at the RFF in July 2023.

CONDUSEF Mexico's policies on financial user protection

CONDUSEF, the Mexican National Commission for the Protection and Defence of Financial Services Users, has evolved significantly since its inception 24 years ago. Today, CONDUSEF handles a cumulative total of 24.2 million cases.



Inclusive design & Awareness

- Toll-free 24/7 recourse mechanisms available.
- Multiple interaction channels: online chat, chatbot, contact center, Attention by Remote Means (CCAMER), and Electronic Complaint Portal for complaints against 27 financial institutions. In 2022, 80 percent of complaints were made via remote channels.
- Strategies to assist women with digital payments and ATMs, including helpline FAQs tailored to their needs.
- Disseminates financial education and decision-making tips through multiple channels, including SMS and emails.
- Tracks identity theft claims and offers documentation and support for remote procedures, targeting elderly people and women.



Accountability and user engagement

- Includes clauses in service-level agreements to ensure the protection of users' data against misuse.
- Ranks payment partners' compliance based on metrics for data consent, sharing, and storage. These rankings are derived from user experiences and are curated by independent regulators.
- Offers Comprehensive Privacy Notices to inform individuals about how their personal data will be handled, allowing users to make informed decisions.
- Conducts assessments of financial products. Final grades and rankings are issued and made available to users upon request.
- Stores and provides user-requested information regularly to promote transparency and accountability.
- Conducts regular assessments of financial products to verify regulatory compliance in contractual documents.



Other Examples

The Indonesian Financial Services Authority (OJK) mandates that FSPs address and resolve complaints within 20 working days from the date of receipt. Prior to the expiration of this 20-working-day period, the complainant must receive written notification, unless any one of the exceptions – Differing Office Locations, Special Examination Requirement, or External Circumstances – specified by OJK applies.

BBVA, a leading bank in Mexico, introduced a priority customer service for older adults, reducing branch waiting time by 35 percent and serving them within five minutes. In September 2022, a remote assistance team cut authentication time by 80% for older adults struggling with fingerprint scanning quality, reducing the process from three days to just nine minutes. In addition, in November 2022, the introduction of Second Factor Authentication at ATMs enhanced security, resulting in a 24 percent reduction in claims related to teller operations and a 39 percent decrease in fraud amounts between 2020 and 2022.

Leo, United Bank of Africa's digital financial assistant, is accessible through apps such as WhatsApp, Facebook Messenger, and Apple Business Chat. Messages with Leo are safeguarded with robust encryption, guaranteeing that only the user and United Bank of Africa can access them. To identify Leo on various platforms, the bank advises users to look for the respective verification checkmarks on the apps.

In Pakistan, the **State Bank of Pakistan** has issued the Mobile Applications (Apps) Security Guideline.

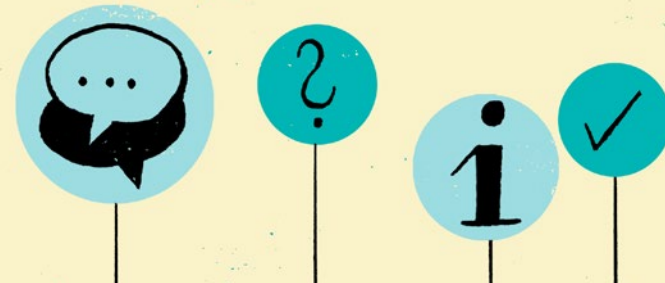
Key provisions include:

- Promoting cyber threat intelligence sharing among banks and with State Bank of Pakistan, operating round the clock to enhance security.
- Mandating the implementation of real-time monitoring tools by banks to promptly identify and combat fraudulent activities.
- Prohibiting fallback transactions on card processing infrastructure to mitigate the risk of skimming frauds.

Flow, a Fintech providing liquidity solutions to small businesses in East Africa and Madagascar, offers 24/7 issue resolution through various channels with an average resolution time of approximately 6 minutes:

- Flow introduced "Flow Buddy", an AI-powered in-app chat feature for both customers and Relationship Managers, streamlining complaint submission and enhancing issue tracking.
- Relies heavily on data-driven product and process enhancements. Flow analyses segment-disaggregated data including Gender, Age, Region and type of enterprise to design customized product and process elements.
- Aims to reduce resolution times to under 5 minutes.

4 Policy Recommendations



ALL
STAKEHOLDERS

Establish toll-free grievance mechanisms: These mechanisms should allow users to seek assistance without incurring any charges.

Prioritize sex-disaggregated data: Emphasize the collection and analysis of sex-disaggregated data to identify and address the unique needs and challenges faced by women users when accessing recourse mechanisms. This aligns with Responsible Principle #3: Prioritize Women.

Promote informed decision-making tools: Governments, regulators, and FSPs can actively promote user awareness through customized training, FAQs, and other resources. This effort should particularly target women, equipping them with the knowledge to make well-informed decisions and choices.



INTERNATIONAL
DEVELOPMENT
ORGANIZATIONS

IDO's can collaborate with governments and other stakeholders to **share key lessons** in strengthening recourse mechanisms.

IDO's can **assist to digital payment partners** and research organizations for the responsible use of new technologies such as AI and machine learning.



PROVIDERS

Collaborative, open standards: Collaborate through open standards to enhance user access and experience, especially for at-risk user segments.

Responsible use of technology: Collect and analyze sex-disaggregated data in conjunction with user feedback to enable improvements in AI-based products, ensuring greater inclusivity and reduced discriminatory biases.



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Establish interoperable national helplines: These can cater to issues related to government-to-person (G2P), peer-to-government (P2G), and business-to-government (B2G) payments.

Champion a “whole-of-government” approach: This fosters strong collaboration among all stakeholders, including financial regulators, government entities, industry associations, and agencies. Such collaboration is essential to achieving a comprehensive implementation of consumer recourse mechanisms.

Prioritize responsible data use and informed consent: Regulators can strengthen data usage policies to prioritize informed consent and responsible data handling. Users should have a clear understanding of how their data is used. One way of doing this is by incorporating data protection clauses into service-level agreements with digital payment partners (Responsible Principle #4: Safeguard Client Data and Principle #9: Champion Value Chain Accountability).

Promote responsible AI practices: Governments and regulators should promote ethical AI guidelines grounded in empirical research, broad stakeholder consultation, and pilot initiatives to ensure their effectiveness and national relevance.

Enhance assessment mechanisms: Strengthen policies to assess and improve PSP services. This can include periodic spot checks, user ratings of agents, and conducting feedback surveys.

Promote stakeholder engagement: Establish mechanisms for actively engaging with industry stakeholders. This should incentivize them to cater to marginalized groups. Oversight committees comprising chief regulators, industry experts, and thought leaders can play a role in this effort (Responsible Principle #1: Treating Users Fairly and Principle #9: Championing Value Chain Accountability).

Advocate for user-centric tools: Advocate for investment in tools such as local language-enabled voice messages. These tools enhance access and usage of recourse mechanisms, particularly among excluded groups.

Ensure timely complaint resolution: Strengthen policies and encourage financial institutions to specify timelines for users. This ensures that the complaint resolution process is not only quick but also responsive (Responsible Principle #8: Make Recourse Clear, Quick, and Responsive; and Principle #9: Champion Value Chain Accountability).

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BETTER THAN CASH ALLIANCE

About The Better Than Cash Alliance

Based at the United Nations, the Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to help achieve the Sustainable Development Goals.

